

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

JUNE 30, 2016



CERTIFIED PUBLIC ACCOUNTANTS
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MARION PUBLIC SCHOOLS
MARION, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016

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July 22, 2016

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, 2016, 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, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages iv through xi and 41-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marion Public Schools, Michigan's basic financial statements. The Combining Fund Financial Statements, Financial Statements of Individual Funds, and Other Information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Fund Financial Statements and Financial Statements of Individual Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 Fund Financial Statements and Financial Statements of Individual Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2016, 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, 2016

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, 2016. 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, 2016

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.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in both the government-wide and the fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2016

C. Summary of Net Position

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

	<u>2015</u>	<u>2016</u>
Assets		
Current Assets	\$ 2,037,032	\$ 1,939,341
Non Current Assets		
Capital Assets	10,099,776	9,952,893
Less Accumulated Depreciation	<u>(5,412,132)</u>	<u>(5,631,249)</u>
Total Non Current Assets	<u>4,687,644</u>	<u>4,321,644</u>
Total Assets	<u>6,724,676</u>	<u>6,260,985</u>
Deferred Outflows of Resources		
Deferred Loss on Refunding - Net	87,231	75,566
Deferred Outflows of Resources Related to Pensions	<u>742,085</u>	<u>850,554</u>
Total Deferred Outflows of Resources	<u>829,316</u>	<u>926,120</u>
Liabilities		
Current Liabilities	1,741,028	1,740,955
Non Current Liabilities	<u>10,360,636</u>	<u>10,751,763</u>
Total Liabilities	<u>12,101,664</u>	<u>12,492,718</u>
Deferred Inflows of Resources		
Deferred Inflows of Resources Related to Pensions	<u>744,208</u>	<u>229,665</u>
Net Position		
Net Investment in Capital Assets	901,111	896,733
Restricted for Debt Service	89,512	31,828
Restricted for Food Service	61,618	0
Restricted for Millie Jones Expenses	4,540	4,540
Unrestricted (Deficit)	<u>(6,348,661)</u>	<u>(6,468,379)</u>
Total Net Position (Deficit)	<u>\$ (5,291,880)</u>	<u>\$ (5,535,278)</u>

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2016

D. Analysis of Financial Position

During the fiscal year ended June 30, 2016, the District's net position decreased by \$243,398. 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, 2016, \$373,717 was recorded for depreciation expense.

2. *Capital Outlay Acquisitions*

For the fiscal year ended June 30, 2016, \$8,457 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$366,000 for the fiscal year ended June 30, 2016. A decrease to net capital assets is a reduction in net position.

3. *Pension Expense*

GASB 68 now requires the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability increases or decreases in any given year. For the year ended June 30, 2016, the District reported a decrease in net position of \$786,502 related to GASB 68, which indicates that the District's proportionate share of the net pension liability increased.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2016

E. Change in Net Position

The following schedule summarizes the results of operations, on a district-wide basis, for the year ended June 30.

	<u>2015</u>	<u>2016</u>
General Revenues		
Property Taxes	\$ 1,969,338	\$ 1,798,134
Investment Earnings	509	1,810
State Sources	2,700,056	2,922,995
Other	<u>67,289</u>	<u>58,874</u>
 Total General Revenues	 <u>4,737,192</u>	 <u>4,781,813</u>
Program Revenues		
Charges for Services	58,483	60,128
Operating Grants	<u>1,287,617</u>	<u>994,045</u>
 Total Program Revenues	 <u>1,346,100</u>	 <u>1,054,173</u>
 Total Revenues	 <u>6,083,292</u>	 <u>5,835,986</u>
Expenses		
Instruction	3,367,893	3,634,095
Supporting Services	1,396,517	1,489,732
Community Activities	4,392	1,738
Food Service Activities	319,193	364,237
Athletic Activities	86,563	90,488
Interest on Long-Term Debt	152,616	123,377
Bond Issuance Costs	52,827	0
Other Transactions	790	2,000
Unallocated Depreciation	<u>392,725</u>	<u>373,717</u>
 Total Expenses	 <u>5,773,516</u>	 <u>6,079,384</u>
 Change in Net Position	 <u>\$ 309,776</u>	 <u>\$ (243,398)</u>

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2016

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>2015</u>	<u>2016</u>	Increase (Decrease)
Major Fund			
General Fund	\$ 485,144	\$ 434,296	\$ (50,848)
Nonmajor Funds			
Food Service	100,592	93,666	(6,926)
2012 School Bus Bonds	11,001	11,006	5
2015 Debt Refunding	48,631	33,054	(15,577)
2010 Debt Refunding	24,370	7,903	(16,467)
2012 Debt Retirement	12,441	8,779	(3,662)
Total Governmental Funds	<u>\$ 682,179</u>	<u>\$ 588,704</u>	<u>\$ (93,475)</u>

The General Fund decreased its fund balance due to a decrease in revenues from other sources. Other funds' changes were insignificant.

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 2015-2016 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>\$ 4,871,251</u>	<u>\$ 5,283,712</u>	<u>\$ 5,261,093</u>
<u>EXPENDITURES</u>			
Instruction	\$ 3,407,366	\$ 3,723,482	\$ 3,678,831
Supporting Services	1,523,325	1,614,961	1,595,942
Community Activities	5,000	7,929	1,738
Debt Services	41,780	41,780	41,780
Total Expenditures	<u>\$ 4,977,471</u>	<u>\$ 5,388,152</u>	<u>\$ 5,318,291</u>

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2016

The change in the Total Revenue Original Budget to Final Budget was an increase of \$412,461 in part as a result of being able to utilize at risk and Title I carryover. In addition, the UAAL was not included in the original budget.

The change in the Total Expenditures Original Budget to Final Budget was an increase of \$410,681. This is mainly due to UAAL being added into the budget.

H. Capital Asset and Debt Administration

1. Capital Assets

At June 30, 2016, the District has \$9,952,893 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 \$373,717, bringing the accumulated depreciation to \$5,631,249 as of June 30, 2016.

The addition to capital assets included:

- HP Server \$5,507
- Floor Scrubber \$2,950

Additional information on the District's capital assets can be found in the notes to this report.

2. Long-Term Debt

At June 30, 2016, the District has \$3,370,000 in bonded debt outstanding. This represents a decrease of \$360,000 from the amount outstanding at the close of the prior fiscal year. Other long-term debt includes compensated absences of \$94,347, a water connection loan in the amount of \$54,037 and net pension liability of \$7,518,343.

Additional information on the District's long-term debt can be found in the notes to this report.

I. Factors Bearing on the District's Future

Due to decreasing enrollments, the District is able to take advantage of using a 3 year blended count for determining their state aid. In 2016-2017, the year that drops out of the blend is larger than the remaining ones. This loss alone will result in a decrease of 4 students. At an anticipated foundation allowance of \$7,511, this is a potential decrease in revenue of \$30,044.

All of the union contracts have wage and benefit reopeners. The District is trying to come up with a reasonable solution for all parties.

Retirement costs continue to be a concern for the District. In 2016/2017, the District anticipates spending \$875,458 for employee retirement costs. This is approximately 17% of their total budget.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2016

The cost of health care also continues to be a concern for the District. The staff recently changed to a less costly plan. However, the District still anticipates health insurance to cost approximately \$548,164 for 16/17. This is approximately 11% of the total budget.

Marion Public Schools is fortunate to have a superintendent who has retired from a public school. The District recognizes a large savings from this arrangement because they do not pay retirement or health insurance on him. At the same time, he serves a dual role as an elementary principal. For that, he works for a third party. Again, at a significant savings to the District. The superintendent’s secretary is also a retiree and the District sees a savings by employing her also. If one or both of these individuals leaves the District, it will be a challenge to replace them without a large expense to the District.

In an effort to contain costs, the District released an RFP for transportation services in July, 2016. They are hoping to recognize a savings outside of direct classroom instruction.

In May, 2016, the voters approved a bond issue to renovate existing buildings, purchase buses, and technology. Currently the District is in the planning stages and expects to start work in the spring of 2017.

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.

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MARION PUBLIC SCHOOLS
MARION, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2016

ASSETS

CURRENT ASSETS

Cash	\$ 1,189,450
Accounts Receivable	7,283
Due from Other Governmental Units	679,223
Prepays	10,071
Inventory	8,503
Investments	44,811

Total Current Assets 1,939,341

NON CURRENT ASSETS

Capital Assets	9,952,893
Less Accumulated Depreciation	(5,631,249)

Total Non Current Assets 4,321,644

TOTAL ASSETS 6,260,985

DEFERRED OUTFLOWS OF RESOURCES

Deferred Loss on Refunding - Net	75,566
Changes of Pension Assumptions	185,118
District Pension Contributions Subsequent to the Measurement Date	586,148
Proportion and Differences Between District Pension Contributions	
Proportionate Share of Contributions	40,913
Net Difference Between Projected and Actual	
Earnings on Pension Plan Investments	38,375

TOTAL DEFERRED OUTFLOWS OF RESOURCES 926,120

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2016

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	7,245
Accrued Interest Payable	17,908
Note Payable	807,701
Salaries and Fringe Benefits Payable	530,369
Unearned Revenue	5,020
Due to External Parties - Fiduciary Funds	302
Current Portion of Non Current Liabilities	<u>372,410</u>

Total Current Liabilities 1,740,955

NON CURRENT LIABILITIES

Bonds Payable (Net)	3,457,446
Water Connection Loan	54,037
Net Pension Liability	7,518,343
Compensated Absences	94,347
Less Current Portion of Non Current Liabilities	<u>(372,410)</u>

Total Non Current Liabilities 10,751,763

TOTAL LIABILITIES 12,492,718

DEFERRED INFLOWS OF RESOURCES

Difference Between Expected and Actual Experience	24,903
Section 147c Revenue Related to District Pension Contributions Subsequent to Measurement Date	<u>204,762</u>

Total Deferred Inflows of Resources 229,665

NET POSITION

Net Investment in Capital Assets	896,733
Restricted for Debt Retirement	31,828
Restricted for Millie Jones Expenses	4,540
Unrestricted (Deficit)	<u>(6,468,379)</u>

TOTAL NET POSITION (Deficit) \$ (5,535,278)

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, 2016

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>
		<u>CHARGES FOR</u> <u>SERVICES</u>	<u>OPERATING</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	\$ 3,634,095	\$ 0	\$ 587,150	\$ (3,046,945)
Supporting Services	1,489,732	13,200	73,788	(1,402,744)
Community Activities	1,738	0	1,738	0
Food Service Activities	364,237	27,187	331,369	(5,681)
Athletic Activities	90,488	19,741	0	(70,747)
Interest on Long-Term Debt	123,377	0	0	(123,377)
Other Transactions	2,000	0	0	(2,000)
Unallocated Depreciation	373,717	0	0	(373,717)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 6,079,384	\$ 60,128	\$ 994,045	(5,025,211)
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				1,383,732
Property Taxes - Debt Service				414,402
Investment Earnings				1,810
State Sources				2,922,995
Other				58,874
Total General Revenues				4,781,813
Change in Net Position				(243,398)
<u>NET POSITION</u> - Beginning of Year (Deficit)				(5,291,880)
<u>NET POSITION</u> - End of Year (Deficit)				\$ (5,535,278)

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2016

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash	\$ 1,045,432	\$ 144,018	\$ 1,189,450
Accounts Receivable	7,283	0	7,283
Due from Other Funds	83	0	83
Due from Other Governmental Units	675,552	3,671	679,223
Prepaid Items	10,071	0	10,071
Inventory	0	8,503	8,503
Investments	43,803	1,008	44,811
TOTAL ASSETS	\$ 1,782,224	\$ 157,200	\$ 1,939,424
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 5,200	\$ 2,045	\$ 7,245
Due to Other Funds	385	0	385
Note Payable	807,701	0	807,701
Salaries and Fringe Benefits Payable	530,369	0	530,369
Unearned Revenue	4,273	747	5,020
Total Liabilities	1,347,928	2,792	1,350,720
<u>FUND BALANCES</u>			
Nonspendable:			
Prepaid Items	10,071	0	10,071
Inventory	0	8,503	8,503
Restricted for:			
Food Service	0	85,163	85,163
Capital Projects	0	11,006	11,006
Debt Retirement	0	49,736	49,736
Millie Jones Expenditures	4,540	0	4,540
Unassigned	419,685	0	419,685
Total Fund Balances	434,296	154,408	588,704
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,782,224	\$ 157,200	\$ 1,939,424

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, 2016

Total Governmental Fund Balances \$ 588,704

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	\$ 9,952,893	
Accumulated depreciation is	<u>(5,631,249)</u>	4,321,644

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

Bonds Payable	(3,370,000)	
Water Connection Loan	(54,037)	
Compensated Absences	(94,347)	
Bond Discount (Premium)	(109,308)	
Amortization of Bond Premium (Discount)	21,862	
Bond Deferred Loss on Refunding	128,481	
Amortization of Bond Deferred Loss on Refunding	<u>(52,915)</u>	(3,530,264)

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

Net Pension Liability		(7,518,343)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Proportion and Differences Between District Pension Contributions		
Proportionate Share of Contributions		40,913

Changes of Assumptions in Pension Plan		185,118
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District Pension Contributions Subsequent to the Measurement Date		586,148
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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, 2016

Net Difference Between Projected and Actual Earnings on Pension Plan Investments	38,375
Differences Between Expected and Actual Experience	(24,903)
Section 147c Revenue Related to District Pension Contributions Subsequent to Measurement Date	(204,762)
Long-term accrued interest is not included as a liability in government funds, it is recorded when paid	<u>(17,908)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (5,535,278)</u></u>

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

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

YEAR ENDED JUNE 30, 2016

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 1,473,562	\$ 442,676	\$ 1,916,238
State Sources	3,313,363	11,153	3,324,516
Federal Sources	375,611	320,216	695,827
Other Transactions	98,557	0	98,557
Total Revenues	5,261,093	774,045	6,035,138
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	2,733,593	0	2,733,593
Added Needs	945,238	0	945,238
Supporting Services			
Pupil	24,943	0	24,943
Instructional Staff	10,814	0	10,814
General Administration	109,851	0	109,851
School Administration	375,590	0	375,590
Business	64,899	0	64,899
Operation and Maintenance	411,872	0	411,872
Pupil Transportation Services	386,567	0	386,567
Support Services - Central	120,918	0	120,918
Support Services - Athletics	90,488	0	90,488
Community Activities	1,738	0	1,738
Food Service Activities	0	365,542	365,542
Debt Service			
Principal	32,351	330,000	362,351
Interest	9,429	119,130	128,559
Other Transactions	0	2,000	2,000
Total Expenditures	5,318,291	816,672	6,134,963
Excess (Deficiency) of Revenues Over Expenditures	(57,198)	(42,627)	(99,825)
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Sale of Capital Assets	6,350	0	6,350
Net Change in Fund Balance	(50,848)	(42,627)	(93,475)
<u>FUND BALANCE</u> - Beginning of Year	485,144	197,035	682,179
<u>FUND BALANCE</u> - End of Year	\$ 434,296	\$ 154,408	\$ 588,704

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, 2016

Net Change in Fund Balances Total Governmental Funds \$ (93,475)

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	(373,717)
Capital Outlay	8,457

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. The change in net position differs from the change in fund balance by the cost of the capital assets sold net of accumulated depreciation. (740)

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	23,824
Accrued Interest Payable - End of Year	(17,908)

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 Deferred Charges	(734)
Repayment of Bond Principal	360,000
Repayment of Principal on Long-Term Debt	2,351

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, 2016

Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.

Change in Net Pension Liability	(786,502)
Change in Changes of Pension Assumptions	(63,273)
Change in Proportion and Differences between District Pension Contributions Proportionate Share of Contributions	40,913
Change in District Pension Contributions Subsequent to Measurement Date	92,454
Change in Net Difference Between Projected and Actual Earnings on Pension Plan Investments	782,583
Change in Differences Between Expected and Actual Experience	(24,903)
Section 147c Revenue Related to District Pension Contributions Subsequent to Measurement Date	(204,762)
 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	106,381
Compensated Absences - End of Year	<u>(94,347)</u>
 CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	 <u>\$ (243,398)</u>

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, 2016

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUND</u>
<u>ASSETS</u>		
Cash	\$ 301,354	\$ 50,746
Interest Receivable	5,470	0
Accounts Receivable	890	0
Due From General Fund	385	0
Scholarship Loans	20,224	0
Investments	3	0
	328,326	50,746
 <u>LIABILITIES</u>		
Due to General Fund	83	0
Accounts Payable	890	0
Due to Groups and Organizations	0	50,746
	973	50,746
 <u>NET POSITION</u>		
Restricted for:		
Endowments	289,687	0
Student Scholarships	37,666	0
	\$ 327,353	\$ 0
 TOTAL NET POSITION	 \$ 327,353	 \$ 0

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, 2016

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Earnings on Investments and Deposits	<u>\$ 4,042</u>
<u>DEDUCTIONS</u>	
Scholarships	3,690
Refunds	0
Collection Fees	<u>0</u>
Total Deductions	<u>3,690</u>
Changes in Net Position	352
<u>NET POSITION</u> - Beginning of Year	<u>327,001</u>
<u>NET POSITION</u> - End of Year	<u>\$ 327,353</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, 2016

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, 2016

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, 2016

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.

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 18, 2015, or as amended by the School Board of Education on June 24, 2016.

2. *Excess of Expenditures over Appropriations*

General Fund:

Business:

Other Business Services expenditures of \$21,395 exceeded appropriations of \$20,305.

Operation and Maintenance expenditures of \$411,872 exceeded appropriations of \$409,828.

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

1. *Cash and Investments*

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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.

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.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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. *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.

6. *Pension*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

7. *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 has five items that qualify for reporting in this category. The first 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. The other items are related to the pension plan for its employees. Details can be found in footnote 3.E.

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 has two items that qualifies for reporting in this category, which are related to the pension plan for its employees. Details can be found in footnote 3.E.

8. *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.

9. *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.

10. *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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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.

11. 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.

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, 2016 the foundation allowance was based on pupil membership counts taken in October of 2015 and February of 2015. For fiscal year ended June 30, 2016, the per pupil foundation allowance was \$7,126 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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

through payments from October 2015 to August 2016. 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.

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, 2016, 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
2015 Refunding Debt Retirement Fund – PRE, Non-PRE	1.7700
2012 Debt Retirement Fund – PRE, Non-PRE	0.4300

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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, 2016.

NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

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, 2016, the District’s bank balance was \$1,580,402 and \$965,137 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.

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.

Investments not subject to categorization:

Investments in Governmental Funds	\$ 44,811
Investment Trust Funds	3
Total Investments	<u>\$ 44,814</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, 2016, the fair value of the District’s investments is the same as the value of the pool shares.

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Balance sheet classifications:

	<u>Statement of Net Position</u>	<u>Statement of Fiduciary Net Position</u>	<u>Total</u>
Cash	\$ 1,189,450	\$ 352,100	\$ 1,541,550
Investments	44,811	3	44,814
	<u>\$ 1,234,261</u>	<u>\$ 352,103</u>	<u>\$ 1,586,364</u>

B. Receivables/Unearned Revenue

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

	<u>General</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables			
Accounts Receivable	\$ 7,283	\$ 0	\$ 7,283
Due from Other Governmental Units	675,552	3,671	679,223
	<u>\$ 682,835</u>	<u>\$ 3,671</u>	<u>\$ 686,506</u>

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

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the District reported unearned revenue of \$5,020, which is made up of grant receipts and other revenue that has been received, but not yet earned.

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C. Capital Assets

Capital assets activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
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	155,340	576,039
Equipment and Furniture	1,708,869	8,457	0	1,717,326
Improvements	3,957,884	0	0	3,957,884
Other Vehicles	30,004	0	0	30,004
Total Capital Assets, Being Depreciated	10,042,959	8,457	155,340	9,896,076
Less Accumulated Depreciation for:				
Books	174,918	2,683	0	177,601
Buildings	1,566,117	39,688	0	1,605,805
Buses	438,960	48,622	154,600	332,982
Equipment and Furniture	1,295,401	85,818	0	1,381,219
Improvements	1,910,469	196,091	0	2,106,560
Other Vehicles	26,267	815	0	27,082
Total Accumulated depreciation	5,412,132	373,717	154,600	5,631,249
Total Capital Assets, Being Depreciated, Net	4,630,827	(365,260)	740	4,264,827
Governmental Activities Capital Assets, Net	\$ 4,687,644	\$ (365,260)	\$ 740	\$ 4,321,644

Depreciation for the fiscal year ended June 30, 2016 amounted to \$373,717. 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 Michigan Public School Employees’ Retirement System (System or MPSERS) 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 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended.

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Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's separately issued financial statements are available at www.michigan.gov/mpsers-cafr.

Benefit Provisions- Pension

Introduction

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. 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.

Prior to pension reform of 2010 there were two plans commonly referred to as Basic and Member Investment Plan (MIP). Basic plan member's contributions range from 0% to 4%. On January 1, 1987, 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. Members first hired January 1, 1990 or later, including Pension Plus plan members, contribute at various graduated permanently fixed contribution rates from 3.0% to 7.0%

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

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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.

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 on 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. Members who elected under option 1 to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP).

Regular Retirement

Eligibility – Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount – Total credited service as of the transition date times 1.5% of final average compensation.

Pension Plus

An amount determined by the member's election of Option 1, 2, 3, or 4 as described below.

Option 1: Credited service after the transition date times 1.5% times final average compensation.

Option 2: Credited service after the transition date (until total service reaches 30 years) times 1.5% times final average compensation, plus credited service after the transition date and over 30 years times 1.25% times final average compensation.

Option 3: Credited service after the transition date times 1.25% times final average compensation.

Option 4: None (Member will receive benefit through a defined contribution plan). As a Defined Contribution 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.

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Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and the Defined Contribution plan that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) – Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the transition date.

Contributions

Depending on the plan selected, member contributions range from 0% to 7%. Plan members electing the defined contribution plan are not required to make additional contributions.

Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree other post-employment benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the 2015 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0-4.0%	22.52-23.07%
Member Investment Plan	3.0-7.0%	22.52-23.07%
Pension Plans	3.0-6.4%	21.99%
Defined Contribution	0.0%	17.72-18.76%

The District's pension contributions for the year ended June 30, 2016 were equal to the required contribution total. Pension contributions were approximately \$702,070. These amounts include contributions funded from state revenue Section 147c restricted to fund MPERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

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E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities

At June 30, 2016, the District reported a liability of \$7,518,343 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2014 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2015 and 2014, the District's proportion was .03078131% and .03056000%.

MPSERS (Plan) Net Pension Liability – As of September 30, 2015 and September 30, 2014

	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Total Pension Liability	\$ 66,312,041,902	\$ 65,160,887,182
Plan Fiduciary Net Position	<u>41,887,015,147</u>	<u>43,134,384,072</u>
Net Pension Liability	<u>\$ 24,425,026,755</u>	<u>\$ 22,026,503,110</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.17%	66.20%
Net Pension Liability as a Percentage of Covered-Employee Payroll	292.61%	250.11%

Pension Expense and Deferred Inflows and Outflows of Resources Related to Pensions

For the year ended June 30, 2016, the District recognized total pension expense of \$646,472. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

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At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 24,903
Section 147c revenue related to District pension contributions subsequent to measurement date	0	204,762
Changes of assumptions	185,118	0
Net difference between projected and actual earnings on pension plan investments	38,375	0
Changes in proportion and differences between District contributions and proportionate share of contributions	40,913	0
District contributions subsequent to the measurement date	586,148	0
Total	<u>\$ 850,554</u>	<u>\$ 229,665</u>

\$586,148 reported as deferred outflows of resources and \$204,762 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2017	\$ 32,108
2018	32,108
2019	22,071
2020	153,216
	<u>\$ 239,503</u>

F. Actuarial Valuations and Assumptions of the Pension Plan

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.50%
Investment Rate of Return	
-MIP and Basic Plans (Non-Hybrid):	8.00%
-Pension Plus Plan (Hybrid):	7.00%
Projected Salary Increases:	3.5-12.3 % including wage inflation at 3.5%
Cost of Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combine Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.7158.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report.

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity Pools	28.00%	5.90%
Alternative Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate & Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short-Term Investment Pools	2.00%	0.00%
	<u>100%</u>	

*Long-term rate does not include 2.1% inflation.

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 8.0 percent (7.0% for the Pension Plus plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
\$ 9,693,072	\$ 7,518,343	\$ 5,684,958

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G. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2015 Comprehensive Annual Financial Report.

H. Payables to the Pension Plan

As of June 30, 2016, the District is current on all required pension plan payments. As of June 30, 2016, the District reported payables in the amount of \$156,721 to the pension plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

I. Benefit Provisions – Other Post-Employment

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 is 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

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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.

Employer Contributions

The employer contribution rate ranged from 5.52% - 6.45% of covered payroll for the period October 1, 2013 to March 9, 2015; from 2.20% - 2.71% of covered payroll for the period from March 10, 2015 to September 30, 2015; and from 6.40% - 6.83% of covered payroll for the period from October 1, 2015 through June 30, 2016 dependent upon the employee's date of hire and plan election.

The District's contributions to MPSERS for post-employment healthcare contributions for the years ended June 30, 2016 and 2015 were approximately \$149,927 and \$70,143.

J. 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, 2016 or any of the prior three years.

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K. Lease Information

The School District leases copy machines, digital duplicators, and a dishwasher. The total rental expense for the fiscal years ended June 30, 2016, and June 30, 2015, was \$15,853 and \$13,363 respectively. The future minimum payments are summarized below:

<u>YEAR-ENDING</u>	<u>AMOUNTS</u>
2017	\$ 15,903
2018	15,903
2019	16,219
2020	14,997
2021	2,100
	\$ 65,122
	\$ 65,122

L. 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, 2016:

	General Obligation Serial Bonds	Water Connection Loan	Compensated Absences Payable	Net Pension Liability	Total
Balance June 30, 2015	\$ 3,730,000	\$ 56,388	\$ 106,381	\$ 6,731,841	\$10,624,610
Increases	0	0	0	786,502	786,502
Decreases	(360,000)	(2,351)	(12,034)	0	(374,385)
Balance June 30, 2016	3,370,000	54,037	94,347	7,518,343	11,036,727
Less current portion	(370,000)	(2,410)	unknown	unknown	(372,410)
Total due after one year	\$ 3,000,000	\$ 51,627	\$ 94,347	\$ 7,518,343	\$10,664,317

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The District's liability obligations at June 30, 2016, are comprised of the following issues:

General Obligation Serial Bonds

2010 refunding bonds due in annual installments of \$80,000 to \$90,000 through May 1, 2021, interest at 3.75% to 4.50%. \$ 420,000

2005 energy conservation improvement bonds due in annual installments of \$30,000 to \$35,000 through May 1, 2020, interest at 4.85% to 4.95%. 135,000

2015 refunding bonds due in annual installments of \$190,000 to \$385,000 through May 1, 2025, interest at 2.00% to 3.00%. 2,625,000

2012 school bus bonds due in annual installments of \$60,000 to \$65,000 through May 1, 2019, interest at 2.050%. 190,000

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. 54,037

Compensated Absences Payable

Accumulated Sick and Vacation Pay 94,347

Net Pension Liability

Proportionate Share of MPSERS Pension Liability 7,518,343

TOTAL LONG-TERM DEBT \$ 11,036,727

Annual debt service requirements to maturity for the above obligations except for compensated absences and net pension liability.

The annual requirements to amortize debt outstanding as of June 30, 2016, including interest payments of \$534,921 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2017	\$ 372,410	\$ 106,074	\$ 478,484
2018	387,471	96,154	483,625
2019	397,533	83,654	481,187
2020	377,597	70,671	448,268
2021	352,662	57,634	410,296
2022-2026	1,509,349	117,781	1,627,130
2027-2031	16,247	2,483	18,730
2032-2034	10,768	470	11,238
	<u>\$ 3,424,037</u>	<u>\$ 534,921</u>	<u>\$ 3,958,958</u>

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

The annual requirements to amortize the accrued compensated absences and net pension liability are uncertain because it is unknown when the pension liability will be paid or when the employees will use the benefit.

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

M. Short-Term Debt

On August 20, 2015, the District issued a State Aid Anticipation Note in the amount of \$800,000. At June 30, 2016, the balance outstanding on this note was \$800,000, plus accrued interest of \$7,701. The District has approved a note payable in the amount of \$950,000 for the year ending June 30, 2017.

The following is a summary of the Short-Term Debt transactions for the School District for the year ended June 30, 2016:

Short-Term Debt at July 1, 2015	\$ 800,000
New Debt Issued	800,000
Debt Retired and Paid	<u>(800,000)</u>
 Short-Term Debt at June 30, 2016	 <u><u>\$ 800,000</u></u>

N. Interfund Receivables and Payables

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 83	\$ 385
Fiduciary Fund	<u>385</u>	<u>83</u>
	<u><u>\$ 468</u></u>	<u><u>\$ 468</u></u>

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, 2016 are expected to be repaid within one year.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

O. Interfund Transfers

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. There were no interfund transfers.

P. 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.

Q. 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. Cash of \$11,006 is restricted to use specified by the bond provisions.

R. Subsequent Events

The District is in the process of borrowing short-term debt for cash flow purposes in the amount of \$950,000.

No adjustment was made to the financial statements for the year ending June 30, 2016 related to these subsequent events.

The district sold \$2,730,000 of 2016 School Building and Site Bonds on July 12, 2016 with a delivery date of August 2, 2016

S. GASB 72 – Fair Market Value Disclosure

The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District does not have any investments subject to the fair value measurement.

T. Upcoming Accounting Pronouncements

Governmental Accounting Standards Board (GASB) Statement No. 77 – Tax Abatement Disclosures

Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, was issued by the GASB in August 2015 and will be effective for the District's 2017 year-end. The Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements in the footnotes of the financial statements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatements recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

This statement will improve the user's ability on how tax abatements affect the reporting unit's financial positions and results of operations, including their ability to raise resources in the future. The District is still evaluating how, if at all, it will be affected by this new pronouncement.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Governmental Accounting Standards Board (GASB) Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

This statement is effective for fiscal years beginning after June 15, 2017. However, early implementation is encouraged. The District is evaluating the effects this statement will have on the District's net position.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 1,605,307	\$ 1,475,997	\$ 1,473,562
State Sources	2,834,499	3,317,282	3,313,363
Federal Sources	326,586	388,541	375,611
Other Transactions	104,859	101,892	98,557
	<hr/>	<hr/>	<hr/>
Total Revenues	4,871,251	5,283,712	5,261,093
<hr/>			
<u>EXPENDITURES</u>			
Instruction			
Basic Programs			
Elementary	1,121,922	1,094,963	1,069,921
High School	1,601,533	1,663,531	1,659,921
Summer School	0	4,728	3,751
Added Needs			
Special Education	292,721	308,818	303,132
Compensatory Education	391,190	651,442	642,106
Supporting Services			
Pupil			
Guidance	17,777	26,352	24,393
Other Pupil Services	1,000	1,000	550
Instructional Staff			
Improvement of Instruction	0	5,359	4,495
Computer-Assisted Instruction	0	6,320	6,319
General Administration			
Board of Education	37,750	50,575	48,813
Executive Administration	63,602	61,448	61,038
School Administration			
Office of the Principal	342,135	376,495	375,590
Business			
Fiscal Services	34,113	43,505	43,504
Other Business Services	21,174	20,305	21,395
Operation and Maintenance	400,200	409,828	411,872
Pupil Transportation Services	368,793	387,965	386,567

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Support Services - Central			
Non-Instructional Technology	129,888	130,563	120,918
Support Services - Athletics	106,893	95,246	90,488
Community Activities	5,000	7,929	1,738
Debt Service			
Principal	32,351	32,351	32,351
Interest	9,429	9,429	9,429
	4,977,471	5,388,152	5,318,291
Total Expenditures			
Excess (Deficiency) of Revenues			
Over Expenditures	(106,220)	(104,440)	(57,198)
 <u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Sale of Capital Assets	6,350	6,350	6,350
Transfers In (Out)	0	(5,504)	0
	6,350	846	6,350
Total Other Financing Sources (Uses)			
Net Change in Fund Balance	(99,870)	(103,594)	(50,848)
<u>FUND BALANCE</u> - Beginning of Year	458,793	485,145	485,144
<u>FUND BALANCE</u> - End of Year	\$ 358,923	\$ 381,551	\$ 434,296

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)
JUNE 30, 2016

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)									0.03078%	0.03056%
District's proportionate share of net pension liability									\$ 7,518,343	\$ 6,731,841
District's covered-employee payroll									2,563,593	2,600,783
District's proportionate share of net pension liability as a percentage of its covered-employee payroll									293.27%	258.84%
Plan fiduciary net position as a percentage of total pension liability									63.17%	66.20%

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2016

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions									\$ 702,070	\$ 590,067
Contributions in relation to statutorily required contributions *									702,070	590,067
Contribution deficiency (excess)									\$ 0	\$ 0
Covered-Employee Payroll									\$ 2,532,281	\$ 2,594,857
Contributions as a percentage of covered-employee payroll									27.72%	22.74%

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2016

A. Changes of Benefit Terms

There were no changes of benefit terms in 2016.

B. Changes of Assumptions

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. There were no changes of assumptions in 2016.

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MARION PUBLIC SCHOOLS

MARION, MICHIGAN

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2016

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT RETIREMENT FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE FUND	2012 SCHOOL BUS BONDS FUND	2015 REFUNDING DEBT RETIREMENT FUND	2010 REFUNDING DEBT RETIREMENT FUND	2012 DEBT RETIREMENT FUND	
<u>ASSETS</u>						
Cash	\$ 83,276	\$ 11,006	\$ 33,054	\$ 7,903	\$ 8,779	\$ 144,018
Due from Other Governmental Units	3,671	0	0	0	0	3,671
Inventory	8,503	0	0	0	0	8,503
Investments	1,008	0	0	0	0	1,008
TOTAL ASSETS	\$ 96,458	\$ 11,006	\$ 33,054	\$ 7,903	\$ 8,779	\$ 157,200
<u>LIABILITIES AND FUND BALANCES</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 2,045	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,045
Unearned Revenue	747	0	0	0	0	747
Total Liabilities	2,792	0	0	0	0	2,792
<u>FUND BALANCE</u>						
Nonspendable						
Inventory	8,503	0	0	0	0	8,503
Restricted for:						
Food Service	85,163	0	0	0	0	85,163
Capital Projects	0	11,006	0	0	0	11,006
Debt Retirement	0	0	33,054	7,903	8,779	49,736
Total Fund Balances	93,666	11,006	33,054	7,903	8,779	154,408
TOTAL LIABILITIES AND FUND BALANCES	\$ 96,458	\$ 11,006	\$ 33,054	\$ 7,903	\$ 8,779	\$ 157,200

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

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

YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT RETIREMENT FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE FUND	2012 SCHOOL BUS BONDS FUND	2015 REFUNDING DEBT RETIREMENT FUND	2010 REFUNDING DEBT RETIREMENT FUND	2012 DEBT RETIREMENT FUND	
<u>REVENUES</u>						
Local Sources	\$ 27,247	\$ 5	\$ 253,968	\$ 99,993	\$ 61,463	\$ 442,676
State Sources	11,153	0	0	0	0	11,153
Federal Sources	320,216	0	0	0	0	320,216
Total Revenues	358,616	5	253,968	99,993	61,463	774,045
<u>EXPENDITURES</u>						
Food Service Activities	365,542	0	0	0	0	365,542
Debt Service						
Principal	0	0	175,000	95,000	60,000	330,000
Interest	0	0	93,295	20,710	5,125	119,130
Other Transactions	0	0	1,250	750	0	2,000
Total Expenditures	365,542	0	269,545	116,460	65,125	816,672
Excess (Deficiency) of Revenues Over Expenditures	(6,926)	5	(15,577)	(16,467)	(3,662)	(42,627)
<u>FUND BALANCE</u> - Beginning of Year	100,592	11,001	48,631	24,370	12,441	197,035
<u>FUND BALANCE</u> - End of Year	\$ 93,666	\$ 11,006	\$ 33,054	\$ 7,903	\$ 8,779	\$ 154,408

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	PRIVATE PURPOSE TRUST FUNDS				TOTALS	
	WHITE-HELFRICH CONTINUING EDUCATION SCHOLARSHIP	DORALD L. GIDDINGS SCHOLARSHIP TRUST	MILLIE JONES SCHOLARSHIP TRUST	JENNIE P. OPPER SCHOLARSHIP	2016	2015
<u>ASSETS</u>						
Cash	\$ 173,697	\$ 10,343	\$ 20,300	\$ 97,014	\$ 301,354	\$ 300,534
Interest Receivable	4,167	0	0	1,303	5,470	6,240
Accounts Receivable	0	0	0	890	890	890
Due From General Fund	385	0	0	0	385	0
Scholarship Loans	12,224	0	0	8,000	20,224	20,224
Investments	1	0	0	2	3	3
TOTAL ASSETS	190,474	10,343	20,300	107,209	328,326	327,891
<u>LIABILITIES</u>						
Due to General Fund	0	0	0	83	83	0
Accounts Payable	890	0	0	0	890	890
TOTAL LIABILITIES	890	0	0	83	973	890
<u>NET POSITION</u>						
Restricted for:						
Endowments	167,272	9,000	18,500	94,915	289,687	289,687
Student Scholarships	22,312	1,343	1,800	12,211	37,666	37,314
TOTAL NET POSITION	\$ 189,584	\$ 10,343	\$ 20,300	\$ 107,126	\$ 327,353	\$ 327,001

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2015

	PRIVATE PURPOSE TRUST FUNDS				TOTALS	
	WHITE-HELFRICH CONTINUING EDUCATION SCHOLARSHIP	DORALD L. GIDDINGS SCHOLARSHIP TRUST	MILLIE JONES SCHOLARSHIP TRUST	JENNIE P. OPPER SCHOLARSHIP	2016	2015
<u>ADDITIONS</u>						
Earnings on						
Investments and Deposits	\$ 2,588	\$ 0	\$ 29	\$ 1,425	\$ 4,042	\$ 1,409
Refunds	0	0	0	0	0	890
Total Earnings	2,588	0	29	1,425	4,042	2,299
<u>DEDUCTIONS</u>						
Scholarships	2,370	0	0	1,320	3,690	1,768
Refunds	0	0	0	0	0	890
Collection Fees	0	0	0	0	0	827
Total Deductions	2,370	0	0	1,320	3,690	3,485
Changes in Net Position	218	0	29	105	352	(1,186)
<u>NET POSITION</u> - Beginning of Year	189,366	10,343	20,271	107,021	327,001	328,187
<u>NET POSITION</u> - End of Year	\$ 189,584	\$ 10,343	\$ 20,300	\$ 107,126	\$ 327,353	\$ 327,001

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2016

	BALANCE 7/1/2015	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2016
<u>Elementary and Administrative</u>				
Band Resale-Elementary	\$ 509	\$ 30	\$ 15	\$ 524
Book Store	288	0	0	288
Elementary Book Fair	539	2,100	2,108	531
Paper and Administration	9,184	2,892	8,017	4,059
Elementary Pop Account	723	43	210	556
Girls on the Run	47	812	853	6
Field Trips	3,447	4,582	4,850	3,179
Interest Account	263	0	507	(244)
General Mills Grant	57	0	0	57
Library Book Donation	4,000	2,000	2,101	3,899
Osceola Community Foundation	2,836	2,474	2,931	2,379
Total Elementary and Administrative	21,893	14,933	21,592	15,234
<u>High School</u>				
Alex Harrison Memorial Scholarship	125	1,000	1,000	125
Art	118	0	0	118
Band	2,160	3,574	4,019	1,715
Chess	11	0	0	11
Choir	299	0	0	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	1,082	0	0	1,082
Class of 2015	1,461	0	432	1,029
Class of 2016	1,640	2,767	2,328	2,079
Class of 2017	868	2,453	2,360	961
Class of 2018	321	15	35	301
Class of 2019	0	101	30	71
Class of 2022	649	0	0	649
Cross Country	1,244	2,763	2,622	1,385
Junior High Girls' Basketball	163	0	0	163
Junior High Football	2,912	0	2,289	623
Library	706	0	0	706
Lowe's Grant / Chemistry	200	0	0	200
Middle School Student Council	141	0	0	141
Miscellaneous Account	310	0	0	310

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2016

	BALANCE 7/1/2015	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2016
National Honor Society	159	512	408	263
Shop	4,295	184	125	4,354
Spanish Club	307	1,269	1,398	178
Stuco	814	0	814	0
Student Activities	995	5	329	671
SLS (Students Against Drunk Driving)	414	1,242	1,300	356
Yearbook	(302)	1,716	1,323	91
Varsity and Junior Varsity Boys' Basketball	756	637	584	809
Varsity and Junior Varsity Football	4,895	2,185	5,307	1,773
Varsity and Junior Varsity Girls' Basketball	4,152	2,081	1,759	4,474
Varsity and Junior Varsity Baseball	945	1,275	852	1,368
Varsity and Junior Varsity Softball	635	2,452	2,610	477
Varsity and Junior Varsity Track	(32)	0	0	(32)
Varsity and Junior Varsity Volleyball	3,775	3,922	7,292	405
Varsity Cheerleaders	2,171	6,285	6,779	1,677
Pencil and Paper HS	628	444	53	1,019
General Mills Grant	6,814	0	5,878	936
MASB MI Best	1,687	0	800	887
MPACT	2,026	18,029	18,493	1,562
Freedom Scholarship	2,330	0	800	1,530
HS Sunshine Fund	27	0	0	27
Total High School	52,620	54,911	72,019	35,512
Total Elementary, Administrative and High School	\$ 74,513	\$ 69,844	\$ 93,611	\$ 50,746
Represented By				
Assets				
Elementary and Administrative				
Cash	\$ 21,893			\$ 15,234
High School				
Cash	52,620			35,512
	\$ 74,513			\$ 50,746
Liabilities				
Due to Groups and Organizations	\$ 74,513			\$ 50,746

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

BOND PAYMENT SCHEDULE
2005 ENERGY CONSERVATION IMPROVEMENT BONDS

JUNE 30, 2016

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
2010 REFUNDING BONDS

JUNE 30, 2016

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, 2016

<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		\$	160,000
During Current Year		60,000	<u>220,000</u>
<u>BALANCE OUTSTANDING</u> - June 30, 2016		\$	<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, 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>\$ 190,000</u>	<u>\$ 7,893</u>	<u>\$ 197,893</u>

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.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

BOND PAYMENT SCHEDULE
2015 REFUNDING BONDS

JUNE 30, 2016

<u>TITLE OF ISSUE</u>	2015 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 3, 2015	
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year	
<u>AMOUNT OF ISSUE</u>		\$ 2,800,000
Amount Redeemed Prior Years	\$	0
Amount Redeemed During Current Year	175,000	175,000
<u>BALANCE OUTSTANDING - June 30, 2016</u>		<u>\$ 2,625,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2016			\$ 38,425	\$ 38,425
May 1, 2017	2.000 %	\$ 190,000	38,425	228,425
November 1, 2017			36,525	36,525
May 1, 2018	3.000 %	200,000	36,525	236,525
November 1, 2018			33,525	33,525
May 1, 2019	3.000 %	210,000	33,525	243,525
November 1, 2019			30,375	30,375
May 1, 2020	3.000 %	260,000	30,375	290,375
November 1, 2020			26,475	26,475
May 1, 2021	3.000 %	270,000	26,475	296,475
November 1, 2021			22,425	22,425
May 1, 2022	3.000 %	360,000	22,425	382,425
November 1, 2022			17,025	17,025
May 1, 2023	3.000 %	370,000	17,025	387,025
November 1, 2023			11,475	11,475
May 1, 2024	3.000 %	380,000	11,475	391,475
November 1, 2024			5,775	5,775
May 1, 2025	3.000 %	385,000	5,775	390,775
		<u>\$ 2,625,000</u>	<u>\$ 444,050</u>	<u>\$ 3,069,050</u>

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

BOND PAYMENT SCHEDULE
2015 REFUNDING BONDS

JUNE 30, 2016

DENOMINATIONS

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

REDEMPTIONS PRIOR TO MATURITY

Bonds of this issue are not 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.

