

**MARQUETTE AREA PUBLIC SCHOOLS
MARQUETTE, MICHIGAN**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Marquette Area Public Schools
1201 West Fair Avenue
Marquette, Michigan 49855

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marquette Area Public Schools' basic financial statements. The individual fund balance sheet financial statements, School Lunch Fund – Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual and the two Student Activity Agency Fund Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The individual fund balance sheet financial statements, School Lunch Fund – Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual and the two Student Activity Agency Fund Statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund balance sheet financial statements, School Lunch Fund – Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Board of Education of the
Marquette Area Public Schools

and the two Student Activity Agency Fund Statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Marquette Area Public Schools' basic financial statements for the year ended June 30, 2013, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marquette Area Public Schools' basic financial statements as a whole. The non-major governmental fund budgetary comparison schedule and the major governmental funds comparative statement of net position related to the 2013 financial statements for the year ended June 30, 2013, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 the non-major governmental fund budgetary comparison schedule and the major governmental funds comparative statement of net position are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2014, on our consideration of the Marquette Area 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marquette Area Public Schools' internal control over financial reporting and compliance.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 27, 2014

Marquette Area Public Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Marquette Area Public Schools (School District) financial performance provides an overview of the School District's financial activities for the year ended June 30, 2014. Please read it in conjunction with the financial statements, which begin as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- Net position for Marquette Area Public Schools as a whole was reported at \$15,066,774, comprised of 100% governmental activities.
- During the year, Marquette Area Public Schools expenses were \$28,350,189, while revenues from all sources totaled \$29,688,426, resulting in an increase in net position of \$1,338,237.
- There were no significant changes in programs for the 2013-14 fiscal year. Enrollment remained steady with counts from 3,107 in 2012-13 to 3,104 in 2013-14. State Aid foundation increased by \$60 per pupil plus a per pupil equity payment of \$50. The state continued to fund a Technology Infrastructure Grant (\$10 per pupil) and the revenue was utilized to pay for wiring the infrastructure for a wireless network. MAPS qualified for the Best Practices Incentive Grant through State Aid for \$170,258.19.
- In the election of August 2013 the voters passed a 20 year renewal of the 18.0000 operational millage.
- Capital project expenditures included security entrance upgrades to school buildings, replacing a roof at Cherry Creek School and renovating Graveraet Elementary School classrooms for the re-opening of this building as a K-5 school. The capital assets were revised to account for two disposed Buses.
- MPSERS section 147c started in 2012-13 which is meant to stabilize the UAAL (unfunded actuarial accrued liability) rate to the 20.96%. The state will calculate each district's share of the Section 147c allocation (based on prior year salaries), send the district its portion through state aid, and ORS will bill the district for the exact same amount as the district's share of state revenue. For 2013-14 the rate was 4.56%. Effective July 1, 2014 MAPS is required to charge an estimated 7.63% Stabilization Rate on all wages and salaries earned.
- MPSERS section 147d will begin in 2014-15 and is a one-time liability prepayment to buy down the liability in future years. MDE is predicting that it will be handled in the same manner as 147c and an estimated 1.13% rate will be charged on all wages and salaries earned in 2014-15. State aid will reimburse for the same amount.
- There were nine retirements in 2013-14. This was lower than 2012-13 at 18, but remains higher than the average of 5. Terminal Leave payments were lower in 2013-14 by \$28,000.
- The largest collective bargaining group (MAEA) remained in an unsettled status for the 2013-14 fiscal year. Payments for wages and benefits could not be made at a rate higher than the rate at the close of the previous contract.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Marquette Area Public Schools financially as a whole. The *District-wide Financial Statements* Statement of Net Position and the Statement of Activities (as listed in the table of contents) provide information about the activities of the School District as a whole and present a longer-term view of those finances. The fund financial statements (as listed in the table of contents) present the next level of detail. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant funds – the General Fund, Capital Projects Fund, and Debt Service Fund with all other funds presented in one column as non-major funds. The remaining statement, the Statement of Fiduciary Net Position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

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

Our analysis of Marquette Area Public Schools as a whole begins in the section entitled “The School District as a Whole”. One of the most important questions asked about the School District's finances is “As a whole, what is the School District's financial condition as a result of the year's activities?” The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private - sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position and changes in it. The School District's net position – the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources – is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net position – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

The Statement of Net Position and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

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

Our analysis of the School District's major funds begins in the section entitled “The School District's Funds”. The fund financial statements (as listed in the table of contents) provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes. The School District's two kinds of funds - *Governmental* and *Proprietary* – use different accounting methods.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

- *Governmental Funds* – Most of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- *Proprietary Funds* – When the School District charges customers for the services it provides – whether to outside customers or to other units of the School District – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. We use an internal service fund (the only component of the School District's proprietary funds) to report activities that provide services for the School District's other programs and activities – such as financing of early retirement incentive and unused sick leave reimbursement plan payments.

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

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

The School District as a Whole

Table 1 provides a summary of the School District's net position as of June 30, 2014 and 2013:

Table 1		Net Position	
		<u>Governmental Activities</u>	
		<u>2014</u>	<u>2013</u>
Current and other assets		\$11,007,734	\$10,293,489
Capital assets, net		10,943,080	10,856,021
	Total Assets	<u>21,950,814</u>	<u>21,149,510</u>
Deferred outflows of resources		<u>26,156</u>	<u>31,386</u>
Current liabilities		3,361,404	3,231,002
Long-term liabilities		3,492,927	4,104,438
	Total Liabilities	<u>6,854,331</u>	<u>7,335,440</u>
Deferred inflows of resources		<u>55,865</u>	<u>116,919</u>
Net Position:			
Net investment in capital assets		8,213,080	7,543,208
Restricted		432,741	434,851
Unrestricted		6,420,953	5,750,478
	Total Net Position	<u>\$15,066,774</u>	<u>\$13,728,537</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The School District's net position was \$15,066,774 at June 30, 2014. Net investment in capital assets totaling \$8,213,080 compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due.

Restricted net position totaling \$432,741 is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position of \$6,420,953 was unrestricted.

The \$6,420,953 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal years 2014 and 2013.

**Table 2
Change in Net Position**

	Governmental Activities	
	2014	2013
Revenues		
Program Revenues:		
Charges for services	\$905,214	\$937,666
Operating grants and contributions	6,702,406	6,134,321
Capital grants and contributions	-	-
General Revenues:		
Property taxes	10,456,202	9,384,583
State sources not restricted to specific program	11,497,890	12,655,808
State sources restricted for debt service	-	41,321
Investment earnings	64,008	60,104
Gain/(loss) on disposal of capital assets	-	-
Miscellaneous	62,706	47,870
Total Revenues	<u>29,688,426</u>	<u>29,261,673</u>
Program Expenses:		
Instruction	16,473,560	16,594,773
Supporting services	9,997,316	9,914,126
Community services	186,445	153,332
Food service activities	940,336	900,392
Facilities acquisition	60,617	46,211
Other	-	54,125
Interest on retirement of debt	43,647	168,573
Depreciation - unallocated	648,268	639,042
Total Expenses	<u>28,350,189</u>	<u>28,470,574</u>
Increase (decrease) in net position	1,338,237	791,099
Net position, beginning, as restated	-	12,937,438
Net position, beginning	13,728,537	-
Net Position, Ending	<u>\$15,066,774</u>	<u>\$13,728,537</u>

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$28,350,189. Certain activities were partially funded from those who benefited from the programs, totaling \$905,214, or by other governments and organizations that subsidized certain

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

programs with grants and categorical, totaling \$6,702,406. We paid for the remaining “public benefit” portion of our governmental activities with \$10,456,202 in taxes, \$11,497,890 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net position for the year of \$1,338,237.

Key reasons for the change in net position were as follows:

- Net increase in governmental fund balances of \$669,605.
- Depreciation charged to expense of \$648,268.
- Lease expense of \$27,813.
- Purchase of capital assets in the amount of \$735,327.
- Net increase due to pay down of principal through the use of debt fund balance of \$555,000.
- Accrued interest on long-term debt included in expense \$2,518.
- Amortization of deferred bond discount and premium of \$4,080.
- Payment of long-term compensated absences of \$7,838.

Table 3 presents the cost of each of the School District’s largest activities as well as each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District’s operation.

**Table 3
Governmental Activities**

	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$16,473,560	\$9,833,231	\$16,594,773	\$10,574,720
Supporting services	9,997,316	9,997,316	9,914,126	9,914,126
Food service activities	940,336	11,563	900,392	101,443

Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District’s operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

The School District’s Funds

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

As the School District completed the year, its governmental funds (as presented in the balance sheet as listed in the table of contents) reported a combined fund balance of \$7,518,199, an increase of \$669,605 from the beginning of the year. This included a \$1,203,044 increase in the General Fund’s fund balance, a decrease of \$530,109 in the Capital Projects Fund’s fund balance, an increase of \$30,815 in the Debt Service Fund and a decrease of \$34,145 in the School Lunch Fund.

General Fund Budgetary Highlights

Over the course of the year, the School District’s Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

ensure that expenditures do not exceed appropriations. A schedule showing the School District’s original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Changes to the General Fund original budget were as follows:

- Budgeted revenues increased by \$592,211, including other financing sources, to reflect an increase for Special Education from MARESA, increases in restricted state revenue for best practices, equity payment and MPERS offsets, and increases in Federal grants including new grants for Kaufman Auditorium.
- Budget expenditures decreased 362,634 to reflect unsettled contracts.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2014 and 2013, the School District had \$10,943,080 and \$10,856,021, respectively invested in a variety of capital assets including land, buildings, and machinery and equipment. (See Table 4 below):

**Table 4
Capital Assets at Year-End
(net of depreciation)**

	Governmental Activities	
	2014	2013
Land	\$822,392	\$822,392
Site improvements	403,963	449,093
Buildings	8,757,027	8,457,949
Equipment	572,410	624,570
Vehicles and buses	387,288	502,017
Totals	<u>\$10,943,080</u>	<u>\$10,856,021</u>

This year’s additions of \$735,327 included building renovations, other equipment, and buses. No new debt was issued for these additions.

With the Facilities Committee, the capital expenditures will utilize more from Fund 41 (Capital Projects Fund) to ensure safety, security and technology advancements per the strategic plan of the District.

Debt

At June 30, 2014 and 2013, the School District had \$2,730,000 and \$3,312,813, respectfully, in debt outstanding as depicted in Table 5.

**Table 5
Outstanding Debt at Year-End**

	Governmental Activities	
	2014	2013
Bus leases payable	\$-	\$27,813
General obligation bonds	2,730,000	3,285,000
Totals	<u>\$2,730,000</u>	<u>\$3,312,813</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)(Continued)

We present more detailed information about our long-term debt in the notes to the financial statements.

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many key factors when setting the School District's fiscal year 2015 budget. One of the most important factors affecting the budget is our pupil enrollment count. Each December, the district obtains enrollment projections to build the following year's budget assumptions. This number becomes the base for the state revenue calculation. The State foundation revenue is determined by multiplying the blended student count by the state foundation allowance per pupil. This amount then is reduced by the local tax effort based upon 18.0000 operating mills levied on non-homestead properties. This local portion is approximately 32% of the revenue budget with the state foundation contributing 55%. As the district cannot access additional tax revenue for general obligations per State law, the amount of state foundation allowance which provides over half of the district's revenue is significant to the budget. The enrollment projection data for 2014-15 anticipates an increase of 87 students as the assumption for the 2014-15 budget. Early headcounts reflect greater than anticipated enrollments which, upon validation through audit, will require an amendment if different from original appropriations. State Aid foundation for 2014-15 will increase by \$50 per pupil with a per pupil equity payment of \$125.

State economic factors and legislation continue to be of concern for state funding to K-12 districts.

July 1, 2013 – June 30, 2016 employment contracts were ratified as following:

MESPA I – 12/2/13

MESPA II – 9/23/13

MABA – 10/14/13

MAEA did not have a contract during 2013-14, and the 2012-2013 contract was signed October 25, 2013.

Contacting the School District's Financial Management

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marquette Area Public Schools Central Administration, 1201 West Fair Avenue, Marquette, Michigan, 49855.

Marquette Area Public Schools

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities
	<u> </u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 3,732,584
Investments	3,648,570
Receivables:	
Accounts receivable	38,762
Delinquent property taxes	29,566
Due from other governmental units	3,545,147
Prepaid expenditures	1,220
Inventories	11,885
Non-current assets:	
Capital Assets:	
Land and construction in progress	822,392
Other capital assets, net	<u>10,120,688</u>
TOTAL ASSETS	<u>21,950,814</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Unamortized bond discount	<u>26,156</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>26,156</u>
 LIABILITIES	
Current Liabilities:	
Accounts payable	615,806
Accrued payroll and other liabilities	2,564,465
Accrued interest	6,242
Due to other governmental units	-
Unearned income: grants received in advance	173,391
Other current liabilities	1,500
Non-current Liabilities:	
Portion due or payable within one year:	
Leases payable	-
Bonds payable	590,000
Employee benefit payable	90,816
Portion due or payable after one year:	
Leases payable	-
Bonds payable	2,140,000
Employee benefit payable	<u>672,111</u>
TOTAL LIABILITIES	<u>6,854,331</u>
 DEFERRED INFLOWS OF RESOURCES	
Premiums on bonds issued	<u>55,865</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>55,865</u>
 NET POSITION	
Net investment in capital assets	8,213,080
Restricted	432,741
Unrestricted	<u>6,420,953</u>
TOTAL NET POSITION	<u>\$ 15,066,774</u>

The accompanying notes are an integral part of these financial statements.

Marquette Area Public Schools

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

<u>Function / Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$ 16,473,560	\$ 436,966	\$ 6,203,363	\$ (9,833,231)
Supporting services	9,997,316	-	-	(9,997,316)
Community services	186,445	38,518	-	(147,927)
Food service activities	940,336	429,730	499,043	(11,563)
Facilities acquisition	60,617	-	-	(60,617)
Other	-	-	-	-
Interest on retirement of debt	43,647	-	-	(43,647)
Depreciation - unallocated	648,268	-	-	(648,268)
TOTAL GOVERNMENTAL ACTIVITIES	<u>28,350,189</u>	<u>905,214</u>	<u>6,702,406</u>	<u>(20,742,569)</u>
General revenues:				
Taxes				
Property taxes, levied for general purposes				9,820,212
Property taxes, levied for debt services				635,990
State aid not restricted to specific purposes				11,497,890
State aid restricted for debt service				-
Interest and investment earnings				64,008
Gain/(loss) on disposal of capital assets				-
Miscellaneous				62,706
			TOTAL GENERAL REVENUES	<u>22,080,806</u>
			CHANGES IN NET POSITION	1,338,237
Net Position, July 1				<u>13,728,537</u>
			NET POSITION, JUNE 30	<u>\$ 15,066,774</u>

The accompanying notes are an integral part of these financial statements.

Marquette Area Public Schools

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2014

	General Fund	Capital Projects Fund	Debt Service Fund	Non-major School Lunch Fund	Total
ASSETS					
Cash and cash equivalents	\$ 3,405,221	\$ 15,000	\$ -	\$ 312,363	\$ 3,732,584
Investments	2,129,854	1,325,646	112,877	-	3,568,377
Receivables:					
Accounts receivable	38,607	-	-	155	38,762
Delinquent property taxes	26,688	-	2,878	-	29,566
Due from other governmental units	3,538,112	-	-	7,035	3,545,147
Due from other funds	822	-	-	-	822
Prepaid expenses	1,220	-	-	-	1,220
Inventories	-	-	-	11,885	11,885
TOTAL ASSETS	9,140,524	1,340,646	115,755	331,438	10,928,363
DEFERRED OUTFLOWS OF RESOURCES					
	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 9,140,524	\$ 1,340,646	\$ 115,755	\$ 331,438	\$ 10,928,363
LIABILITIES					
Accounts payable	\$ 360,348	\$ 248,774	\$ -	\$ 6,684	\$ 615,806
Accrued liabilities	2,562,667	-	-	1,798	2,564,465
Due to other governmental units	-	-	-	-	-
Due to other funds	47,812	-	822	6,368	55,002
Unearned income: grants received in advance	173,391	-	-	-	173,391
Other liabilities	1,500	-	-	-	1,500
TOTAL LIABILITIES	3,145,718	248,774	822	14,850	3,410,164
DEFERRED INFLOWS OF RESOURCES					
	-	-	-	-	-
FUND BALANCES					
Non-spendable	1,220	-	-	11,885	13,105
Restricted	-	-	114,933	304,703	419,636
Committed	3,000,000	-	-	-	3,000,000
Assigned	659,003	1,091,872	-	-	1,750,875
Unassigned	2,334,583	-	-	-	2,334,583
TOTAL FUND BALANCES	5,994,806	1,091,872	114,933	316,588	7,518,199
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 9,140,524	\$ 1,340,646	\$ 115,755	\$ 331,438	\$ 10,928,363

The accompanying notes are an integral part of these financial statements.

Marquette Area Public Schools

GOVERNMENTAL FUNDS

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

June 30, 2014

Total Fund Balances for Governmental Funds \$ 7,518,199

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets not depreciated	\$ 822,392	
Cost of capital assets being depreciated	29,367,939	
Accumulated depreciation	<u>(19,247,251)</u>	10,943,080

Internal service funds are used by the School District to record terminal leave. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. 134,373

Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:

Current portion:		
Leases payable	-	
Bonds payable	590,000	
Bonds & Loans payable - non-current portion		
Leases payable		
Bonds payable	2,140,000	
Accrued interest on bonds	6,242	
Employee benefits payable - current	90,816	
Employee benefits payable - non-current	672,111	
Premium on refunding bonds	55,865	
Deferred discount on refunding bonds	<u>(26,156)</u>	<u>(3,528,878)</u>

Net Position of Governmental Activities \$ 15,066,774

The accompanying notes are an integral part of these financial statements.

Marquette Area Public Schools

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2014

	General Fund	Capital Projects Fund	Debt Service Fund	Non-major School Lunch Fund	Total
REVENUES:					
Local sources	\$ 12,950,026	\$ 440	\$ 636,060	\$ 434,302	\$ 14,020,828
State sources	14,510,895	-	-	49,444	14,560,339
Federal sources	657,660	-	-	449,599	1,107,259
TOTAL REVENUES	28,118,581	440	636,060	933,345	29,688,426
EXPENDITURES:					
Instruction	16,473,560	-	-	-	16,473,560
Supporting services	10,102,624	-	-	-	10,102,624
Community services	186,445	-	-	-	186,445
Food service activities	-	-	-	940,336	940,336
Facilities acquisition	84,951	610,871	-	14,789	710,611
Debt service:					
Principal	-	-	555,000	-	555,000
Interest	-	-	47,778	-	47,778
Other	-	-	2,467	-	2,467
Payments to other governmental units	-	-	-	-	-
TOTAL EXPENDITURES	26,847,580	610,871	605,245	955,125	29,018,821
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,271,001	(610,431)	30,815	(21,780)	669,605
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of bonds	-	-	-	-	-
Premiums on bonds issued	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Transfers in	12,365	80,322	-	-	92,687
Transfers (out)	(80,322)	-	-	(12,365)	(92,687)
TOTAL OTHER FINANCING SOURCES (USES)	(67,957)	80,322	-	(12,365)	-
NET CHANGE IN FUND BALANCES	1,203,044	(530,109)	30,815	(34,145)	669,605
Fund Balance, July 1	4,791,762	1,621,981	84,118	350,733	6,848,594
FUND BALANCE, JUNE 30	\$ 5,994,806	\$ 1,091,872	\$ 114,933	\$ 316,588	\$ 7,518,199

The accompanying notes are an integral part of these financial statements.

Marquette Area Public Schools

GOVERNMENTAL FUNDS

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

For the Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 669,605

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	\$ 648,268	
Capital lease expense	(27,813)	
Capital outlays	(735,327)	
Net book value of disposed assets	-	114,872

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.

Proceeds from bond issuance	-	
Premiums on bonds issued	-	-

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 555,000

Payments to escrow agent is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Purchase of bonds		-
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The deferred discount on refunding bonds is reported as an expenditure in the governmental funds. However, for governmental activities this costs is shown in the statement of net position and amortized over the life of the bond issuance as annual interest and other costs in the statement of activities. 4,080

Interest on long-term debt is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount of accrued interest recognized in the statement of activities. 2,518

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (7,838)

Change in Net Position of Governmental Activities \$ 1,338,237

The accompanying notes are an integral part of these financial statements.

Marquette Area Public Schools

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities
	Internal Service Fund
ASSETS	
Current Assets:	
Investments	\$ 80,193
Due from other funds	<u>54,180</u>
TOTAL ASSETS	<u>134,373</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>
LIABILITIES	
Non-current Liabilities:	
Employee benefits payable	134,373
Due to other funds	<u>-</u>
TOTAL LIABILITIES	<u>134,373</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>
NET POSITION	
Unrestricted	<u>-</u>
TOTAL NET POSITION	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

Marquette Area Public Schools

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2014

	<u>Governmental Activities</u> <u>Internal</u> <u>Service Fund</u>
OPERATING REVENUES:	
Other revenue for services	\$ 54,180
TOTAL OPERATING REVENUES	<u>54,180</u>
OPERATING EXPENSES:	
Employee Benefits:	
Terminal leave	50,330
FICA	3,850
TOTAL OPERATING EXPENSES	<u>54,180</u>
OPERATING INCOME (LOSS)	-
NON-OPERATING REVENUES (EXPENSES):	
Interest income	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>-</u>
CHANGE IN NET POSITIION	-
Net Position, July 1	<u>-</u>
NET POSITION, JUNE 30	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

Marquette Area Public Schools

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014

	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from other operating activities	\$ 54,180
Cash payments for employee benefits	<u>(90,716)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(36,536)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
(Increase) decrease in due from other funds	<u>24,234</u>
NET CASH PROVIDED (USED) FOR NONCAPITAL FINANCING ACTIVITIES	<u>24,234</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Redemption of investments - net	<u>12,302</u>
NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>12,302</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-
Cash and cash equivalents, July 1	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ -</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Increase (decrease) in employee benefits payable	<u>(36,536)</u>
TOTAL ADJUSTMENTS	<u>(36,536)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (36,536)</u></u>

The accompanying notes are an integral part of these financial statements.

Marquette Area Public Schools

FIDUCIARY FUNDS

STATEMENTS OF FIDUCIARY NET POSITION

June 30, 2014

	Private Purpose Trust Fund <u>Scholarship Fund</u>	<u>Student Activity Agency Fund</u>
ASSETS		
Cash and equivalents	\$ 365,056	\$ 492,434
Accounts receivable	-	-
	<u>365,056</u>	<u>492,434</u>
TOTAL ASSETS	<u>365,056</u>	<u>\$ 492,434</u>
DEFERRED OUTFLOWS OF RESOURCES		
	<u>-</u>	
LIABILITIES		
Accounts payable	-	\$ 10,024
Due to other governmental units	-	506
Due to groups, organizations and activities	-	481,904
	<u>-</u>	<u>492,434</u>
TOTAL LIABILITIES	<u>-</u>	<u>\$ 492,434</u>
DEFERRED INFLOWS OF RESOURCES		
	<u>-</u>	
NET POSITION		
Restricted for scholarships	<u>365,056</u>	
TOTAL NET POSITION	<u>\$ 365,056</u>	

The accompanying notes are an integral part of these financial statements.

Marquette Area Public Schools

FIDUCIARY FUND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2014

	<u>Private Purpose Trust Fund Scholarship Fund</u>
ADDITIONS:	
Private sources contributions	\$ 122,619
Interest	<u>4,526</u>
TOTAL ADDITIONS	<u>127,145</u>
DEDUCTIONS:	
Scholarships awarded	<u>137,285</u>
TOTAL DEDUCTIONS	<u>137,285</u>
CHANGE IN NET POSITION	(10,140)
Net position, July 1	<u>375,196</u>
NET POSITION, JUNE 30	<u><u>\$ 365,056</u></u>

The accompanying notes are an integral part of these financial statements.

MARQUETTE AREA PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statement of Marquette Area Public Schools (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local units of government through its pronouncements. Governments are also required to follow pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, that does not conflict with or contradict GASB pronouncements. The more significant policies established in GAAP and used by the School District are discussed below.

REPORTING ENTITY

Marquette Area Public Schools covers an area of 123 square miles and serves a population of approximately 31,000. During the fiscal year, public education was provided to over 3,000 students in grades Kindergarten through 12. The educational sites include three elementary schools, one middle school, and one high school, one alternative high school, and a child development center.

The School District operates under an elected Board of Education of seven (7) members, which are elected across the District to establish programs and policies.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the financial position of the Marquette Area Public Schools, Marquette County. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based upon the application of these criteria, the financial statements of Marquette Area Public Schools contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

Basic Financial Statements – District-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis, and is reported on full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported as either net investment in capital assets, restricted, or unrestricted.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's functions. General government revenues (property taxes, state aid, etc.) support the functions. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants directly associated with the function.

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

Basic Financial Statements – Fund Financial Statements:

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if they meet the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The emphasis in fund financial statements is on the major funds. The School District reports the General Fund, Capital Projects Fund, and Debt Service Fund as its major governmental funds in accordance with the above criteria. Non-major funds by category are summarized into a single column for presentation. The funds of the School District are described below:

Governmental Funds

General Fund – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects). The special revenue fund for Marquette Area Public Schools is the School Lunch Fund.

Capital Projects Fund – Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources such as taxes, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Proprietary Funds

Internal Service Fund – Internal Service Fund is primarily used for financing of early retirement incentive and unused sick leave reimbursement plan payments.

Fiduciary Funds

Agency Fund – The Agency Fund accounts for all assets held by the School District in a custodial capacity for various student organizations. Since the Agency Fund is custodial in nature; they do not involve the measurement of results of operations.

The School District's fiduciary funds are presented in the Fund Financial Statements by type. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The School District will first apply restricted net position for expenses incurred for purposes for which both restricted and unrestricted net position is available.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the district-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position and cash flows. All assets, deferred outflows or resources, liabilities, and deferred inflows of resources, whether current or non-current, associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the district-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

Cash and Equivalents

The School District cash and cash equivalents as reported in the Statement of Cash Flows and the Statement of Net Position are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with maturities of three months or less.

Investments

Investments are carried at market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory

The School District utilizes the consumption method of recording inventories of materials and food supplies. Under the consumption method, inventories are recorded as expenditures when they are used. The inventory is valued at the lower of cost (first-in, first-out) or market.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Site improvements	15-20 years
Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the district-wide financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category:

On the district fund financial statements, bond discounts received on debt issuance are reported as other financing uses; the amount by which the market price of the bond is lower than its principal amount due at maturity. For district-wide financial statement purposes the amount of the bond discount is deferred and amortized over the life of the bonds using straight line amortization.

Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the district-wide statements.

Employee Benefits

The School District's policies regarding employee benefits permits employees to accumulate earned but unused vacation and sick leave. The liability for these employee benefits is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the employee benefit liability payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item that qualifies for reporting in this category:

On the district fund financial statements, bond premiums received on debt issuance are reported as other financing sources; the amount by which the market price of the bond is higher than its principal amount due at maturity. For district-wide financial statement purposes the amount of the bond premium is deferred and amortized over the life of the bonds using straight line amortization.

Equity Classification

District-Wide Statements

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

2. Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation. These amounts are derived from the fund financial statements by combining non-spendable and restricted fund balance classifications.
3. Unrestricted Net Position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, and unassigned, if appropriate. Proprietary fund equity is classified the same as in the district-wide statements.

Revenues

District-Wide Statements

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

Fund Statements

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District’s policy to use the restricted resources first.

Property Taxes

Property taxes are levied on July 1 and December 1, on behalf of the School District by various taxing units and are payable without penalty by September 30 and February 28. The School District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year). Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

Expenses/Expenditures

District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

Fund Statements

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

In the proprietary fund financial statements, expenses are classified by operating and non-operating and are sub-classified by function such as personnel services and other services and charges.

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Position.

Budgets and Budgetary Accounting

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

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- e. All annual appropriations lapse at fiscal yearend.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 27, 2014 the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

As of June 30, 2014, the School District's cash and equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and equivalents	\$3,732,584	\$857,490	\$4,590,074
Investments	3,648,570	-	3,648,570
	<u>\$7,381,154</u>	<u>\$857,490</u>	<u>\$8,238,644</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy includes the consideration of credit risk for cash and investments held by the School District. The carrying amounts of the School District's deposits with financial institutions were \$4,590,074 and the bank balance was \$3,728,312. The bank balance is categorized as follows.

Amount insured by the FDIC	\$463,404
Amount uncollateralized and uninsured	3,264,908
	<u>\$3,728,312</u>

Investments

As of June 30, 2014, the School District had the following investments.

Investment Type	Fair Value	Investment Maturities Less Than One year
Michigan Liquid Asset Fund – Mutual Bonds	<u>\$3,648,570</u>	<u>\$3,648,570</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the School District's investments. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes authorize the School District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The School District has no investment policy that would further limit its investment choices and has no investments for which ratings are required. The School District's investments are in accordance with statutory authority.

NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units as of June 30, 2014, totaled \$3,545,147. Of that amount \$2,653,546 was due from the State of Michigan for State Aid, \$76,296 was due from the Federal Government, and the remaining \$815,305 due from other governmental units for the operation of special programs and grant projects.

NOTE D – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Marquette Area Public Schools reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds, and fiduciary funds. Interfund transactions resulting in interfund receivables and payables are as follows:

		DUE FROM OTHER FUNDS				
DUE TO OTHER FUNDS		General Fund	Capital Projects Fund	Debt Service Fund	Internal Service Fund	Total Due to Other Funds
		General Fund	\$-	\$-	\$-	\$47,812
	School Lunch Fund	-	-	-	6,368	6,368
	Debt Service Fund	822	-	-	-	822
	Total Due From Other Funds	<u>\$822</u>	<u>\$-</u>	<u>\$-</u>	<u>\$54,180</u>	<u>\$55,002</u>

All 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. See table below.

		TRANSFERS OUT TO OTHER FUNDS			
TRANSFERS IN FROM OTHER FUNDS		General Fund	Capital Projects Fund	School Lunch Fund	Total Transfers In
		General Fund	\$-	\$-	\$12,365
	Capital Projects Fund	80,322	-	-	80,322
	School Lunch Fund	-	-	-	-
	Total Transfers Out	<u>\$80,322</u>	<u>\$-</u>	<u>\$12,365</u>	<u>\$92,687</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to Debt Service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, and (3) use unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE E – CAPITAL ASSETS:

Capital assets activity of the School District's governmental activities was as follows:

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$822,392	\$-	\$-	\$822,392
Construction in progress	-	-	-	-
Capital assets being depreciated:				
Site improvements	2,166,626	-	-	2,166,626
Buildings	22,115,591	649,994	-	22,765,585
Equipment	2,538,737	76,373	-	2,615,110
Vehicles and buses	1,953,034	8,960	(141,376)	1,820,618
Total Capital Assets	<u>29,596,380</u>	<u>735,327</u>	<u>(141,376)</u>	<u>30,190,331</u>
Less accumulated depreciation:				
Site improvements	(1,717,533)	(45,130)	-	(1,762,663)
Buildings	(13,657,642)	(350,916)	-	(14,008,558)
Equipment	(1,914,167)	(128,533)	-	(2,042,700)
Vehicles and buses	(1,451,017)	(123,689)	141,376	(1,433,330)
Total Accumulated Depreciation	<u>(18,740,359)</u>	<u>(648,268)</u>	<u>141,376</u>	<u>(19,247,251)</u>
Capital Assets, Net	<u>\$10,856,021</u>	<u>\$87,059</u>	<u>\$-</u>	<u>\$10,943,080</u>

Depreciation expense was charged to unallocated activities in the amount of \$648,268.

NOTE F – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2014 is as follows:

	Governmental Activities
Accrued wages	\$1,465,246
MESSA payable	484,291
Accrued fringes	614,928
	<u>\$2,564,465</u>

NOTE G – LONG-TERM OBLIGATIONS:

A summary of long-term obligations at June 30, 2014 and transactions related thereto for the year then ended is as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Bus lease due in annual installments of \$29,037 including interest at 4.4% through August 2013	\$27,813	\$-	\$27,813	\$-	\$-

NOTE G – LONG-TERM OBLIGATIONS (Continued):

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
2013 Refunding Issue Serial Bonds, due in annual installments of \$250,000 to \$600,000 through 2020 with interest of 1.0% to 2.0%	\$3,285,000	\$-	\$555,000	\$2,730,000	\$590,000
Subtotal	<u>3,312,813</u>	<u>-</u>	<u>582,813</u>	<u>2,730,000</u>	<u>590,000</u>
Employee benefits:					
Governmental funds terminal leave	620,716	7,838	-	628,554	-
Internal service terminal leave	170,909	54,180	90,716	134,373	90,816
Subtotal	<u>791,625</u>	<u>62,018</u>	<u>90,716</u>	<u>762,927</u>	<u>90,816</u>
TOTAL LONG-TERM DEBT	<u>\$4,104,438</u>	<u>\$62,018</u>	<u>\$673,529</u>	<u>\$3,492,927</u>	<u>\$680,816</u>

Debt Service Requirements

The annual requirements to pay principal and interest based on debt outstanding at June 30, 2014 (exclusive of employee benefits) are as follows:

Fiscal Year	Principal	Interest	Total
2015	\$590,000	\$37,450	\$627,450
2016	600,000	31,550	631,550
2017	525,000	25,550	550,550
2018	430,000	20,300	450,300
2019	335,000	11,700	346,700
2020	250,000	5,000	255,000
TOTALS	<u>\$2,730,000</u>	<u>\$131,550</u>	<u>\$2,861,550</u>

NOTE H – EMPLOYEE BENEFITS PAYABLE:

The School District accrues the liability for earned sick leave based on the vesting method. The liability is accrued as benefits are earned if it is probable that the School District will compensate the employees conditioned upon retirement. The current labor agreements stipulate sick leave must be taken in order to be paid, except at retirement at which time 100% of the unused accumulated sick days up to a maximum of two hundred are converted to terminal leave pay. The School District has provided early retirement incentives. Employee benefits payable are recorded in the financial statements as follows:

	Internal Service Fund	Other	Total Governmental Activities
Terminal Leave	<u>\$134,373</u>	<u>\$628,554</u>	<u>\$762,927</u>
TOTALS	<u>\$134,373</u>	<u>\$628,554</u>	<u>\$762,927</u>

The liability has been recognized in the Statement of Net Position as follows

Current portion	\$90,816
Long-term portion	<u>672,111</u>
TOTAL	<u>\$762,927</u>

NOTE I – FUND BALANCES – GOVERNMENTAL FUNDS:

As of June 30, 2014, fund balances of the governmental funds are classified as follows:

Non-spendable — amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of the Board of Education. Board of Education is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Education.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the School District’s adopted policy, only the Assistant Superintendent for Finance or the Board of Education may assign amounts for specific purposes.

Unassigned — all other spendable amounts.

As of June 30, 2014, fund balances are composed of the following:

	General Fund	Capital Projects Fund	Debt Service Fund	School Lunch Fund	Total Governmental Funds
Non-spendable:					
Prepaid	\$1,220	\$-	\$-	\$-	\$1,220
Inventories	-	-	-	11,885	11,885
Restricted:					
School Lunch	-	-	-	234,788	234,788
Debt Service	-	-	114,933	-	114,933
FY14/15 Budgeted Shortfall	-	-	-	69,915	69,915
Committed:					
Contingency	3,000,000	-	-	-	3,000,000
Assigned:					
Kaufman Auditorium	-	-	-	-	-
Shiras Planetarium	15,126	-	-	-	15,126
FY14/15 Budgeted Shortfall	643,877	-	-	-	643,877
Capital Improvements	-	1,091,872	-	-	1,091,872
Unassigned	2,334,583	-	-	-	2,334,583
Total fund balances	<u>\$5,994,806</u>	<u>\$1,091,872</u>	<u>\$114,933</u>	<u>\$316,588</u>	<u>\$7,518,199</u>

The Board of Education establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Assistant Superintendent for Finance through amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

NOTE I – FUND BALANCES – GOVERNMENTAL FUNDS (Continued):

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

NOTE J – PRIVATE PURPOSE TRUST FUND:

The School District restricts fund equities for the following funds:

Scholarship Income – The School District restricts fund balance for the nonexpendable gifts received in the Scholarship Fund. Only the investment income from these gifts is to be used for scholarships.

Unexpended Investment Income on Scholarship Funds: Interest and dividends received on Scholarship Fund investments are to be used for scholarship awards to students. The accumulated balance of unexpended investment income is designated for scholarships.

NOTE K – ECONOMIC DEPENDENCY:

The School District received approximately 53 percent of its revenue through state and federal sources to be used for providing elementary and secondary education for the residents of Marquette. The School District's Foundation Allowance is set by the state and includes the local contribution from Non Homestead taxes. Increases in the local Non Homestead property tax revenues are offset by a corresponding decrease in state aid on a per pupil basis.

NOTE L – STATE REVENUE:

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenue from state sources is 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, 2014, the foundation allowance was based on the three-year average of the blended pupil membership counts taken in February and October.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2013 – August 2014.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

NOTE M – NON-MONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized \$54,212 during fiscal year 2014 in revenues and expenditures for USDA commodities.

NOTE N – PROPERTY TAXES:

The taxable value of real and personal property located in the School District at December 31, 2013 totaled \$1,150,047,342 (\$563,457,381 designated as Homestead, \$534,189,677 designated as Non-Homestead, \$50,411,984 designated as Commercial Personal Property, and \$1,988,300 as Industrial Personal Property). The total tax levy consists of 18.0000 mills on all non-homestead property, 6.0000 mills on all commercial personal property for the General Fund and 0.9000 mills for debt retirement on all properties.

NOTE O – CONTINGENT LIABILITIES:

Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

Risk Management

The School 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 School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

Plan Description

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death, disability, health, medical, dental, vision and hearing insurance coverage. Benefits are established by state statute.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS, at MPSERS, PO Box 30673, Lansing, Michigan, 48909-8103.

Pension Benefits

Employer contributions to the pension system result from the implementing effects of the School Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The School District was required by state statute to contribute 24.32% of covered compensation to the Plan through September 2013 and 24.79% from October 2013 through June 30, 2014. The total amount contributed to the Plan for the year ended June 30, 2014 was \$4,664,325 which consisted of \$3,616,047 from the School District and \$1,048,278 from employees electing the MIP option. These represent approximately 24.74% and 7.17% of covered payroll, respectively. The School Districts contributions to the MPSERS plan for the years ended June 30, 2014, 2013, and 2012 were \$4,664,325, \$4,675,173, and \$4,620,619, respectively.

Payroll paid to employees covered by the System for the year ended June 30, 2014 was approximately \$14,616,490. The School District's total payroll was approximately \$14,757,159.

Post-Employment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees electing this coverage contribute an amount equivalent to the monthly cost of Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The required contribution rate was 9.11% of covered payroll for the period from July 1, 2013 through September 30, 2013, and 5.52% for the period from October 1, 2013 through June 30, 2014. Required contributions for post-employment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

NOTE Q – OPERATING LEASE COMMITMENTS:

The School District has entered into a number of operating leases, and with the exception of the non-cancelable operating leases listed below; these leases have cancellation provisions and are subject to annual appropriations.

The School District is committed under various non-cancelable operating leases for computers and copiers. Future minimum operating lease commitments are as follows:

Year ending June 30,	Computer Lease Hewlett- Packard 2013-17	Copier Lease Marlin 2010-11	Minimum Operating Lease Commitments
2015	\$30,606	\$2,676	\$33,282
2016	30,606	2,676	33,282
2017	4,787	446	5,233
TOTAL	<u>\$65,999</u>	<u>\$5,798</u>	<u>\$71,797</u>

NOTE R – SINGLE AUDIT:

The School District's audited financial statements report a total of \$1,107,259 in federal expenditures. As the amount is more than the single audit threshold of \$500,000, the School District is therefore required to have an audit in accordance with OMB Circular A-133 for the fiscal year ended June 30, 2014.

NOTE S – UPCOMING STANDARDS:

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the School District in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the School District.

GASB 66: 2012 Technical Corrections (an Amendment to GASB 10 and GASB 62)

Effective for fiscal years beginning after 12/15/2013 (School District's fiscal year 2015)

This standard was issued to eliminate conflicting guidance that resulted from the issuance of GASB 54 and GASB 62, which are both already effective. GASB 10 was amended to allow for risk financing activities to be accounted for in whichever fund type is most applicable (no longer limited to the general fund or an internal service fund). GASB 62 was amended to modify specific guidance related to (1) operating leases with scheduled rent increases, (2) purchase of loans at an amount other than the principal amount, and (3) service fees related to mortgages that are sold when the service rate varies significantly from the current (normal) service fees.

We do not expect GASB 66 to have any significant impact on the School District at this time.

GASB 67: Financial Reporting for Pension Plans

Effective for fiscal years beginning after 06/15/2014 (School District's fiscal year FY 2015)

This standard establishes the requirements for pension plans administered by trusts to report on their operations, including setting new uniform requirements for actuarial valuations of the total pension liability, and reporting various 10-year trend data as required supplementary information.

NOTE S – UPCOMING STANDARDS (Continued):

The financial statements of pension plans will not change substantially as a result of GASB 67, though the additional note disclosures and required supplementary information will be significant. Additionally, actuarial valuations conducted in accordance with GASB 67 will have to match the government's fiscal year, or be rolled forward to that date by the actuary.

GASB 68: Accounting and Financial Reporting for Pensions

Effective for fiscal years beginning after 06/15/2015 (School District's fiscal year FY 2016)

This standard establishes new requirements for governments to report a "net pension liability" for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single employer or agent multiple-employer) will report a liability for the difference between the total pension liability calculated in accordance with GASB 67 and the amount held in the pension trust fund. Governments that participate in a cost sharing plan will report a liability for their "proportionate share" of the net pension liability of the entire system.

Historically, governments have only been required to report a net pension obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net pension liability based on the current funded status of their pension plans. This liability would be limited to the government-wide financial statements and proprietary funds. Changes in this liability from year to year will largely be reflected on the income statement, though certain amounts will be deferred and amortized over varying periods.

GASB 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government's proportionate share of plan.

GASB 67 and 68 are only applicable to pension plans. However, the GASB has announced its intent to issue similar standards for other postemployment benefits (e.g., retiree healthcare) on a two year delay from these standards.

GASB 69: Government Combinations and Disposals of Government Operations

Effective for fiscal years beginning after 12/15/2014 (School District's fiscal year FY 2016)

This standard provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity.

REQUIRED SUPPLEMENTAL INFORMATION

Marquette Area Public Schools

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local sources	\$ 11,532,523	\$ 12,824,105	\$ 12,950,026	\$ 1,291,582	\$ 125,921
State sources	15,276,198	14,520,637	14,510,895	(755,561)	(9,742)
Federal sources	633,528	689,718	657,660	56,190	(32,058)
TOTAL REVENUES	27,442,249	28,034,460	28,118,581	592,211	84,121
EXPENDITURES:					
Instruction:					
Basic programs	12,663,773	12,603,720	12,373,239	60,053	230,481
Added needs	4,154,609	4,247,045	4,100,321	(92,436)	146,724
Adult/Continuing education	-	-	-	-	-
Total Instruction	16,818,382	16,850,765	16,473,560	(32,383)	377,205
Supporting Services:					
Pupil services	2,389,840	2,361,847	2,260,739	27,993	101,108
Instructional staff	505,212	551,237	496,902	(46,025)	54,335
General administration	485,240	438,127	405,361	47,113	32,766
School administration	1,538,975	1,535,717	1,472,920	3,258	62,797
Business services	421,155	424,267	409,875	(3,112)	14,392
Operation and maintenance	2,535,248	2,807,800	2,709,580	(272,552)	98,220
Pupil transportation	1,130,232	1,172,177	1,139,886	(41,945)	32,291
Central staff	745,160	700,792	664,129	44,368	36,663
Other	564,043	561,914	543,232	2,129	18,682
Total Supporting services	10,315,105	10,553,878	10,102,624	(238,773)	451,254
Community services	184,892	228,150	186,445	(43,258)	41,705
Facilities acquisition	53,600	96,820	84,951	(43,220)	11,869
Payments to other governmental units	-	5,000	-	(5,000)	5,000
TOTAL EXPENDITURES	27,371,979	27,734,613	26,847,580	(362,634)	887,033
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	70,270	299,847	1,271,001	229,577	971,154
OTHER FINANCING SOURCES (USES):					
Transfers in	87,680	228,150	12,365	140,470	(215,785)
Transfers (out)	(80,322)	(80,322)	(80,322)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	7,358	147,828	(67,957)	140,470	(215,785)
NET CHANGE IN FUND BALANCE	77,628	447,675	1,203,044	370,047	755,369
Fund Balance, July 1	4,791,762	4,791,762	4,791,762	-	-
FUND BALANCE, JUNE 30	\$ 4,869,390	\$ 5,239,437	\$ 5,994,806	\$ 370,047	\$ 755,369

Marquette Area Public Schools

BUDGETARY COMPARISON SCHEDULE

CAPITAL PROJECTS FUND

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local sources	\$ 1,500	\$ 400	\$ 440	\$ (1,100)	\$ 40
TOTAL REVENUES	<u>1,500</u>	<u>400</u>	<u>440</u>	<u>(1,100)</u>	<u>40</u>
EXPENDITURES:					
Facilities acquisition	775,000	881,365	610,871	(106,365)	270,494
TOTAL EXPENDITURES	<u>775,000</u>	<u>881,365</u>	<u>610,871</u>	<u>(106,365)</u>	<u>270,494</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(773,500)</u>	<u>(880,965)</u>	<u>(610,431)</u>	<u>(107,465)</u>	<u>270,534</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	80,322	80,322	80,322	-	-
Transfers (out)	-	(116,535)	-	(116,535)	116,535
TOTAL OTHER FINANCING SOURCES (USES)	<u>80,322</u>	<u>(36,213)</u>	<u>80,322</u>	<u>(116,535)</u>	<u>116,535</u>
NET CHANGE IN FUND BALANCE	<u>(693,178)</u>	<u>(917,178)</u>	<u>(530,109)</u>	<u>(224,000)</u>	<u>387,069</u>
Fund Balance, July 1	<u>1,621,981</u>	<u>1,621,981</u>	<u>1,621,981</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 928,803</u>	<u>\$ 704,803</u>	<u>\$ 1,091,872</u>	<u>\$ (224,000)</u>	<u>\$ 387,069</u>

Marquette Area Public Schools

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local sources:					
Taxes and penalties	\$ 637,000	\$ 633,073	\$ 634,028	\$ (3,927)	\$ 955
Interest	-	70	70	70	-
Other	-	800	1,962	800	1,162
State sources	-	-	-	-	-
TOTAL REVENUES	637,000	633,943	636,060	(3,057)	2,117
EXPENDITURES:					
Debt service-principal payments	609,128	555,000	555,000	54,128	-
Debt service-interest and agent fees	-	47,778	47,778	(47,778)	-
Other	-	3,850	2,467	(3,850)	1,383
TOTAL EXPENDITURES	609,128	606,628	605,245	2,500	1,383
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of bonds	-	-	-	-	-
Premiums on bonds issued	-	-	-	-	-
Payment to refund bond escrow agent	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCE	27,872	27,315	30,815	(557)	3,500
Fund Balance, July 1	84,118	84,118	84,118	-	-
FUND BALANCE, JUNE 30	\$ 111,990	\$ 111,433	\$ 114,933	\$ (557)	\$ 3,500

OTHER SUPPLEMENTAL INFORMATION

Marquette Area Public Schools

GENERAL FUND

BALANCE SHEET

June 30, 2014

With Comparative Actual Amounts at June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and equivalents	\$ 3,405,221	\$ 3,075,762
Investments	2,129,854	894,074
Accounts receivable	38,607	49,549
Delinquent taxes receivable	26,688	16,487
Due from other governmental units	3,538,112	3,984,100
Due from other funds	822	96,000
Prepaid expense	<u>1,220</u>	<u>28,821</u>
TOTAL ASSETS	<u>9,140,524</u>	<u>8,144,793</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 9,140,524</u></u>	<u><u>\$ 8,144,793</u></u>
LIABILITIES		
Accounts payable	\$ 360,348	\$ 332,094
Accrued liabilities	2,562,667	2,842,237
Due to other governmental units	-	37,915
Due to other funds	47,812	88,192
Unearned income: grants received in advance	173,391	51,743
Other liabilities	<u>1,500</u>	<u>850</u>
TOTAL LIABILITIES	<u>3,145,718</u>	<u>3,353,031</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
FUND BALANCES		
Non-spendable	1,220	-
Restricted	-	-
Committed	3,000,000	3,000,000
Assigned	659,003	33,960
Unassigned	<u>2,334,583</u>	<u>1,757,802</u>
TOTAL FUND BALANCES	<u>5,994,806</u>	<u>4,791,762</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 9,140,524</u></u>	<u><u>\$ 8,144,793</u></u>

Marquette Area Public Schools

CAPITAL PROJECTS FUND

BALANCE SHEET

June 30, 2014

With Comparative Actual Amounts at June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and equivalents	\$ 15,000	\$ -
Investments	1,325,646	1,606,981
Due from other funds	<u>-</u>	<u>15,000</u>
TOTAL ASSETS	<u>1,340,646</u>	<u>1,621,981</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 1,340,646</u></u>	<u><u>\$ 1,621,981</u></u>
LIABILITIES		
Accounts payable	\$ 248,774	\$ -
Due to other funds	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>248,774</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
FUND BALANCES		
Non-spendable	-	-
Restricted	-	-
Committed	-	-
Assigned	1,091,872	1,621,981
Unassigned	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>1,091,872</u>	<u>1,621,981</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 1,340,646</u></u>	<u><u>\$ 1,621,981</u></u>

Marquette Area Public Schools

DEBT SERVICE FUND

BALANCE SHEET

June 30, 2014

With Comparative Actual Amounts at June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Investments	\$ 112,877	\$ 80,066
Delinquent property taxes	2,878	2,739
Due from other governmental units	-	1,289
Due from other funds	<u>-</u>	<u>24</u>
TOTAL ASSETS	<u>115,755</u>	<u>84,118</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 115,755</u></u>	<u><u>\$ 84,118</u></u>
LIABILITIES		
Due to other funds	<u>\$ 822</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>822</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
FUND BALANCES		
Non-spendable	-	-
Restricted	114,933	84,118
Committed	-	-
Assigned	-	-
Unassigned	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>114,933</u>	<u>84,118</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 115,755</u></u>	<u><u>\$ 84,118</u></u>

Marquette Area Public Schools

SPECIAL REVENUE FUND

SCHOOL LUNCH FUND

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014			
	Final Budget	Actual	Variance Favorable (Unfavorable)	2013
REVENUES:				
Local sources:				
School lunch activities	\$ 418,900	\$ 429,730	\$ 10,830	\$ 466,190
Interest	4,100	4,501	401	4,236
Other revenues	70	71	1	587
State sources	49,444	49,444	-	56,165
Federal sources	385,500	449,599	64,099	479,480
	TOTAL REVENUES	933,345	75,331	1,006,658
EXPENDITURES:				
School lunch activities:				
Salaries	238,258	224,790	13,468	232,167
Employee benefits	137,654	129,845	7,809	121,937
Purchased services	26,750	27,553	(803)	15,080
Supplies and materials	525,700	548,613	(22,913)	521,647
Capital outlay	26,500	14,789	11,711	44,807
Other	9,800	9,535	265	9,561
	TOTAL EXPENDITURES	955,125	9,537	945,199
	EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(21,780)	84,868	61,459
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers (out)	(9,000)	(12,365)	(3,365)	(9,944)
	TOTAL OTHER FINANCING SOURCES (USES)	(12,365)	(3,365)	(9,944)
	NET CHANGE IN FUND BALANCE	(34,145)	81,503	51,515
Fund Balance, July 1	350,733	350,733	-	299,218
	FUND BALANCE, JUNE 30	\$ 316,588	\$ 81,503	\$ 350,733

Marquette Area Public Schools

STUDENT ACTIVITY AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 2014

	<u>Balance July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30</u>
ASSETS:				
Cash and equivalents	<u>\$ 473,259</u>	<u>\$ 703,775</u>	<u>\$ 684,600</u>	<u>\$ 492,434</u>
TOTAL ASSETS	<u>\$ 473,259</u>	<u>\$ 703,775</u>	<u>\$ 684,600</u>	<u>\$ 492,434</u>
LIABILITIES:				
Accounts payable	\$ 27,647	\$ 525,088	\$ 542,711	\$ 10,024
Due to other funds	-	-	-	-
Due to other governmental units	317	2,382	2,193	506
Due to groups, organizations and activities	<u>445,295</u>	<u>720,369</u>	<u>683,760</u>	<u>481,904</u>
TOTAL LIABILITIES	<u>\$ 473,259</u>	<u>\$ 1,247,839</u>	<u>\$ 1,228,664</u>	<u>\$ 492,434</u>

Marquette Area Public Schools

STUDENTY ACTIVITY AGENCY FUND

STATEMENT OF RECEIPTS, DISBURSEMENTS AND TRANSFERS

For the Year Ended June 30, 2014

	Balance June 30, 2013	Receipts	Disbursements	Balance June 30, 2014
ABC Conference	\$ 210	\$ -	\$ -	\$ 210
Academic Extracurricular	91	-	-	91
Advanced Placement	12,473	27,328	23,724	16,077
Athletics	785	-	-	785
Auto Shop	945	-	-	945
Autism	-	1,558	1,558	-
Band Fund	480	8,362	8,566	276
Band Fund-Bothwell	3,706	7,160	9,667	1,199
Bay Cliff - 5th Grade	(4,107)	22,446	20,111	(1,772)
Big Foot Snowshoe	159	-	-	159
BPA	1,776	3,886	2,364	3,298
Board Flower fund	109	-	85	24
Bothwell Extracurricular Activities	269	730	479	520
BMS Wellness Team	-	100	-	100
Bothwell Junior Honor Society	1,408	654	1,267	795
Bothwell School Camp	30,632	43,969	44,246	30,355
Bothwell Sports	6,783	15,380	14,053	8,110
Bothwell Student Benevolence	566	-	182	384
Bothwell Lego League	1,385	500	1,464	421
Bothwell Art	1,595	808	-	2,403
Bowling	560	128	675	13
Bus Garage	26	40	29	37
Central Administration	107	-	27	80
Carnegie Hall	3	-	-	3
Cheer Club	35	-	-	35
Choral Fund	919	2,905	4,104	(280)
Choral Fund	718	1,366	2,071	13
Class of 1991	472	-	-	472
Class of 1995	260	-	-	260
Class of 1996	1,628	-	-	1,628
Class of 1998	-	-	-	-
Class of 1999	3,408	-	-	3,408
Class of 2000	-	-	-	-
Class of 2001	500	-	-	500
Class of 2002	5	-	-	5
Class of 2003	391	-	-	391
Class of 2004	1,487	-	1,487	-
Class of 2005	443	-	-	443
Class of 2006	723	-	-	723
Class of 2007	1,604	-	-	1,604
Class of 2008	3,116	-	-	3,116
Class of 2009	4,520	-	-	4,520
Class of 2010	5,024	-	-	5,024
Class of 2011	5,879	-	-	5,879
Class of 2012	7,798	-	-	7,798
Class of 2013	3,000	-	-	3,000
Class of 2014	7,200	6,021	5,786	7,435
Class of 2015	(794)	13,345	5,596	6,955
Class of 2016	665	1,060	750	975
Class of 2017	-	576	-	576
Cross Country Bothwell	-	2,247	1,331	916
Community Education	(919)	-	-	(919)
CEU-SB	346	-	-	346
Culture Club	102	-	-	102

Marquette Area Public Schools

STUDENTY ACTIVITY AGENCY FUND

STATEMENT OF RECEIPTS, DISBURSEMENTS AND TRANSFERS

For the Year Ended June 30, 2014

	Balance June 30, 2013	Receipts	Disbursements	Balance June 30, 2014
Distracted Driver	\$ 2,015	\$ -	\$ 200	\$ 1,815
Drama Fund	3,608	2,061	3,723	1,946
Early On	7	-	-	7
Evans Memorial Fund	1,481	65	295	1,251
Ecology Club	226	110	103	233
Expanding Possibilities	18,185	6,052	2,257	21,980
Environmental Club	(69)	-	-	(69)
Field Trips	1,175	867	855	1,187
Fingerprints Singing Group	43	-	-	43
Forensic Club	(2,286)	4,279	3,256	(1,263)
Foundation BMS	2,000	-	-	2,000
Choral/Orch Trip	6,703	12,610	12,279	7,034
French Club	(15)	60	-	45
Freshman Transition	74	-	-	74
Functional Skills Feliz	-	-	22	(22)
Functional Skills Cotter	424	-	-	424
German Account	221	-	-	221
Giving Tree	-	-	-	-
Guidance Special Needs	3,268	-	959	2,309
Bill Hart Football Activity	1,470	-	-	1,470
Health Occupation	1,965	7,897	6,462	3,400
High School Bowl	33	-	-	33
High School Office Vending	3,522	7,173	8,468	2,227
Homeless	65	314	285	94
Industrial Arts	1,741	-	-	1,741
Interact High School	64	-	-	64
Interest	8,746	8,656	8,746	8,656
Intramural Basketball	715	-	-	715
Jazz Club	203	-	-	203
K-12 Music	7,242	1,069	1,036	7,275
Kaufman Foundation Maintenance	(14)	1,225	808	403
Kaufman Incentive	-	-	-	-
Kaufman Incentive	(12)	-	-	(12)
Kaufman Capital Improvement	27,918	16,865	8,022	36,761
Kaufman Auditorium	6,559	20,162	18,834	7,887
Kaufman Lyceum	6,183	15,500	19,690	1,993
Kaufman Theatre	-	6,988	6,870	118
Lego Robotics	3,276	20,555	16,784	7,047
Library Club HS	1,422	113	507	1,028
Library Club SK	686	-	-	686
Library Club BMS	424	220	-	644
Life Skills	263	-	-	263
Locks PE & Athletics	60	-	-	60
Lounge Fund-High School	249	-	-	249
Lounge Fund-Bothwell	226	15	179	62
Lyceum	11,669	-	-	11,669
Metals	1,312	167	201	1,278
Student Alliance for Equality	-	500	542	(42)
MSHS Ink	266	-	-	266
Miscellaneous	(159)	-	175	(334)
MSHS Marching Band	2,636	2,777	2,859	2,554
MSHS Orchestra	16,003	14,106	20,221	9,888
MSHS Sunshine Committee	169	1,740	1,720	189
Musical Fund	10,884	33,881	15,382	29,383

Marquette Area Public Schools

STUDENTY ACTIVITY AGENCY FUND

STATEMENT OF RECEIPTS, DISBURSEMENTS AND TRANSFERS

For the Year Ended June 30, 2014

	Balance June 30, 2013	Receipts	Disbursements	Balance June 30, 2014
National Honor Society	\$ 6,879	\$ 2,198	\$ 1,044	\$ 8,033
Native American Students	1,095	-	-	1,095
Observer	697	-	-	697
Office	122	2,107	2,176	53
OM Support	375	-	-	375
PTO - Cherry Creek	4,356	58,897	55,403	7,850
Parent Training - Sandy Knoll	310	-	-	310
Peer Mentoring Program	-	-	-	-
Percussive Attack Camp	285	-	-	285
Photography Club	1,576	-	-	1,576
Photography Club	1,350	2,164	2,169	1,345
Pre-Voc	26	-	26	-
PTSO Mini-Grant	9	-	-	9
Record Account-MSHS	20,592	870	18,870	2,592
Recess Milk - SH	-	7,978	7,978	-
Recess Milk - SK	-	7,095	7,095	-
Recess Milk - VAN	-	-	-	-
Recess Milk - CC	-	8,792	8,792	-
Recess Milk - GIS	-	-	-	-
Recreation-Field Trips-Alt. Ed.	486	4,437	1,565	3,358
Renaissance	554	1,280	1,216	618
Rotary	41	-	-	41
Reality Store MSHS	799	600	153	1,246
SADD	5	-	-	5
Scholarship Fund - Bothwell	3,929	-	-	3,929
Science Olympiad	-	-	-	-
S.H.A.P.E.	17,722	48,683	46,590	19,815
Spanish Club	(11)	5,355	5,355	(11)
Spec Ed Assistive Tech	2,402	-	-	2,402
SSR Reading	640	-	559	81
Stadium Project	62	-	-	62
Student Council-MSHS	11,373	5,310	3,839	12,844
Student Council-Bothwell	3,572	1,101	536	4,137
Student Council-MSHS Renov.	2,567	-	-	2,567
Student Activity-Graveraet MS	234	-	-	234
Student Activity - Superior Hills	6,387	6,997	10,321	3,063
Student Activity - Sandy Knoll	3,356	8,014	8,106	3,264
Student Activity-Vandenboom	1,178	64	-	1,242
Student Activity-Bothwell	15	-	-	15
Student Activity-Cherry Creek	11,408	10,306	9,444	12,270
Student Activity - Graveraet	307	-	-	307
Student Activity 5th Grade	5	1,307	2,758	(1,446)
Student Activity 5th Grade	91	-	-	91
Student Activity 6th Grade	-	1,265	685	580
Student Activity BMS	-	-	-	-
Student Activity BMS	2,013	903	281	2,635
Student Activity 8th Grade	647	23	65	605
Student Activity-At Risk	427	-	-	427
Student Activity-Superior Hills	343	-	-	343
Student Welfare Fund	7,732	-	-	7,732
Suicide Prevention	1,974	-	1,913	61
Tatler	15,919	18,075	26,971	7,023
Teen Leadership	55	-	-	55

Marquette Area Public Schools

STUDENTY ACTIVITY AGENCY FUND

STATEMENT OF RECEIPTS, DISBURSEMENTS AND TRANSFERS

For the Year Ended June 30, 2014

	Balance June 30, 2013	Receipts	Disbursements	Balance June 30, 2014
Therapeutic Swimming Program	\$ 5,981	\$ -	\$ -	\$ 5,981
UP Chamber Fest	2,880	2,365	2,336	2,909
UP Dyslexia Outreach	2,363	-	-	2,363
UP Reading Association	760	-	-	760
Vending Machine Bothwell	-	1,386	689	697
Yearbook	17	4,131	-	4,148
Yearbook	2,811	3,651	4,985	1,477
Yoga Calm	-	-	-	-
Video Club	611	-	30	581
Woods	1,278	-	-	1,278
Wrestling Club	1,083	-	85	998
Zero Degrees Gallery Art Class	-	117	-	117
Unclaimed Deposits	1,997	-	-	1,997
Auction Fundraiser	379	10,219	8,012	2,586
General Athletics	4,941	19,316	16,098	8,159
Football	(11,217)	35,396	29,319	(5,140)
Girls Basketball	(101)	5,721	7,078	(1,458)
Boys Basketball	(906)	10,051	7,541	1,604
Hockey	261	117	487	(109)
Volleyball	2,004	2,164	1,225	2,943
Wrestling	2,432	3,610	3,121	2,921
Gymnastics	1,750	3,170	2,267	2,653
Swimming	10,736	5,574	6,120	10,190
Girls Track	2,209	328	247	2,290
Boys Track	2,006	282	308	1,980
Cross Country	167	4,009	2,501	1,675
Girls Tennis	626	246	489	383
Boys Tennis	942	100	396	646
Cheerleading	893	6,243	6,032	1,104
Skiing	3,756	925	1,200	3,481
Golf	751	-	90	661
Softball	545	5,305	4,430	1,420
Dance	6,470	9,724	7,620	8,574
Competitive Cheerleading	-	-	-	-
JV Hockey	(2,725)	23,026	24,817	(4,516)
Girls Soccer Revolving	388	95	340	143
Baseball	3,966	12,681	10,625	6,022
Total	\$ 445,295	\$ 720,369	\$ 683,760	\$ 481,904

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
Marquette Area Public Schools
1201 West Fair Avenue
Marquette, Michigan 49855

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marquette Area Public Schools, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Marquette Area Public Schools' basic financial statements, and have issued our report thereon dated October 27, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 27, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Education of the
Marquette Area Public Schools
1201 West Fair Avenue
Marquette, Michigan 49855

Report on Compliance for Each Major Federal Program

We have audited Marquette Area Public Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Marquette Area Public Schools' major federal programs for the year ended June 30, 2014. Marquette Area Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Marquette Area Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marquette Area Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Marquette Area Public Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Marquette Area Public Schools, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Marquette Area Public Schools, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Marquette Area Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marquette Area Public Schools' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 27, 2014

MARQUETTE AREA PUBLIC SCHOOLS
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2014

Federal Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2013	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2014
U.S. DEPARTMENT OF AGRICULTURE:							
Nutrition Cluster:							
National School Breakfast Program:							
<i>Passed through the Michigan Department of Education:</i>							
National School Lunch Program - Free and Reduced	10.553	\$ 68,568	\$ 66,752	\$ -	\$ 68,568	\$ 68,568	\$ -
National School Lunch Program:							
Entitlement Commodities	10.555	54,212	75,299	-	54,212	54,212	-
Bonus Commodities	10.555	-	-	-	-	-	-
Nutrition Cluster:							
<i>Passed through the Michigan Department of Education:</i>							
Section 11 - Free and Reduced 1967 & 1968	10.555	326,819	337,430	-	326,819	326,819	-
Total National School Lunch Program		381,031	412,729	-	381,031	381,031	-
Total Nutrition Cluster		449,599	479,481	-	449,599	449,599	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE							
U.S. DEPARTMENT OF EDUCATION:							
ECIA Title I, Part A Cluster:							
<i>Passed through the Michigan Department of Education:</i>							
ECIA Title I, Part A:							
121530 1112	84.010	364,290	8,412	-	-	-	-
131530 1213	84.010	359,193	341,142	81,689	11,509	93,198	-
141530 1314	84.010	377,606	-	-	358,534	305,389	53,145
Total ECIA Title I, Part A Cluster		1,101,089	349,554	81,689	370,043	398,587	53,145
Special Education Cluster:							
<i>Passed Through Marquette-Alger Regional Educational Service Agency:</i>							
P.L. 94-142 Flow Through:							
130450 1213	84.027	94,483	94,483	17,294	-	17,294	-
140460 1314	84.027	81,894	-	-	81,894	81,894	-
Total Special Education Cluster		176,377	94,483	17,294	81,894	99,188	-

MARQUETTE AREA PUBLIC SCHOOLS
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2014

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2013	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2014
Carl D. Perkins Vocation and Applied Technologies Education Act:							
Passed Through Marquette-Alger Regional Educational Service Agency:							
123520-12122	84.048	\$ 12,230	\$ 12,230	\$ -	\$ -	\$ -	\$ -
143520-14122	84.048	12,867	-	-	12,867	12,867	-
Total Carl D. Perkins Vocation		25,097	12,230	-	12,867	12,867	-
P.L. 92-318 Indian Education, Title VII, Part A:							
Direct Award:							
S-060A100067	84.060A	-	48,156	-	-	-	-
S-060A100067	84.060A	49,539	-	-	49,539	49,539	-
Total Indian Education, Title VII, Part A		49,539	48,156	-	49,539	49,539	-
Small Learning Communities:							
Passed through Traverse City Public Schools:							
S215L070343	84.215	47,626	47,626	-	-	-	-
S215L070343A	84.215	4,951	4,951	-	-	-	-
Total Small Learning Communities		52,577	52,577	-	-	-	-
ECIA Title IIA:							
Passed through the Michigan Department of Education:							
130520 1213	84.367	192,571	137,009	15,519	25,400	40,919	-
130520 1314	84.367	196,426	-	-	109,848	95,388	14,460
Total ECIA Title IIA		388,997	137,009	15,519	135,248	136,307	14,460
TOTAL U.S. DEPARTMENT OF EDUCATION		1,793,676	694,009	114,502	649,591	696,488	67,605
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES:							
LEA Medicaid Outreach:							
Passed Through Marquette-Alger Regional Educational Service Agency:							
N/A	93.778	7,253	7,253	7,253	-	7,253	-
N/A	93.778	8,072	-	-	8,072	-	8,072
Total Medicaid Outreach		15,325	7,253	7,253	8,072	7,253	8,072
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES		15,325	7,253	7,253	8,072	7,253	8,072
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 2,258,600	\$ 1,180,743	\$ 121,755	\$ 1,107,262	\$ 1,153,340	\$ 75,677

MARQUETTE AREA PUBLIC SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year June 30, 2014

NOTE A – OVERSIGHT AGENCY:

The U.S. Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the School District's direct federal awards.

NOTE B – BASIS OF ACCOUNTING:

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

NOTE C – FINAL COST REPORT – FORM DS4044:

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with either the prior year audited figures or the prior year and current year audit figures combined.

NOTE D – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION:

The amounts reported as current payments on the Grant Auditor Report, reconcile with the Schedule of Expenditures of Federal Awards as follows:

Current payments per Grant Auditor Report		\$930,280
Add - payments not on Grant Auditor Report:		
Direct programs	\$49,539	
Passed through other Districts/Others	119,308	
Bonus and entitlement commodities	54,212	<u>223,059</u>
Less – Accrued/Deferred revenue at the beginning of year	(121,755)	
Add – Accrued/Deferred revenue at the end of year	75,677	
Add – Payments on Grant Auditor Report recorded as Receivables at June 30, 2013	-	<u>(46,078)</u>
PER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS		<u>\$1,107,261</u>

A reconciliation of expenditures on the Schedule of Federal Awards to federal revenue is as follows:

Total Federal Revenue Sources Reported in the Financial Statements	\$1,107,259
Rounding	<u>2</u>
TOTAL FEDERAL AWARDS EXPENDITURES REPORTED IN THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	<u>\$1,107,261</u>

MARQUETTE AREA PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year June 30, 2014

SECTION I – SUMMARY OF AUDITORS’ RESULTS

General Purpose Financial Statements

- Type of auditors’ report issued: *Unmodified*
- Internal control over financial reporting:
 - No material weaknesses were reported.
 - No significant deficiencies were reported.
- There were no instances of noncompliance material to the financial statements reported.

Federal Awards

- Types of auditors’ report issued on compliance for major programs: *Unmodified*
- Internal control over major programs:
 - No material weaknesses were reported.
 - No significant deficiencies were reported.
- Audit findings that are required to be reported in accordance with Circular A-133, Section .510(a): None reported.

Major Programs

- The programs tested as a major program were:

<u>Program</u>	<u>CFDA #</u>
Nutrition Cluster:	
National School Breakfast	10.553
National School Lunch – Section 11	10.555
Non-Cash Entitlement Commodities	10.555
Title I Cluster:	
Title I	84.010

- Dollar threshold used to distinguish between Type A and Type B Programs: *\$300,000*
- Auditee qualified as low-risk auditee? *YES*.

SECTION II – FINANCIAL STATEMENT FINDINGS

- None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- None reported.

MARQUETTE AREA PUBLIC SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year June 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

- None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- None reported.

COMMUNICATIONS SECTION



Marquette Area Public Schools
Report to Management Letter
For the Year Ended June 30, 2014

To the Board of Education of the
Marquette Area Public Schools
1201 West Fair Avenue
Marquette, Michigan 49855

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marquette Area Public Schools as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

This communication is intended solely for the information and use of Members of the Board of Education, others within the organization, and the Michigan Department of Education and is not intended to be, and should not be, used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 27, 2014



Marquette Area Public Schools
Communication with Those Charged with Governance
For the Year Ended June 30, 2014

October 27, 2014

To the Board of Education of the
Marquette Area Public Schools
1201 West Fair Avenue
Marquette, Michigan 49855

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marquette Area Public Schools for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 15, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Marquette Area Public Schools are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year 2013-2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the School District's financial statements were:

Management's estimate of accumulated depreciation and depreciation expense is based on historical costs and useful lives of the assets. Depreciation is calculated using the straight-line method. We evaluated the key factors and assumptions used to develop the current years depreciation expense and accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Board of Education of the
Marquette Area Public Schools

Management's estimate of the terminal leave balance is based on employee pay rates and the various subsidiary ledgers maintained for hour balances. We evaluated the key factors and assumptions used to develop the accrued employee benefit balances in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 27, 2014.

Management Consultations with Other Independent Accountants

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

Board of Education of the
Marquette Area Public Schools

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Budgetary Comparison Schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Major Fund Balance Sheets, Special Revenue Fund – Statement of Revenue, Expenditures and Changes in Fund Balance, and Agency Funds Statement of Changes in Assets and Liabilities, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Members of the Board of Education and management of Marquette Area Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very Truly Yours,

Anderson, Tackman & Company, PLLC
Certified Public Accountants