

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

JUNE 30, 2014



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
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MARION PUBLIC SCHOOLS
MARION, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

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July 17, 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Marion Public Schools
Marion, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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 Marion Public Schools, Marion, Michigan as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iv through x and 35-36 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 Marion Public Schools' basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements 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 combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2014, on our consideration of Marion Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Marion Public Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

This section of Marion Public Schools’ (the “District”) annual report presents our discussion and analysis of the District’s financial performance during the year ended June 30, 2014. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

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

A. Government-Wide Financial Statements

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

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

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

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

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

B. Fund Financial Statements

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

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

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

The District maintains the following kinds of funds:

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

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

C. Summary of Net Position

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

	<u>2014</u>	<u>2013</u>
Assets		
Current Assets	\$ 2,118,212	\$ 1,375,534
Non Current Assets		
Capital Assets	10,096,400	10,085,400
Less Accumulated Depreciation	<u>(5,019,407)</u>	<u>(4,606,566)</u>
Total Non Current Assets	<u>5,076,993</u>	<u>5,478,834</u>
Total Assets	<u>7,195,205</u>	<u>6,854,368</u>
Deferred Outflows of Resources	<u>74,895</u>	<u>86,391</u>

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

	<u>2014</u>	<u>2013</u>
Liabilities		
Current Liabilities	1,753,959	1,026,685
Non Current Liabilities	<u>3,957,035</u>	<u>4,302,025</u>
Total Liabilities	<u>5,710,994</u>	<u>5,328,710</u>
Net Position		
Net Investment in Capital Assets	961,767	1,054,884
Restricted for Food Service	74,436	37,177
Restricted for Debt Retirement	109,487	129,817
Restricted for Millie Jones Expenses	4,540	14,906
Unrestricted	<u>408,876</u>	<u>375,265</u>
Total Net Position	<u>\$ 1,559,106</u>	<u>\$ 1,612,049</u>

D. Analysis of Financial Position

During the fiscal year ended June 30, 2014, the District's net position decreased by \$52,943. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

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

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2014, \$412,841 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2014, \$11,000 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$401,841 for the fiscal year ended June 30, 2014.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

3. Payment of Long-Term Debt

During the year ending June 30, 2014, the District decreased its long-term debt by \$322,237.

E. Change in Net Position

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

	<u>2014</u>	<u>2013</u>
General Revenues		
Property Taxes	\$ 1,919,546	\$ 1,886,923
Investment Earnings	678	333
State Sources	2,418,607	2,508,468
Other	<u>65,885</u>	<u>70,116</u>
Total General Revenues	<u>4,404,716</u>	<u>4,465,840</u>
Program Revenues		
Charges for Services	63,477	87,459
Operating Grants	<u>1,584,689</u>	<u>1,346,613</u>
Total Program Revenues	<u>1,648,166</u>	<u>1,434,072</u>
Total Revenues	<u>6,052,882</u>	<u>5,899,912</u>
Expenses		
Instruction	3,569,456	3,504,929
Supporting Services	1,507,637	1,504,262
Community Activities	12,406	10,592
Food Service Activities	320,566	282,760
Athletic Activities	97,887	110,266
Interest on Long-Term Debt	183,882	190,685
Other Transactions	1,150	10,893
Unallocated Depreciation	<u>412,841</u>	<u>376,915</u>
Total Expenses	<u>6,105,825</u>	<u>5,991,302</u>
Change in Net Assets	<u>\$ (52,943)</u>	<u>\$ (91,390)</u>

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

F. Financial Analysis of the District's Funds

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

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Major Fund			
General Fund	\$ 507,866	\$ 493,103	\$ 14,763
Nonmajor Funds			
Food Service	83,198	37,177	46,021
2012 School Bus Bonds	10,996	10,989	7
2005 Energy Debt Retirement	66	66	0
2006 Debt Retirement	62,702	66,949	(4,247)
2006 Debt Refunding	36,290	49,432	(13,142)
2010 Debt Refunding	26,239	33,529	(7,290)
2012 Debt Retirement	11,399	8,781	2,618
Total Governmental Funds	<u>\$ 738,756</u>	<u>\$ 700,026</u>	<u>\$ 38,730</u>

G. General Fund Budgetary Highlights

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

For the 2013-2014 fiscal year, the District amended the general fund budget throughout the year. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Total Revenues	<u>\$ 4,963,466</u>	<u>\$ 5,306,700</u>	<u>\$ 5,251,846</u>
<u>EXPENDITURES</u>			
Instruction	\$ 3,382,961	\$ 3,642,139	\$ 3,567,001
Supporting Services	1,654,990	1,669,635	1,618,609
Community Activities	5,000	17,550	12,406
Debt Services	3,746	3,746	3,746
Total Expenditures	<u>\$ 5,046,697</u>	<u>\$ 5,333,070</u>	<u>\$ 5,201,762</u>

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

The change in the Total Revenue Original Budget to Final Budget was an increase of \$343,234 as a result of many grants being higher than originally anticipated. However, actual grant revenue came in slightly less than the final budget anticipated.

The change in the Total Expenditures Original Budget to Final Budget was an increase of \$286,373 mainly due to increasing staff levels and the anticipation of increased grant expenditures. However, actual expenditures were less than the anticipated expenditures due to conservative budgeting and less grant expenditures.

H. Capital Asset and Debt Administration

1. Capital Assets

At June 30, 2014, the District has \$10,096,400 in a broad range of capital assets, including school buildings and facilities, school buses, and various types of equipment. Depreciation expense for the year amounted to \$412,841, bringing the accumulated depreciation to \$5,019,407 as of June 30, 2014.

2. Long-Term Debt

At June 30, 2014, the District has \$4,160,000 in bonded debt outstanding. This represents a decrease of \$320,000 from the amount outstanding at the close of the prior fiscal year. Other long-term debt includes compensated absences of \$103,212 and a water connection loan in the amount of \$58,681.

I. Factors Bearing on the District's Future

Retirement costs continue to rise while per pupil funding is remaining (at best) steady. The District is striving to control these costs while still providing a sound education for its students. In 2013/2014 the District paid \$863,063 in retirement, which is 16% of the budget.

Two of the union contracts have wage re-openers in August 2014. The District is negotiating with these groups to come to a reasonable solution for all parties.

The change in the pupil count days to the February of the school year rather than the prior February leaves the District not knowing the number of students they will be paid for during the 2014-2015 year. By the time the count days come, it is difficult to adjust staffing levels if the student numbers have seen large changes.

Beginning in 2015, the District will need to comply with GASB 68. Based on current estimates, Marion Public Schools will have to show a pension liability currently estimated at \$7,077,000. This will cause the District's Net Position to be a negative (deficit).

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

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

J. Contacting the District's Financial Management

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS

CURRENT ASSETS

Cash	\$ 425,643
Due from Other Governmental Units	598,606
Prepays	7,500
Inventory	8,762
Investments	1,077,701
Total Current Assets	<u>2,118,212</u>

NON CURRENT ASSETS

Capital Assets	10,096,400
Less Accumulated Depreciation	<u>(5,019,407)</u>
Total Non Current Assets	<u>5,076,993</u>
Total Assets	<u>7,195,205</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Loss on Refunding - Net	<u>74,895</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable	18,816
Accrued Interest Payable	27,209
Note Payable	856,555
Salaries and Fringe Benefits Payable	485,711
Due to Other Governments	14,228
Unearned Revenue	4,146
Current Portion of Non Current Liabilities	<u>347,294</u>
Total Current Liabilities	<u>1,753,959</u>

NON CURRENT LIABILITIES

Bonds Payable (Net of Deferred Charges of \$17,564)	4,142,436
Water Connection Loan	58,681
Compensated Absences	103,212
Less Current Portion of Non Current Liabilities	<u>(347,294)</u>
Total Non Current Liabilities	<u>3,957,035</u>
Total Liabilities	<u>5,710,994</u>

NET POSITION

Net Investment in Capital Assets	961,767
Restricted for Food Service	74,436
Restricted for Debt Retirement	109,487
Restricted for Millie Jones Expenses	4,540
Unrestricted	<u>408,876</u>
TOTAL NET POSITION	<u>\$ 1,559,106</u>

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>GOVERNMENTAL</u>
		<u>CHARGES FOR</u>	<u>OPERATING</u>	<u>ACTIVITIES</u>
		<u>SERVICES</u>	<u>GRANTS</u>	<u>NET (EXPENSE)</u>
				<u>REVENUE AND</u>
				<u>CHANGES IN</u>
				<u>NET POSITION</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$ 3,569,456	\$ 0	\$ 1,044,463	\$ (2,524,993)
Supporting Services	1,507,637	10,035	190,601	(1,307,001)
Community Activities	12,406	0	5,661	(6,745)
Food Service Activities	320,566	22,700	343,964	46,098
Athletic Activities	97,887	30,742	0	(67,145)
Interest on Long Term Debt	183,882	0	0	(183,882)
Other Transactions	1,150	0	0	(1,150)
Unallocated Depreciation	412,841	0	0	(412,841)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 6,105,825	\$ 63,477	\$ 1,584,689	(4,457,659)
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				1,485,296
Property Taxes - Debt Service				434,250
Investment Earnings				678
State Sources				2,418,607
Other				65,885
Total General Revenues				4,404,716
Change in Net Position				(52,943)
<u>NET POSITION</u> - Beginning of Year				1,612,049
<u>NET POSITION</u> - End of Year				\$ 1,559,106

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

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2014

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash	\$ 218,068	\$ 207,575	\$ 425,643
Due from Other Funds	0	4,733	4,733
Due from Other Governmental Units	598,606	0	598,606
Prepaid Items	7,500	0	7,500
Inventory	0	8,762	8,762
Investments	1,062,750	14,951	1,077,701
TOTAL ASSETS	<u>\$ 1,886,924</u>	<u>\$ 236,021</u>	<u>\$ 2,122,945</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 16,296	\$ 2,520	\$ 18,816
Due to Other Funds	4,733	0	4,733
Due to Other Governments	14,228	0	14,228
Note Payable	856,555	0	856,555
Salaries and Fringe Benefits Payable	485,711	0	485,711
Unearned Revenue	1,535	2,611	4,146
Total Liabilities	<u>1,379,058</u>	<u>5,131</u>	<u>1,384,189</u>
<u>FUND BALANCES</u>			
Nonspendable:			
Prepaid Items	7,500	0	7,500
Inventory	0	8,762	8,762
Restricted for:			
Food Service	0	74,436	74,436
Capital Projects	0	10,996	10,996
Debt Retirement	0	136,696	136,696
Millie Jones Expenditures	4,540	0	4,540
Assigned for Subsequent Year Budget Shortfall	33,844	0	33,844
Unassigned	461,982	0	461,982
Total Fund Balances	<u>507,866</u>	<u>230,890</u>	<u>738,756</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,886,924</u>	<u>\$ 236,021</u>	<u>\$ 2,122,945</u>

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

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

JUNE 30, 2014

Total Governmental Fund Balances		\$ 738,756
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 are not reported in the funds		
The cost of the capital assets is	\$ 10,096,400	
Accumulated depreciation is	<u>(5,019,407)</u>	5,076,993
Long-term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds Payable	(4,160,000)	
Water Connection Loan	(58,681)	
Compensated Absences	(103,212)	
Bond Discount	35,780	
Amortization of Bond Discount	(18,216)	
Bond Deferred Loss on Refunding	154,691	
Amortization of Bond Deferred Loss on Refunding	<u>(79,796)</u>	(4,229,434)
Long-term accrued interest is not included as a liability in government funds, it is recorded when paid		<u>(27,209)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 1,559,106</u>

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 1,623,057	\$ 457,072	\$ 2,080,129
State Sources	2,949,359	11,409	2,960,768
Federal Sources	538,069	332,555	870,624
Other Transactions	141,361	0	141,361
Total Revenues	<u>5,251,846</u>	<u>801,036</u>	<u>6,052,882</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	2,851,141	0	2,851,141
Added Needs	715,860	0	715,860
Supporting Services			
Pupil	77,817	0	77,817
Instructional Staff	30,309	0	30,309
General Administration	109,751	0	109,751
School Administration	307,577	0	307,577
Business	61,083	0	61,083
Operation and Maintenance	434,057	0	434,057
Pupil Transportation Services	380,075	0	380,075
Support Services - Central	120,053	0	120,053
Support Services - Athletics	97,887	0	97,887
Community Activities	12,406	0	12,406
Food Service Activities	0	320,656	320,656
Debt Service			
Principal	2,237	320,000	322,237
Interest	1,509	170,584	172,093
Other Transactions	0	1,150	1,150
Total Expenditures	<u>5,201,762</u>	<u>812,390</u>	<u>6,014,152</u>
Excess (Deficiency) of Revenues Over Expenditures	50,084	(11,354)	38,730
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)	(35,321)	35,321	0
Net Change in Fund Balance	14,763	23,967	38,730
<u>FUND BALANCE</u> - Beginning of Year	<u>493,103</u>	<u>206,923</u>	<u>700,026</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 507,866</u>	<u>\$ 230,890</u>	<u>\$ 738,756</u>

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

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

YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances Total Governmental Funds \$ 38,730

Amounts reported for governmental activities are different because:

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

Depreciation Expense	(412,841)
Capital Outlay	11,000

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

Accrued Interest Payable - Beginning of Year	28,940
Accrued Interest Payable - End of Year	(27,209)

Under the modified accrual basis of accounting used in the governmental funds, the issuance of long-term debt provides a current financial resource to governmental funds, and expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available.

Amortization of Bond Discount	(2,024)
Amortization of Bond Deferred Loss on Refunding	(11,496)
Repayment of Bond Principal	320,000
Repayment of Principal on Long-Term Debt	2,237

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

Compensated Absences - Beginning of Year	102,932
Compensated Absences - End of Year	<u>(103,212)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (52,943)</u>
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The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2014

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUND</u>
<u>ASSETS</u>		
Cash	\$ 298,495	\$ 118,529
Interest Receivable	6,999	0
Scholarship Loans	22,224	0
Investments	469	0
	<hr/>	<hr/>
Total Assets	328,187	118,529
	<hr/>	<hr/>
<u>LIABILITIES</u>		
Due to Groups and Organizations	0	118,529
	<hr/>	<hr/>
<u>NET POSITION</u>		
Restricted for:		
Endowments	289,687	0
Student Scholarships	38,500	0
	<hr/>	<hr/>
TOTAL NET POSITION	\$ 328,187	\$ 0
	<hr/> <hr/>	<hr/> <hr/>

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2014

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Earnings on Investments and Deposits	\$ 1,414
<u>DEDUCTIONS</u>	
Scholarships	<u>862</u>
Changes in Net Position	552
<u>NET POSITION</u> - Beginning of Year	<u>327,635</u>
<u>NET POSITION</u> - End of Year	<u><u>\$ 328,187</u></u>

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District (the "District") is located in Osceola and Clare Counties with its administrative offices located in Marion, Michigan. The District operates under an elected 7-member board of education and provides services to its students in elementary, high school, special education instruction, guidance, health, transportation, food service, athletics and recreation. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The School District does not have any business-type activities or component units.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

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

Other Non-Major Funds:

The *special revenue (School Service) fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes. The District accounts for its food service activities in a special revenue fund.

The *capital projects fund* accounts for the acquisition of fixed assets or construction of major capital projects.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

Additionally, the District reports the following fund type:

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following fiduciary funds:

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

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

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

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

1. Budgetary Basis of Accounting

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

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year-end, value outstanding encumbrances (those for which performance under the

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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

- a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.
- c) Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the school district, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted on June 25, 2013, or as amended by the School Board of Education on May 13, 2014 and June 26, 2014.

2. *Excess of Expenditures Over Appropriations*

General Fund:

Basic Programs:

Elementary expenditures of \$1,204,035 exceeded appropriations of \$1,186,260.

General Administration:

Board of Education expenditures of \$36,109 exceeded appropriations of \$35,852.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. *Cash and Investments*

Cash includes amounts in demand deposits.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

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

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

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

2. *Inventory and Prepaid Items*

Inventory is valued at cost. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

Certain payments made to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

3. *Capital Assets*

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

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

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

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

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

4. *Deferred Outflows/Inflows 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or funding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The 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 District does not have any items that qualify for reporting in this category.

5. *Net Position Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

6. *Fund Balance Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

7. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The governing board has authorized the superintendent to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

8. *Use of Estimates*

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

Certain resources of the Capital Projects Fund which are set aside for capital outlay are classified as restricted cash on the balance sheet because their use is limited by applicable bond covenants.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2014 the foundation allowance was based on pupil membership counts taken in October of 2013 and February of 2014 . For fiscal year ended June 30, 2014, the per pupil foundation allowance was \$7,026 for Marion Public Schools.

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 and is funded through payments from October 2013 to August 2014. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

2. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are billed as of December 1. The due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The various counties in which the School District is located have tax revolving funds which allow the counties to pay off the various taxing units for their share of the current year real property taxes returned delinquent. Taxes receivable are uncollected delinquent personal property taxes.

For the year ended June 30, 2014, the District levied the following amounts per \$1,000 of taxable valuation:

<u>Fund</u>	<u>Mills</u>
General Fund – Non-Principal Residence Exemption (PRE)	18.0000
General Fund – Commercial Personal Property	6.0000
2010 Refunding Debt Retirement Fund – PRE, Non-PRE	0.7000
2006 Refunding Debt Retirement Fund – PRE, Non-PRE	1.0000
2006 Debt Retirement Fund – PRE, Non-PRE	0.8000
2012 Debt Retirement Fund – PRE, Non-PRE	0.4300

4. Compensated Absences

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

5. Long-Term Obligations

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note 1.F.2, on the Excess of Expenditures Over Appropriations, describes budgetary violations that occurred for the year ended June 30, 2014.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

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

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

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

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2014, the District's bank balance was \$979,016 and \$286,738 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

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

Custodial Credit Risk –Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year-end all of the District's investments were uncategorized as to risk.

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

Investments not subject to categorization:

Investment Trust Funds	<u>\$ 1,078,170</u>
------------------------	---------------------

The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2014, the fair value of the District's investments is the same as the value of the pool shares.

Balance sheet classifications:

	Statement of Net Position	Statement of Fiduciary Net Position	Total
Cash	\$ 425,643	\$ 417,024	\$ 842,667
Investments	1,077,701	469	1,078,170
	<u>\$ 1,503,344</u>	<u>\$ 417,493</u>	<u>\$ 1,920,837</u>

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor are as follows:

	General	Nonmajor and Other Funds	Total
Receivables			
Due from Other Governmental Units	\$ 598,606	\$ 0	\$ 598,606

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

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

C. Capital Assets

Capital assets activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital Assets, Not Being Depreciated:				
Land	\$ 56,817	\$ 0	\$ 0	\$ 56,817
Capital Assets, Being Depreciated:				
Books	178,328	0	0	178,328
Buildings	3,436,495	0	0	3,436,495
Buses	731,379	0	0	731,379
Equipment and Furniture	1,694,493	11,000	0	1,705,493
Improvements	3,957,884	0	0	3,957,884
Other Vehicles	30,004	0	0	30,004
Total Capital Assets, Being Depreciated	10,028,583	11,000	0	10,039,583
Less Accumulated Depreciation for:				
Books	158,540	11,079	0	169,619
Buildings	1,486,741	39,688	0	1,526,429
Buses	309,677	72,129	0	381,806
Equipment and Furniture	1,112,476	91,142	0	1,203,618
Improvements	1,518,291	196,089	0	1,714,380
Other Vehicles	20,841	2,714	0	23,555
Total Accumulated depreciation	4,606,566	412,841	0	5,019,407
Total Capital Assets, Being Depreciated, Net	5,422,017	(401,841)	0	5,020,176
Governmental Activities Capital Assets, Net	\$ 5,478,834	\$ (401,841)	\$ 0	\$ 5,076,993

Depreciation for the fiscal year ended June 30, 2014 amounted to \$412,841. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Defined Benefit Plan and Post-Retirement Benefits

Plan Description - The District participates in the statewide Michigan Public School Employees' Retirement System (System) which is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 1363 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The System's pension plan was established by

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the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan School Employees' Retirement Act.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800)381-5111. It is also available at <http://www.michigan.gov/orsschools>.

The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director who serves as Executive Secretary to the System's Board, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

Benefit Provisions – Pension

Introduction

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, established eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members. A DB member or Pension Plus hybrid plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their services through repayment of the refund upon satisfaction of certain requirements.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

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Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence of September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012, subsequently amended to February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

Option 1 – members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic Plan members: 4% contribution
- MIP-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 – members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic Plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 – members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 – members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future services as of their transition date. As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their *total* years of service), they would also receive a pension (calculated based on years of service and Final Average Compensation as of the day before their transition date and a 1.5% pension factor).

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Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus hybrid plan described above and a Defined Contribution (DC) plan that provides 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period to elect to opt out of the Pension Plus hybrid plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus hybrid plan. If they elect to opt out of the Pension Plus hybrid plan, their participation in the DC plan will be retroactive to their date of hire.

Funding Policy

Member Contributions

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later, including Pension Plus plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

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

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above.

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Members who elected to stop their contributions become participants in the Defined Contribution plan as of their transition date.

Employer Contributions

Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For the period October 1 through September 30, the District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees' Retirement System ("MPERS"), which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the table below of the employees' wages. In addition, the School District is required to match 50% up to 1% of the employees' contribution in the Pension Plus plan. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS were equal to the required contribution for those years.

The School District's contributions to MPERS are as follows:

<u>Fiscal Year Ending</u> <u>June 30,</u>	<u>Contributions</u> <u>to MPERS</u>
2014	\$ 863,063
2013	709,865
2012	630,385

Included in the amounts paid above, the District received \$140,167 of section 147(c) State Aid for the sole purpose of making supplemental payments to MPERS. The District has recorded this amount as state revenue and additional pension expenditures/expenses for the year ended June 30, 2014.

PA 464 Retirees Returning to Work, effective December 27, 2012 also requires applicable employer contributions to the defined benefit and defined contribution plans. These amounts, if any, are included in the amounts paid above.

The following table displays the various retirement plans and rates based on what plans certain employees chose to enroll in or what plans certain employees hired after certain dates are required to enroll in.

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Contribution Rates		Fiscal Year 2014					
		Effective February 1, 2013 - September 30, 2013					
		Basic MIP	Pension Plus	Pension Plus PHF - First worked after 9/3/2012	Pension Plus to DC with PHF First worked after 9/3/12	Basic MIP DB to DC with DB Health	Basic MP DB to DC with PHF
Public School Employee Pension Rates (FYE Sept. 30th)				DB Contributions			
Pension Normal Cost	2.43%	2.24%	2.24%	0.00%	0.00%	0.00%	2.43%
Pension UAL	11.42%	11.42%	11.42%	11.42%	11.42%	11.42%	11.42%
Pension Early Retirement Incentive	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
Pension Contributions - Total Rate	15.21%	15.02%	15.02%	12.78%	12.78%	12.78%	15.21%
Health Normal Cost	0.93%	0.93%	0.00%	0.00%	0.93%	0.00%	0.00%
Health UAL	8.18%	8.18%	8.18%	8.18%	8.18%	8.18%	8.18%
Health Contributions - Total Rate	9.11%	9.11%	8.18%	8.18%	9.11%	8.18%	8.18%
Total	24.32%	24.13%	23.20%	20.96%	21.89%	20.96%	23.39%
		DC Contributions					
DC Employer Contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
Personal Healthcare Fund	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%
Total	0.00%	1.00%	3.00%	5.00%	4.00%	6.00%	2.00%

Contribution Rates		Fiscal Year 2014					
		Effective October 1, 2013					
		Basic MIP	Pension Plus	Pension Plus PHF - First worked after 9/3/2012	Pension Plus to DC with PHF First worked after 9/3/12	Basic MIP DB to DC with DB Health	Basic MP DB to DC with PHF
Public School Employee Pension Rates (FYE Sept. 30th)				DB Contributions			
Pension Normal Cost	2.90%	2.67%	2.67%	0.00%	0.00%	0.00%	2.90%
Pension UAL	14.08%	14.08%	14.08%	14.08%	14.08%	14.08%	14.08%
Pension Early Retirement Incentive	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
Pension Contributions - Total Rate	18.34%	18.11%	18.11%	15.44%	15.44%	15.44%	18.34%
Health Normal Cost	0.93%	0.93%	0.00%	0.00%	0.93%	0.00%	0.00%
Health UAL	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%
Health Contributions - Total Rate	6.45%	6.45%	5.52%	5.52%	6.45%	5.52%	5.52%
Total	24.79%	24.56%	23.63%	20.96%	21.89%	20.96%	23.86%
		DC Contributions					
DC Employer Contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
Personal Healthcare Fund	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%
Total	0.00%	1.00%	3.00%	5.00%	4.00%	6.00%	2.00%

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Benefit Provisions – Other Postemployment

Introduction

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, is currently funded on a cash disbursement basis. Beginning fiscal year 2013, it will be funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus, plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees. Dependents are eligible for health care coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

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Members who did not make an election before the deadline retain the subsidy benefit and continue making the 3% contribution toward retiree healthcare. Deferred or nonvested members on September 3, 2012 who are rehired on September 4, 2012, will contribute 3% contribution to retiree healthcare and will retain the subsidy benefit. Returning members who made the retirement healthcare election will retain whichever option they choose.

Those who elected to retain the premium subsidy continue to annually contribute 3% of compensation into the healthcare funding account. A member or former member age 60 or older, who made the 3% healthcare contributions but who does not meet eligibility requirements may request a refund of their contributions. Similarly, if a retiree dies before the total value of the insurance subsidy paid equals the total value of the contributions the member made, and there are no eligible dependents, the beneficiary may request a refund of unused funds. Refunds of member contributions to the healthcare funding account are issued as a supplemental benefit paid out over a 60 month period.

1. Retirees with at least 21 years of service, who terminate employment after October 31, 1980, with vested deferred benefits, are eligible for subsidized employer paid health benefit coverage.
2. A delayed subsidy applies to retirees who became a member of the retirement system before July 1, 2008 and who purchased service credit on or after July 1, 2008. Such individuals are eligible for premium subsidy benefits at age 60 or when they would have been eligible to retire without having made a service purchase, whichever comes first. They may enroll in the insurances earlier, but are responsible for the full premium until the premium subsidy begins.

Under Public Act 300 of 2012, the state no longer offers an insurance premium subsidy in retirement for public school employees who first work on or after September 4, 2012. Instead, all new employees will be placed into the Personal Healthcare Fund where they will have support saving for retirement healthcare costs in the following ways:

- They will be automatically enrolled in a 2% employee contribution into a 457 account as of their date of hire, earning them a 2% employer match into a 401(k) account.
- They will receive a credit into a Health Reimbursement Account (HRA) at termination if they have at least 10 years of service at termination. The credit will be \$2,000 for participants who are at least 60 years of age at termination or \$1,000 for participants who are less than 60 years of age at termination.

Participants in the Personal Healthcare Fund, who become disabled for any reason, are not eligible for any employer funded health insurance premium subsidy. If a PHF participant suffers a non-duty related death, his or her health benefit dependents are not eligible to participate in any employer funded health insurance premium subsidy. If a PHF participant suffers a duty death, the state will pay the maximum health premium allowed by statute for the surviving spouse and health benefit dependents. The spouses' insurance subsidy may continue until his or her death, the

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dependents' subsidy may continue until their eligibility ends (through marriage, age, or other event). Upon eligibility for a duty death benefit, the 2% employer matching contributions and related earnings in the PHF 401(k) are forfeited and the state will pay for the subsidy payments. The beneficiaries receive the member's personal contributions and related earnings in the PHF 457 account.

Other Information

On June 28, 2010, the Michigan Court of Claims issued an injunction in response to a challenge to the authority of the State to require employees who began working before July 1, 2010, to contribute 3% of reportable wages to the retiree healthcare trust as MPSERS. As a result, the State has adjusted the contribution rate due on employees' wages paid between November 1, 2010 and September 30, 2011 to 20.66% for members who first worked prior to July 1, 2010 and 19.16% for Pension Plus member. In March 2011, the Court of Claims granted the plaintiffs' motions for summary disposition finding that the mandatory 3% contribution violated both the U.S. and Michigan constitutions. The State appealed the ruling to the Michigan Court of Appeals. The Court of Appeals accepted the appeal and ordered an expedited review. The Court of Appeals also granted the State's motion for a stay of proceedings and ordered that the 3% deduction continue to be collected and placed into an escrow account until further order of the Court.

On August 16, 2012 the State of Michigan Court of Appeals affirmed the trial court's orders granting summary dispositions in favor of the plaintiffs in each of the cases before it, terminating the stay ordered by this Court on March 18, 2011. The State of Michigan has appealed the decision to the Michigan Supreme Court. The Office of Retirement Services is instructing Michigan public school employers to continue withholding the 3% contribution. Should the plaintiffs prevail, the escrowed funds will be returned to the employees.

E. Risk Management

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

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2014 or any of the prior three years.

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F. Lease Information

The School District leases copy machines, digital duplicators, and a dishwasher. The total rental expense for the fiscal years ended June 30, 2014, and June 30, 2013, was \$12,487 and \$13,659 respectively. The future minimum payments are summarized below:

<u>YEAR-ENDING</u>	<u>AMOUNTS</u>
2015	\$ 12,733
2016	12,733
2017	12,140
2018	7,214
2019	4,108
	\$ 48,928

G. Long-Term Liabilities

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the governmental long-term liability transactions for the School District for the year ended June 30, 2014:

	General Obligation Serial Bonds	Water Connection Loan	Compensated Absences Payable	Total
Balance July 1, 2013	\$ 4,480,000	\$ 60,918	\$ 102,932	\$ 4,643,850
Increases	0	0	280	280
Decreases	(320,000)	(2,237)	0	(322,237)
Balance June 30, 2014	4,160,000	58,681	103,212	4,321,893
Less current portion	(345,000)	(2,293)	0	(347,293)
Total due after one year	\$ 3,815,000	\$ 56,388	\$ 103,212	\$ 3,974,600

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The District's liability obligations at June 30, 2014, are comprised of the following issues:

General Obligation Serial Bonds

2010 refunding bonds due in annual installments of \$80,000 to \$95,000 through May 1, 2021, interest at 3.00% to 4.50%. \$ 605,000

2005 energy conservation improvement bonds due in annual installments of \$25,000 to \$35,000 through May 1, 2020, interest at 4.60% to 4.95%. 190,000

2006 refunding bonds due in annual installments of \$135,000 to \$170,000 through May 1, 2020, interest at 3.65% to 4.00%. 935,000

2006 school building and site bonds due in annual installments of \$35,000 to \$400,000 through May 1, 2025, interest at 3.90% to 4.10%. 2,120,000

2012 school bus bonds due in annual installments of \$60,000 to \$65,000 through May 1, 2019, interest at 2.050%. 310,000

Water Connection Loan

\$78,734 loan from the Village of Marion dated March 1, 2005 to finance new water line connection at High School. Semi-annual payments of \$1,873 including interest at 2.5% due March 1 and August 31 each year through March 1, 2034. 58,681

Compensated Absences Payable

Accumulated Sick and Vacation Pay. 103,212

TOTAL LONG-TERM DEBT \$ 4,321,893

The annual requirements to amortize debt outstanding as of June 30, 2014, including interest payments of \$1,018,007 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2015	\$ 347,293	\$ 161,750	\$ 509,043
2016	372,351	150,320	522,671
2017	382,410	137,210	519,620
2018	402,471	123,444	525,915
2019	417,533	108,394	525,927
2020-2024	1,863,654	315,998	2,179,652
2025-2029	415,459	19,671	435,130
2030-2034	17,510	1,220	18,730
	<u>4,218,681</u>	<u>1,018,007</u>	<u>5,236,688</u>
Compensated Absences	103,212	0	103,212
	<u>\$ 4,321,893</u>	<u>\$ 1,018,007</u>	<u>\$ 5,339,900</u>

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

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

H. Short-Term Debt

On August 20, 2013, the District issued a State Aid Anticipation Note in the amount of \$850,000. At June 30, 2014, the balance outstanding on this note was \$850,000, plus accrued interest of \$6,555. The District has approved a note payable in the amount of \$800,000 for the year ending June 30, 2015.

The following is a summary of the Short-Term Debt transactions for the School District for the year ended June 30, 2014:

Short-Term Debt at July 1, 2013	\$ 0
New Debt Issued	850,000
Debt Retired and Paid	0
Short-Term Debt at June 30, 2014	\$ 850,000

I. Interfund Receivables and Payables

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 0	\$ 4,733
School Service Fund - Food Service Fund	0	0
2006 Debt Retirement Fund	1,347	0
2006 Refunding Debt Retirement Fund	1,639	0
2010 Refunding Debt Retirement Fund	1,111	0
2012 Debt Retirement Fund	636	0
	\$ 4,733	\$ 4,733

The outstanding balances between funds result mainly from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All Interfund balances outstanding at June 30, 2014 are expected to be repaid within one year.

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J. Interfund Transfers

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 0	\$ 35,321
2005 Energy Debt Fund	35,321	0
	\$ 35,321	\$ 35,321

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

K. Other Information

1. Commitments and Contingencies

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

L. 2012 School Bus Bonds Capital Projects Fund

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

NOTE 4 – UPCOMING ACCOUNTING PRONOUCEMENTS

The District is currently evaluating the impact these standards will have on the financial statements when adopted.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued by the GASB in June 2012 and will be effective for the District’s 2015 fiscal year. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The State of Michigan Office of Retirement Services (ORS) operates the pension plan for participating school districts in the State of Michigan. In February 2014, the ORS estimated Mesick Consolidated School's proportionate share of the pension liability based on 2012 figures. The estimate was \$7,077,000, which, if recorded in the current year would reduce the District's net position from \$1,559,106 to a deficit of (\$5,517,894). The ORS will continue to update the estimate of liability as the implementation date moves closer.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2014

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 1,658,384	\$ 1,647,799	\$ 1,623,057
State Sources	2,877,801	2,935,556	2,949,359
Federal Sources	427,281	615,036	538,069
Other Transactions	0	108,309	141,361
Total Revenues	<u>4,963,466</u>	<u>5,306,700</u>	<u>5,251,846</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs			
Elementary	1,233,997	1,186,260	1,204,035
High School	1,532,833	1,672,349	1,642,543
Summer School	1,539	8,787	4,563
Added Needs			
Special Education	380,201	367,798	360,253
Compensatory Education	234,391	406,945	355,607
Supporting Services			
Pupil			
Guidance	86,608	83,737	77,454
Other Pupil Services	1,000	1,000	363
Instructional Staff			
Improvement of Instruction	28,000	32,723	19,143
Educational Media Services	300	0	0
Computer-Assisted Instruction	0	12,144	11,166
General Administration			
Board of Education	37,700	35,852	36,109
Executive Administration	73,807	75,088	73,642
School Administration			
Office of the Principal	320,799	310,768	307,577
Business			
Fiscal Services	42,259	43,096	42,739
Other Business Services	21,630	19,804	18,344
Operation and Maintenance	419,728	439,278	434,057
Pupil Transportation Services	393,103	393,385	380,075

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2014

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Support Services - Central			
Staff Services	0	1,000	1,000
Non-Instructional Technology	123,291	123,235	119,053
Support Services - Athletics	106,765	98,525	97,887
Community Activities	5,000	17,550	12,406
Debt Service			
Principal	2,237	2,237	2,237
Interest	1,509	1,509	1,509
Total Expenditures	<u>5,046,697</u>	<u>5,333,070</u>	<u>5,201,762</u>
Excess (Deficiency) of Revenues Over Expenditures	(83,231)	(26,370)	50,084
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	<u>(35,321)</u>	<u>(35,321)</u>	<u>(35,321)</u>
Net Change in Fund Balance	(118,552)	(61,691)	14,763
<u>FUND BALANCE</u> - Beginning of Year	<u>473,935</u>	<u>493,103</u>	<u>493,103</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 355,383</u>	<u>\$ 431,412</u>	<u>\$ 507,866</u>

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

JUNE 30, 2014

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT RETIREMENT FUNDS						TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE FUND	2012 SCHOOL BUS BONDS FUND	2005 ENERGY DEBT RETIREMENT FUND	2006 DEBT RETIREMENT FUND	2006 REFUNDING DEBT RETIREMENT FUND	2010 REFUNDING DEBT RETIREMENT FUND	2012 DEBT RETIREMENT FUND		
<u>ASSETS</u>									
Cash	\$ 64,616	\$ 10,996	\$ 66	\$ 61,355	\$ 34,651	\$ 25,128	\$ 10,763	\$ 207,575	
Due from Other Funds	0	0	0	1,347	1,639	1,111	636	4,733	
Inventory	8,762	0	0	0	0	0	0	8,762	
Investments	14,951	0	0	0	0	0	0	14,951	
TOTAL ASSETS	\$ 88,329	\$ 10,996	\$ 66	\$ 62,702	\$ 36,290	\$ 26,239	\$ 11,399	\$ 236,021	
<u>LIABILITIES AND FUND BALANCES</u>									
<u>LIABILITIES</u>									
Accounts Payable	\$ 2,520	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,520	
Unearned Revenue	2,611	0	0	0	0	0	0	2,611	
Total Liabilities	5,131	0	0	0	0	0	0	5,131	
<u>FUND BALANCE</u>									
Nonspendable									
Inventory	8,762	0	0	0	0	0	0	8,762	
Restricted for:									
Food Service	74,436	0	0	0	0	0	0	74,436	
Capital Projects	0	10,996	0	0	0	0	0	10,996	
Debt Retirement	0	0	66	62,702	36,290	26,239	11,399	136,696	
Total Fund Balances	83,198	10,996	66	62,702	36,290	26,239	11,399	230,890	
TOTAL LIABILITIES AND FUND BALANCES	\$ 88,329	\$ 10,996	\$ 66	\$ 62,702	\$ 36,290	\$ 26,239	\$ 11,399	\$ 236,021	

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

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

YEAR ENDED JUNE 30, 2014

	SPECIAL	CAPITAL	DEBT RETIREMENT FUNDS					TOTAL NONMAJOR GOVERNMENTAL FUNDS	
	REVENUE FUND	PROJECTS FUND	FOOD SERVICE FUND	2012 SCHOOL BUS BONDS FUND	2005 ENERGY DEBT RETIREMENT FUND	2006 DEBT RETIREMENT FUND	2006 REFUNDING DEBT RETIREMENT FUND		2010 REFUNDING DEBT RETIREMENT FUND
<u>REVENUES</u>									
Local Sources	\$ 22,713	\$ 7	\$ 0	\$ 117,338	\$ 147,706	\$ 104,208	\$ 65,100	\$ 457,072	
State Sources	11,409	0	0	0	0	0	0	11,409	
Federal Sources	332,555	0	0	0	0	0	0	332,555	
Total Revenues	366,677	7	0	117,338	147,706	104,208	65,100	801,036	
<u>EXPENDITURES</u>									
Food Service Activities	320,656	0	0	0	0	0	0	320,656	
Debt Service									
Principal	0	0	25,000	35,000	120,000	85,000	55,000	320,000	
Interest	0	0	10,321	86,385	40,648	25,748	7,482	170,584	
Other Transactions	0	0	0	200	200	750	0	1,150	
Total Expenditures	320,656	0	35,321	121,585	160,848	111,498	62,482	812,390	
Excess (Deficiency) of Revenues Over Expenditures	46,021	7	(35,321)	(4,247)	(13,142)	(7,290)	2,618	(11,354)	
<u>OTHER FINANCING SOURCES</u>									
Transfers In (Out)	0	0	35,321	0	0	0	0	35,321	
Net Change in Fund Balance	46,021	7	0	(4,247)	(13,142)	(7,290)	2,618	23,967	
<u>FUND BALANCE</u> - Beginning of Year	37,177	10,989	66	66,949	49,432	33,529	8,781	206,923	
<u>FUND BALANCE</u> - End of Year	\$ 83,198	\$ 10,996	\$ 66	\$ 62,702	\$ 36,290	\$ 26,239	\$ 11,399	\$ 230,890	

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR JUNE 30, 2013

	PRIVATE PURPOSE TRUST FUNDS				TOTALS	
	WHITE-HELFRICH CONTINUING EDUCATION SCHOLARSHIP	DORALD L. GIDDINGS SCHOLARSHIP TRUST	MILLIE JONES SCHOLARSHIP TRUST	JENNIE P. OPPER SCHOLARSHIP	2014	2013
<u>ASSETS</u>						
Cash	\$ 173,469	\$ 10,293	\$ 20,242	\$ 94,491	\$ 298,495	\$ 298,409
Interest Receivable	4,552	0	0	2,447	6,999	6,999
Scholarship Loans	12,224	0	0	10,000	22,224	22,224
Investments	1	0	0	468	469	3
Total Assets	190,246	10,293	20,242	107,406	328,187	327,635
<u>LIABILITIES</u>	0	0	0	0	0	0
<u>NET POSITION</u>						
Restricted for:						
Endowments	167,272	9,000	18,500	94,915	289,687	289,687
Student Scholarships	22,974	1,293	1,742	12,491	38,500	37,948
TOTAL NET POSITION	\$ 190,246	\$ 10,293	\$ 20,242	\$ 107,406	\$ 328,187	\$ 327,635

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2013

PRIVATE PURPOSE TRUST FUNDS

	<u>WHITE-HELFRICH CONTINUING EDUCATION SCHOLARSHIP</u>	<u>DORALD L. GIDDINGS SCHOLARSHIP TRUST</u>	<u>MILLIE JONES SCHOLARSHIP TRUST</u>	<u>JENNIE P. OPPER SCHOLARSHIP</u>	<u>TOTALS</u>	
					<u>2014</u>	<u>2013</u>
<u>ADDITIONS</u>						
Earnings on Investments and Deposits	\$ 865	\$ 51	\$ 27	\$ 471	\$ 1,414	\$ 2,386
<u>DEDUCTIONS</u>						
Scholarships	862	0	0	0	862	2,550
Changes in Net Position	3	51	27	471	552	(164)
<u>NET POSITION - Beginning of Year</u>	<u>190,243</u>	<u>10,242</u>	<u>20,215</u>	<u>106,935</u>	<u>327,635</u>	<u>327,799</u>
<u>NET POSITION - End of Year</u>	<u>\$ 190,246</u>	<u>\$ 10,293</u>	<u>\$ 20,242</u>	<u>\$ 107,406</u>	<u>\$ 328,187</u>	<u>\$ 327,635</u>

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2014

	BALANCE 7/1/2013	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2014
<u>Elementary and Administrative</u>				
Band Resale-Elementary	\$ 508	\$ 240	\$ 289	\$ 459
Book Store	288	0	0	288
Elementary Book Fair	467	2,258	2,226	499
Paper and Administration	9,740	4,667	4,337	10,070
Elementary Pop Account	753	405	397	761
Girls on the Run	56	1,500	1,012	544
Field Trips	3,713	7,609	6,764	4,558
Interest Account	52	594	45	601
General Mills Grant	57	0	0	57
Library Book Donation	425	2,000	425	2,000
Osceola Community Foundation	14,421	70,231	30,543	54,109
Total Elementary and Administrative	30,480	89,504	46,038	73,946
<u>High School</u>				
Alex Harrison Memorial Scholarship	0	1,125	1,000	125
Art	107	0	50	57
Band	570	3,105	2,253	1,422
Chess	11	0	0	11
Choir	424	0	125	299
Class of 2011	195	0	0	195
Class of 2012	498	0	0	498
Class of 2013	26	0	0	26
Class of 2014	1,208	501	627	1,082
Class of 2015	895	1,231	1,239	887
Class of 2016	15	2,112	1,355	772
Class of 2017	0	236	66	170
Cross Country	1,426	2,540	2,440	1,526
Junior High Girls' Basketball	163	0	0	163
Junior High Football	2,500	412	0	2,912
Lowe's Grant	200	0	0	200
Middle School Student Council	216	666	666	216
Miscellaneous Account	467	0	157	310
NHS	293	480	276	497
Shop	3,222	3,143	818	5,547
Spanish Club	32	4,145	3,870	307

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2014

	BALANCE 7/1/2013	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2014
Stuco	728	3,813	5,322	(781)
Student Activities	1,015	1,635	1,429	1,221
Students Against Drunk Driving	229	4,947	3,968	1,208
Yearbook	0	1,046	1,220	(174)
Varsity and Junior Varsity Boys' Basketball	831	1,097	1,368	560
Varsity and Junior Varsity Football	1,685	3,239	3,922	1,002
Varsity and Junior Varsity Girls' Basketball	0	8,840	4,688	4,152
Varsity and Junior Varsity Baseball	583	1,944	1,676	851
Varsity and Junior Varsity Softball	764	275	800	239
Varsity and Junior Varsity Track	12	123	123	12
Varsity and Junior Varsity Volleyball	1,677	1,669	784	2,562
Varsity Cheerleaders	345	11,063	9,024	2,384
Pencil and Paper HS	152	25	152	25
General Mills Grant	8,004	7,479	8,190	7,293
MASB	4,000	2,500	3,650	2,850
Freedom Scholarship	0	4,430	500	3,930
HS Sunshine Fund	27	0	0	27
Total High School	32,520	73,821	61,758	44,583
Total Elementary, Administrative and High School	\$ 63,000	\$ 163,325	\$ 107,796	\$ 118,529
Represented By				
Assets				
Elementary and Administrative				
Cash	\$ 30,480			\$ 73,946
High School				
Cash	32,520			44,583
	\$ 63,000			\$ 118,529
Liabilities				
Due to Groups and Organizations	\$ 63,000			\$ 118,529

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

BOND PAYMENT SCHEDULE
2005 ENERGY CONSERVATION IMPROVEMENT BONDS

JUNE 30, 2014

<u>TITLE OF ISSUE</u>	2005 Energy Conservation Improvement Bonds		
<u>PURPOSE</u>	The bonds are issued for the purpose of paying the cost of certain energy conservation projects for the District's facilities.		
<u>DATE OF ISSUE</u>	April 15, 2005		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 375,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year		\$ 160,000	
During Current Year		25,000	185,000
<u>BALANCE OUTSTANDING</u> - June 30, 2014			<u>\$ 190,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2014			\$ 4,592	\$ 4,592
May 1, 2015	4.600 %	\$ 25,000	4,592	29,592
November 1, 2015			4,017	4,017
May 1, 2016	4.750 %	30,000	4,017	34,017
November 1, 2016			3,304	3,304
May 1, 2017	4.850 %	30,000	3,304	33,304
November 1, 2017			2,577	2,577
May 1, 2018	4.875 %	35,000	2,577	37,577
November 1, 2018			1,724	1,724
May 1, 2019	4.900 %	35,000	1,724	36,724
November 1, 2019			866	866
May 1, 2020	4.950 %	35,000	866	35,866
		<u>\$ 190,000</u>	<u>\$ 34,160</u>	<u>\$ 224,160</u>

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

BOND PAYMENT SCHEDULE
2005 ENERGY CONSERVATION IMPROVEMENT BONDS

JUNE 30, 2014

REDEMPTION PRIOR TO MATURITY

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

TAX LEVY FOR RETIREMENT OF BONDS

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

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

JUNE 30, 2014

<u>TITLE OF ISSUE</u>	2006 School Building and Site Bond		
<u>PURPOSE</u>	Partially remodeling school facilities; and developing and improving sites related to the remodeling.		
<u>DATE OF ISSUE</u>	January 26, 2006		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 2,365,000
Amount Redeemed Prior Years	\$	210,000	
Amount Redeemed During Current Year		35,000	245,000
<u>BALANCE OUTSTANDING - June 30, 2014</u>			<u><u>\$ 2,120,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2014			\$ 42,510	\$ 42,510
May 1, 2015	3.900 %	\$ 35,000	42,510	77,510
November 1, 2015			41,828	41,828
May 1, 2016	3.900 %	40,000	41,828	81,828
November 1, 2016			41,048	41,048
May 1, 2017	3.900 %	45,000	41,048	86,048
November 1, 2017			40,170	40,170
May 1, 2018	3.900 %	50,000	40,170	90,170
November 1, 2018			39,195	39,195
May 1, 2019	3.900 %	60,000	39,195	99,195
November 1, 2019			38,025	38,025
May 1, 2020	3.900 %	80,000	38,025	118,025
November 1, 2020			36,465	36,465
May 1, 2021	3.900 %	260,000	36,465	296,465
November 1, 2021			31,395	31,395
May 1, 2022	4.000 %	375,000	31,395	406,395
November 1, 2022			23,895	23,895
May 1, 2023	4.000 %	385,000	23,895	408,895
November 1, 2023			16,195	16,195

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

BOND PAYMENT SCHEDULE

2006 SCHOOL BUILDING AND SITE BONDS

JUNE 30, 2014

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 1, 2024	4.100 %	390,000	16,195	406,195
November 1, 2024			8,200	8,200
May 1, 2025	4.100 %	400,000	8,200	408,200
		<u>\$ 2,120,000</u>	<u>\$ 717,852</u>	<u>\$ 2,837,852</u>

DENOMINATIONS

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

REDEMPTIONS PRIOR TO MATURITY

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

TAX LEVY FOR RETIREMENT OF BONDS

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

BOND PAYMENT SCHEDULE
2006 REFUNDING BONDS

JUNE 30, 2014

<u>TITLE OF ISSUE</u>	2006 Refunding Bonds		
<u>PURPOSE</u>	To refund a portion of a prior bond issue of the School District and the costs of issuing the bonds		
<u>DATE OF ISSUE</u>	January 26, 2006		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>		\$	1,410,000
Amount Redeemed Prior Years		\$	355,000
Amount Redeemed During Current Year			120,000
			<u>475,000</u>
<u>BALANCE OUTSTANDING - June 30, 2014</u>		\$	<u>935,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2014			\$ 18,164	\$ 18,164
May 1, 2015	3.650 %	\$ 135,000	18,164	153,164
November 1, 2015			15,700	15,700
May 1, 2016	3.800 %	145,000	15,700	160,700
November 1, 2016			12,945	12,945
May 1, 2017	3.800 %	155,000	12,945	167,945
November 1, 2017			10,000	10,000
May 1, 2018	4.000 %	165,000	10,000	175,000
November 1, 2018			6,700	6,700
May 1, 2019	4.000 %	170,000	6,700	176,700
November 1, 2019			3,300	3,300
May 1, 2020	4.000 %	165,000	3,300	168,300
			<u>\$ 935,000</u>	<u>\$ 1,068,618</u>

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

BOND PAYMENT SCHEDULE
2006 REFUNDING BONDS

JUNE 30, 2014

REDEMPTIONS PRIOR TO MATURITY

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

TAX LEVY FOR RETIREMENT OF BONDS

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

BOND PAYMENT SCHEDULE
2010 REFUNDING BONDS

JUNE 30, 2014

<u>TITLE OF ISSUE</u>	2010 Refunding Bonds		
<u>PURPOSE</u>	To refund a portion of a prior bond issue of the School District and the costs of issuing the bonds.		
<u>DATE OF ISSUE</u>	March 11, 2010		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>		\$	900,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year		\$	210,000
During Current Year		<u>85,000</u>	<u>295,000</u>
<u>BALANCE OUTSTANDING - June 30, 2014</u>		<u>\$</u>	<u>605,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2014			\$ 11,705	\$ 11,705
May 1, 2015	3.000 %	\$ 90,000	11,705	101,705
November 1, 2015			10,355	10,355
May 1, 2016	3.500 %	95,000	10,355	105,355
November 1, 2016			8,693	8,693
May 1, 2017	3.750 %	90,000	8,692	98,692
November 1, 2017			7,005	7,005
May 1, 2018	4.000 %	85,000	7,005	92,005
November 1, 2018			5,305	5,305
May 1, 2019	4.200 %	85,000	5,305	90,305
November 1, 2019			3,520	3,520
May 1, 2020	4.300 %	80,000	3,520	83,520
November 1, 2020			1,800	1,800
May 1, 2021	4.500 %	80,000	1,800	81,800
		<u>\$ 605,000</u>	<u>\$ 96,765</u>	<u>\$ 701,765</u>

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

BOND PAYMENT SCHEDULE
2010 REFUNDING BONDS

JUNE 30, 2014

REDEMPTION PRIOR TO MATURITY

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

TAX LEVY FOR RETIREMENT OF BONDS

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

BOND PAYMENT SCHEDULE
2012 SCHOOL BUS BONDS

JUNE 30, 2014

<u>TITLE OF ISSUE</u>	2012 School Bus Bond		
<u>PURPOSE</u>	Purchasing school buses and radio equipment for the new school buses.		
<u>DATE OF ISSUE</u>	November 1, 2012		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>		\$	410,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year		\$	45,000
During Current Year		<u>55,000</u>	<u>100,000</u>
<u>BALANCE OUTSTANDING - June 30, 2014</u>		<u>\$</u>	<u>310,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2014			\$ 3,178	\$ 3,178
May 1, 2015	2.050 %	\$ 60,000	3,177	63,177
November 1, 2015			2,563	2,563
May 1, 2016	2.050 %	60,000	2,562	62,562
November 1, 2016			1,948	1,948
May 1, 2017	2.050 %	60,000	1,947	61,947
November 1, 2017			1,333	1,333
May 1, 2018	2.050 %	65,000	1,332	66,332
November 1, 2018			667	667
May 1, 2019	2.050 %	65,000	666	65,666
		<u>\$ 310,000</u>	<u>\$ 19,373</u>	<u>\$ 329,373</u>

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

BOND PAYMENT SCHEDULE
2012 SCHOOL BUS BONDS

JUNE 30, 2014

DENOMINATIONS

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

REDEMPTION PRIOR TO MATURITY

The bonds of this issue shall not be subject to redemption prior to maturity.

TAX LEVY FOR RETIREMENT OF BONDS

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

