

Marquette Area Public Schools

**Financial Report
with Supplemental Information
June 30, 2015**

Marquette Area Public Schools

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Independent Auditor's Report

To the Board of Education
Marquette Area Public Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Marquette Area Public Schools (the "School District"), as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise Marquette Area Public Schools' 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.

To the Board of Education
Marquette Area Public Schools

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Marquette Area Public Schools as of June 30, 2015 and the respective changes in its financial position and, where applicable, cash flows, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, effective July 1, 2014, the School District adopted the provision of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The School District's Unrestricted Net Position has been restated as of July 1, 2014 as a result of this change in accounting principle.

Report on Prior Year Financial Statements and Restatement

The financial statements of Marquette Area Public Schools as of June 30, 2014 were audited by other auditors, whose report dated October 24, 2014 expressed an unmodified opinion on those statements. Opening net position was on the government-wide financial statements was restated as of June 30, 2014 to account for the 2013 bond refunding.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major fund budgetary comparison schedule, the schedule of the School District's contributions to Michigan Public School Employees Retirement System (MPERS) over the last ten fiscal years as of and for the year ended June 30, 2015, and the Schedule of the School District's proportionate share of the net pension liability of MPERS for the last ten years as of and for the year ended September 30, 2014, as disclosed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marquette Area Public Schools' basic financial statements. The other supplementary information, as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates 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 other supplementary information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2015 on our consideration of Marquette Area Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marquette Area Public Schools' internal control over financial reporting and compliance.

Plante & Morse, PLLC

October 19, 2015

Marquette Area Public Schools

Management's Discussion and Analysis

This section of the Marquette Area Public Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2015. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

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

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for the Major Fund

Schedule of School District's Contributions to MPERS over last ten fiscal years as of the year
ended June 30, 2015

Schedule of School District's proportionate share of the net pension liability of MPERS for
the last ten fiscal years as of the year ended September 30, 2015

Other Supplemental Information

Marquette Area Public Schools

Management's Discussion and Analysis (Continued)

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We have prepared these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the School District's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the school report card, student achievement, and the safety of the schools, to assess the overall health of the School District. The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, athletics, food services, and community services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

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

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the School Lunch Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as the sinking fund used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

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

Marquette Area Public Schools

Management's Discussion and Analysis (Continued)

Proprietary Fund - Internal Service Fund - The Internal Service Fund accounts for payment of retirement incentive and unused sick leave reimbursement plan payments for retirees and is reimbursed by other funds for these payments. This fund's activity is reported using the accrual method of accounting and is included in the government-wide financial statements.

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

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

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2015:

TABLE I

	Governmental Activities	
	June 30	
	2015	2014
	(in millions)	
Assets		
Current and other assets	\$ 13.0	\$ 11.0
Capital assets	11.0	11.0
Total assets	24.0	22.0
Deferred Outflows of Resources	2.3	1.9
Total assets and deferred outflows of resources	26.3	23.9
Liabilities		
Current liabilities	3.4	3.4
Long-term liabilities	40.9	43.9
Total liabilities	44.3	47.3
Deferred Inflows of Resources - Deferred inflows related to pensions	2.8	-
Total deferred inflows of resources and liabilities	47.1	47.3
Net Position		
Invested in capital assets	8.9	8.2
Restricted	1.3	0.4
Unrestricted	(31.0)	(32.0)
Total net position (deficit)	\$ (20.8)	\$ (23.4)

Marquette Area Public Schools

Management's Discussion and Analysis (Continued)

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were (\$20.8) million at Marquette Area Public Schools. Capital assets, net of related debt totaling \$8.9 million, compares the original cost, less depreciation, of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from transfers from the general fund to the debt service fund as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net position, (\$31.0) million, was unrestricted.

The (\$31.0) million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

As required by the Governmental Accounting Standards Board, effective June 30, 2015, Marquette Area Public Schools must comply with the new accounting standards, GASB Statements No. 68 and 71, which recognize the School District's share of the pension liability for the state employees' retirement system. The new accounting standards require that we re-state the previous year's net position to include a balance attributed to the previous years, in order to accurately reflect that cumulative liability. This restatement reflects an increase in the deferred outflow asset of approximately \$1.9 million and an increase in the pension liability of approximately \$40.3 million, at June 30, 2014. As a result of the implementation of this accounting standard, net position at June 30, 2014 was reduced by approximately \$38.4 million.

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net assets for the fiscal years ended June 30, 2015 and 2014.

Marquette Area Public Schools

Management's Discussion and Analysis (Continued)

TABLE 2

	Governmental Activities	
	2015	2014
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.7	\$ 0.9
Operating grants and contributions	7.3	6.7
General revenue:		
Property taxes	11.3	10.5
State foundation allowance	13.3	11.5
Other	0.4	0.1
Total revenue	<u>33.0</u>	<u>29.7</u>
Functions/Program Expenses		
Instruction	\$ 17.0	\$ 16.5
Support services	11.0	10.0
Athletics	0.5	0.2
Food services	1.0	0.9
Community services	0.2	0.1
Interest and debt issuance cost on long-term debt	0.1	-
Depreciation (unallocated)	0.6	0.7
Total functions/program expenses	<u>30.4</u>	<u>28.4</u>
Change in Net Position	2.6	1.3
Net (Deficit) Position - Beginning of year - As restated	<u>(23.4)</u>	<u>13.7</u>
Impact of GASB Statements No. 68 and 71	<u>-</u>	<u>(38.4)</u>
Net Position - End of year	<u><u>\$ (20.8)</u></u>	<u><u>\$ (23.4)</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$30.4 million. Certain activities were partially funded from those who benefited from the programs \$0.7 million or by other governments and organizations that subsidized certain programs with grants and contributions \$7.3 million. We paid for the remaining "public benefit" portion of our governmental activities with \$11.3 million in taxes, \$13.3 million in State foundation allowance, and with our other revenues, i.e., interest and general entitlements.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

Marquette Area Public Schools

Management's Discussion and Analysis (Continued)

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$9.4 million, which is an increase of \$1.9 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased \$1.2 million to \$6.0 million. The change is mainly due to an increase in foundation allowance revenue due to an increase in student enrollment, from a pupil count of 3,104 to 3,234, or 4.2 percent. General Fund fund balance is available to fund costs related to allowable school operating purposes.

Our Special Revenue Fund remained stable from the prior years, showing a net decrease of approximately \$57,000.

The Debt Service Fund showed also remained stable from the prior years, showing a fund balance decrease of approximately \$9,000. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

The combined Capital Projects Funds fund balance increased significantly, from a beginning combined fund balance of approximately \$1.1 million to approximately \$1.8 million. The Capital Projects Fund is used to hold Board of Education designated funds and will be used for acquisitions and replacement of long-term infrastructure, technology, and capital needs. The Sinking Fund is used to record the sinking fund property tax levy and other revenue and the disbursement of invoices specifically designated for the construction or repair of school buildings and facilities, and acquiring or installing technology and security.

General Fund Budgetary Highlights

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

Marquette Area Public Schools

Management's Discussion and Analysis (Continued)

There were significant revisions made to the 2014-2015 General Fund original budget. Budgeted revenues were increased \$1.5 million due to an unanticipated increase in foundation allowance payments due to actual student enrollment greater than original estimates. There were no significant expenditure revisions to the original budget.

There were no significant variances between the final budget and actual amounts.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2015, the School District had approximately \$11.0 million invested in a broad range of capital assets, including land, buildings and improvements, vehicles and buses, and furniture and equipment. This amount represents a net increase (including additions and depreciation) of approximately \$90,000, or 0.8 percent, from last year.

	2015	2014
Land	\$ 822,392	\$ 822,392
Construction in progress	114,710	-
Land improvements	2,166,626	2,166,626
Buildings and improvements	23,084,569	22,765,585
Vehicles and buses	1,820,618	1,820,618
Furniture and equipment	<u>2,923,097</u>	<u>2,615,110</u>
Total capital assets	30,932,012	30,190,331
Less accumulated depreciation	<u>(19,898,815)</u>	<u>(19,247,251)</u>
Net capital assets	<u>\$ 11,033,197</u>	<u>\$ 10,943,080</u>

This year's additions of \$741,681 included the replacement or installation of fire alarms, security entrances to several buildings, improvements to the natatorium, and various other additions. No debt was issued for these additions; the School District established a sinking fund during the year ended June 30, 2015, which is funded by a 0.95 mill tax levy on certain property located within the School District.

Several major capital projects are planned for the 2015-2016 fiscal year. We anticipate capital additions will be approximately \$1.4 million greater than the 2014-2015 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Marquette Area Public Schools

Management's Discussion and Analysis (Continued)

Debt and Other Long-Term Liabilities

At the end of this year, the School District had \$2.9 million in bonds outstanding and other obligations versus \$3.5 million in the previous year - a decrease of 17 percent. Those long-term liabilities consisted of the following:

	<u>2015</u>	<u>2014</u>
Bonds	\$ 2,140,000	\$ 2,730,000
Bond issuance premiums	46,554	55,865
Employee compensated absences and terminal leave	577,935	628,554
Retiree compensated absences and terminal leave	<u>146,864</u>	<u>134,373</u>
	<u><u>\$ 2,911,353</u></u>	<u><u>\$ 3,548,792</u></u>

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

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2015-2016 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2016 fiscal year is 10 percent and 90 percent of the supplemental 2015 and September 2015 student counts, respectively. The 2015-2016 budget was adopted in June 2015 based on an estimate of students who will be enrolled in October 2015. Once the final student count and related per-pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Contacting the District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Business Office.

Marquette Area Public Schools

Statement of Net Position June 30, 2015

	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 7,680,321
Receivables (Note 4)	4,128,802
Inventories	12,905
Prepaid costs	11,284
Restricted assets (Note 9)	1,074,018
Capital assets - Net (Note 5)	<u>11,033,197</u>
Total assets	23,940,527
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 6)	42,230
Deferred outflows related to pensions (Note 10)	<u>2,280,319</u>
Total deferred outflows of resources	<u>2,322,549</u>
Total assets and deferred outflows of resources	26,263,076
Liabilities	
Accounts payable	494,332
Accrued payroll-related liabilities	2,715,628
Accrued interest	5,258
Unearned revenue (Note 4)	153,208
Noncurrent liabilities:	
Due within one year (Note 6)	682,232
Due in more than one year (Note 6)	2,229,121
Net pension liability (Note 10)	<u>37,993,961</u>
Total liabilities	44,273,740
Deferred Inflows of Resources	
Deferred inflows related to pensions (Note 10)	<u>2,798,479</u>
Total total liabilities and liabilities	<u>47,072,219</u>
Net Position	
Net investment in capital assets	8,888,873
Restricted:	
Debt service fund	101,032
Capital projects fund	930,509
School lunch fund	259,812
Unrestricted	<u>(30,989,369)</u>
Total net position	<u>\$ (20,809,143)</u>

Marquette Area Public Schools

Statement of Activities Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Primary government - Governmental activities:				
Instruction	\$ 17,021,190	\$ -	\$ 5,385,241	\$ (11,635,949)
Support services	10,977,313	75,036	1,350,208	(9,552,069)
Athletics	487,220	200,580	-	(286,640)
Food services	967,820	431,295	526,972	(9,553)
Community services	206,345	13,564	-	(192,781)
Interest	36,465	-	-	(36,465)
Debt issuance costs	20,051	-	-	(20,051)
Depreciation expense (unallocated) (Note 5)	651,564	-	-	(651,564)
Total primary government	\$ 30,367,968	\$ 720,475	\$ 7,262,421	(22,385,072)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				9,528,029
Property taxes, levied for debt service				633,777
Property taxes, levied for capital projects				1,093,386
State aid not restricted to specific purposes				13,293,536
Interest and investment earnings				10,958
Other				402,200
Total general revenues				24,961,886
Change in Net Position				2,576,814
Net Position - Beginning of year- As restated (Note 1)				(23,385,957)
Net Position - End of year				\$ (20,809,143)

Marquette Area Public Schools

Governmental Funds Balance Sheet June 30, 2015

	General Fund	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and investments (Note 3)	\$ 6,475,599	\$ 1,074,777	\$ 7,550,376
Receivables (Note 4)	4,119,274	9,528	4,128,802
Due from other funds (Note 8)	-	80,000	80,000
Inventories	-	12,905	12,905
Prepaid costs	11,284	-	11,284
Restricted assets - Investments (Notes 3 and 9)	-	1,074,018	1,074,018
	<u>\$10,606,157</u>	<u>\$ 2,251,228</u>	<u>\$ 12,857,385</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 452,837	\$ 41,495	\$ 494,332
Accrued payroll-related liabilities	2,700,429	15,199	2,715,628
Due to other funds (Note 8)	96,919	-	96,919
Unearned revenue (Note 4)	153,208	-	153,208
	<u>3,403,393</u>	<u>56,694</u>	<u>3,460,087</u>
Fund Balances			
Nonspendable	11,284	12,905	24,189
Restricted			
Capital projects	-	930,509	930,509
Debt service	-	106,290	106,290
Food service	-	246,907	246,907
Committed - Contingency fund	3,000,000	-	3,000,000
Assigned			
Capital projects	-	897,923	897,923
Kaufman Auditorium	76,288	-	76,288
Shiras Planetarium	18,999	-	18,999
Board assigned - Working capital	647,227	-	647,227
Unassigned	<u>3,448,966</u>	<u>-</u>	<u>3,448,966</u>
	<u>7,202,764</u>	<u>2,194,534</u>	<u>9,397,298</u>
Total liabilities and fund balances	<u>\$10,606,157</u>	<u>\$ 2,251,228</u>	<u>\$ 12,857,385</u>

Marquette Area Public Schools

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position Year Ended June 30, 2015

Fund Balance Reported in Governmental Funds \$ 9,397,298

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:

Cost of capital assets	\$ 30,932,012	
Accumulated depreciation	<u>(19,898,815)</u>	<u>11,033,197</u>

Deferred outflows related to pension payments made subsequent to the measurement date	2,280,319
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Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Bonds payable including premium	\$ (2,186,554)	
Compensated absences	<u>(577,935)</u>	(2,764,489)

Accrued interest payable is not included as a liability in governmental funds	(5,258)
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Deferred charges on bond refunding	42,230
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Net pension obligations do not present a claim on current financial resources and are not reported as fund liabilities	(37,993,961)
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Deferred inflows related to pension investment returns and changes in assumptions are not reported in the governmental funds	<u>(2,798,479)</u>
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Net Position of Governmental Activities **\$ (20,809,143)**

Marquette Area Public Schools

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2015

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenue			
Local sources	\$ 10,225,167	\$ 2,162,793	\$ 12,387,960
State sources	17,277,984	56,156	17,334,140
Federal sources	616,458	473,548	1,090,006
Interdistrict sources	2,131,811	-	2,131,811
Total revenue	30,251,420	2,692,497	32,943,917
Expenditures			
Current:			
Instruction	17,724,472	-	17,724,472
Support services	10,242,213	86	10,242,299
Athletics	487,220	-	487,220
Food services	-	967,820	967,820
Community services	206,345	-	206,345
Debt service:			
Principal (Note 6)	-	590,000	590,000
Interest (Note 6)	-	37,449	37,449
Other	-	20,051	20,051
Capital outlay	331,431	457,731	789,162
Total expenditures	28,991,681	2,073,137	31,064,818
Excess of Revenue Over Expenditures	1,259,739	619,360	1,879,099
Other Financing Sources (Uses)			
Transfers in (Note 8)	13,541	65,322	78,863
Transfers out (Note 8)	(65,322)	(13,541)	(78,863)
Net Change in Fund Balances	1,207,958	671,141	1,879,099
Fund Balances - Beginning of year	5,994,806	1,523,393	7,518,199
Fund Balances - End of year	\$ 7,202,764	\$ 2,194,534	\$ 9,397,298

Marquette Area Public Schools

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 1,879,099

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (651,564)	
Capitalized capital outlay	<u>741,681</u>	90,117

Amortization of premium/deferred interest charges is reported as revenue/expense in the funds and amortized in the statement of activities		865
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		590,000
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Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid		984
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Change in pension expense related to deferred items		<u>15,749</u>
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Change in Net Position of Governmental Activities \$ 2,576,814

Marquette Area Public Schools

Proprietary Fund Statement of Net Position June 30, 2015

	<u>Enterprise Fund</u> <u>Internal Service</u> <u>Fund</u>
Assets	
Current assets:	
Cash and investments (Note 3)	\$ 129,945
Due from other funds (Note 8)	<u>16,919</u>
Total assets	146,864
Liabilities	
Current liabilities - Compensated absences (Note 6)	<u>72,921</u>
Noncurrent liabilities - Compensated absences (Note 6)	<u>73,943</u>
Total liabilities	<u>146,864</u>
Net Position	<u>\$ -</u>

Marquette Area Public Schools

Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

	<u>Enterprise Fund</u> <u>Internal Service</u> <u>Fund</u>
Operating Revenue - Reimbursement for payments	\$ 102,891
Operating Expenses	
Compensated absences	95,668
Payroll taxes	<u>7,223</u>
Total operating expenses	<u>102,891</u>
Change in Net Position	-
Net Position - Beginning of year	<u>-</u>
Net Position - End of year	<u>\$ -</u>

Marquette Area Public Schools

Proprietary Fund Statement of Cash Flows Year Ended June 30, 2015

	<u>Enterprise Fund</u> <u>Internal Service</u> <u>Fund</u>
Cash Flow from Operating Activities	
Receipts from interfund services and reimbursements	\$ 140,152
Cash payments for employee benefits	<u>(90,400)</u>
Net cash provided by operating activities	49,752
Cash Flows from Investment Activities	
Purchase of investment securities	(49,752)
Cash and cash equivalents - Beginning of year	<u>-</u>
Cash and cash equivalents - End of year	<u><u>\$ -</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income (loss)	\$ -
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Changes in assets and liabilities:	
Due from other funds	37,261
Benefits payable	<u>12,491</u>
Net cash provided by operating activities	<u><u>\$ 49,752</u></u>

Marquette Area Public Schools

Fiduciary Funds Statement of Net Position June 30, 2015

	Student Activity Agency Fund	Private Purpose Trust Fund - Scholarship Fund
Assets - Cash and investments - Note 3	\$ 488,426	\$ 371,253
Liabilities		
Accounts payable	9,228	-
Due to student activities	479,198	-
Unearned revenue (Note 4)	-	8,248
Total liabilities	488,426	8,248
Restricted for Scholarships	\$ -	\$ 363,005

Marquette Area Public Schools

Fiduciary Funds Statement of Changes in Net Position Year Ended June 30, 2015

	Private Purpose Trust Fund - Scholarship Fund
Additions	
Private donations	\$ 111,098
Interest	5,346
Total additions	116,444
Deductions - Scholarships awarded	118,495
Change in Net Position	(2,051)
Net Position - Beginning of year	365,056
Net Position - End of year	<u>\$ 363,005</u>

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note I - Nature of Business and Significant Accounting Policies

The accounting policies of Marquette Area Public Schools (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

District-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note I - Nature of Business and Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between internal service funds and governmental activities where eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the School District's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the School District's policy to spend funds in this order: committed, assigned, and unassigned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note I - Nature of Business and Significant Accounting Policies (Continued)

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

Proprietary fund and fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The only proprietary fund maintained is an Internal Service Fund that is used to pay early retirement incentives and unused sick leave reimbursement plan payments to retirees. The principal revenue of the proprietary funds relates to transfers from other funds to pay these expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The School District reports the following major governmental fund:

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

Additionally, the School District reports the following fund types:

Special Revenue Fund - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's Special Revenue Fund is the School Lunch Fund. Any operating deficit generated by these activities is the responsibility of the General Fund.

Capital Projects Fund - The Capital Projects Fund is used to hold Board of Education designated funds and will be used for acquisitions and replacement of long-term infrastructure, technology, and capital needs.

The Sinking Fund is used to record the sinking fund property tax levy and other revenue and the disbursement of invoices specifically designated for the construction or repair of school buildings and facilities.

Debt Service Fund - The Debt Service Fund is used to record tax and interest revenue and the payment of interest, principal, and other expenditures on long-term debt.

Internal Service Fund - The Internal Service Fund accounts for payment of retirement incentive and unused sick leave reimbursement plan payments for retirees and is reimbursed by other funds for these payments.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note I - Nature of Business and Significant Accounting Policies (Continued)

Agency Funds - The School District presently maintains Agency Funds to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students and programs.

Private Purpose Trust Fund - The School District maintains a private-purpose trust fund to administer a scholarship program. The funds are segregated and held in trust for the future recipients of the scholarship.

Assets, Liabilities, and Net Position or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

Inventories and Prepaid Costs - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the School Lunch Fund is recorded as inventory and deferred revenue until used. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Restricted Assets - Investments - The unspent property taxes levied in the Debt Service Funds and Sinking Fund are required to be set aside for future bond principal and interest and approved Sinking Fund projects, respectively. These amounts have been classified as restricted assets.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note I - Nature of Business and Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Land improvements, buildings and improvements, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Land improvements	15 to 20 years
Buildings and improvements	5 to 50 years
Vehicles and buses	5 to 10 years
Furniture and equipment	5 to 45 years

Compensated Absences (Vacation and Sick Leave) and Early Termination Benefits - The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated vacation and sick leave benefits. The amount due to active employees is reported only in the government-wide statements. The liability for unused accumulated vacation and sick leave benefits has been calculated using the vesting method, in which leave amounts for employees who are expected to become eligible in the future to receive such payments upon normal retirement are recorded based on probability that the school district will compensate the employees upon retirement. Amounts due to employees who are currently eligible to receive termination payments (retired employees) are reported as a liability in the Internal Service Fund. This liability includes the known liability for accumulated vacation and sick leave benefits, in addition to early retirement incentives. The early termination benefits consist of early retirement incentive cash payments provided to eligible employees each year until they reach the age of 62.

Long-term Obligations - In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note I - Nature of Business and Significant Accounting Policies (Continued)

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 are reported as other financing uses.

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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position and the outflows related to the pension plan. 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 refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School District has one item that qualifies for reporting in this category. It is the deferred inflow related to the pension plan.

Fund Balance - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions or enabling legislation for use for a specific purpose.
- **Committed:** Amounts that have been formally set aside by the Board of Education for use for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- **Assigned:** Intent to spend resources on specific purposes expressed by the Board of Education or Assistant Superintendent of Finance, who is authorized by policy approved by the Board of Education to make assignments.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note I - Nature of Business and Significant Accounting Policies (Continued)

- **Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the general fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed or assigned to specific purposes in the general fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed or assigned to those purposes.

The Board of Education has adopted a fund balance policy. The fund balance policy prescribes the minimum fund balance as \$3,000,000 and designates it as committed. The Board of Education is aware that significant funding challenges have been addressed in the past fiscal years and that more severe fiscal challenges are looming, and as a result, have determined that a minimum fund balance of \$3,000,000 is prudent to meet cash flow needs and maintain the foundational support of the School District through more difficult economic times, as anticipated.

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

Comparative Data/Reclassifications - Comparative data is not included in the School District's financial statements.

Pensions - 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 School 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. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note I - Nature of Business and Significant Accounting Policies (Continued)

Adoption of New Standard - The GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statement, the School District has reported a Net Pension Liability of \$40,393,756 million and a beginning deferred outflow for pension contributions of \$1,916,505 made subsequent to the September 30, 2013 measurement date, as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014.

In addition, the School District adjusted beginning net position on the government-wide statements to account for the 2013 bond refunding. This resulted in an increase in bond premium of \$26,156, an increase of deferred charges on bond refunding of \$50,676, and an increase to net position of \$24,520 from \$15,066,774 to \$15,091,294.

Net position at June 30, 2014 - As originally reported	\$ 15,066,774
Effects of adjustments to net position for 2013 bond refunding	24,520
Net position at June 30, 2014 - As restated for bond refunding adjustments	15,091,294
Net pension liability	(40,393,756)
Deferred outflow for pension contributions	<u>1,916,505</u>
Net position at June 30, 2014 - As restated for the adoption of GASB 68 and GASB 65	<u><u>\$ (23,385,957)</u></u>

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund, Special Revenue Fund, Debt Service Fund, Capital Projects Fund, Sinking Fund, Expendable Trust Fund, and Internal Service Fund. All annual appropriations lapse at fiscal year end. The budget for the contingency fund was adopted separately and presented on the combined basis in the required supplemental information for consistent presentation since the actual results are reported, as required by GASB Statement No. 54, as part of the General Fund on the statement of revenue, expenditures, and changes in fund balance.

The budget document presents information by fund and function, with the exception of certain capital outlay, which is budgeted within the related functions. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as restrictions, commitments, or assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The School District did not have significant expenditure budget variances.

Sinking Fund Compliance - The Sinking Fund records capital project activities funded with a Sinking Fund millage. For this funding, the School District has complied with the applicable provisions of §1212(1) of the State of Michigan School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Note 3 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note 3 - Deposits and Investments (Continued)

The School District has designated two banks for the deposit of its funds.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$6,462,293 had \$5,984,035 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of the institution; only institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The School District did not have investments with custodial credit risk.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note 3 - Deposits and Investments (Continued)

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Maturities	Rating	Rating Organization
MILAF - Cash management funds	\$ 3,331,188	N/A	AAAm	Standard & Poor's

Concentration of Credit Risk - The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Note 4 - Receivables and Unearned Revenue

Receivables as of year end for the School District are as follows:

	General Fund	Nonmajor Funds	Total
Receivables:			
Taxes receivable	\$ 9,643	\$ 1,924	\$ 11,567
Accounts receivable	78,084	-	78,084
Due from other governmental units	4,031,547	7,604	4,039,151
Total receivables	\$ 4,119,274	\$ 9,528	\$ 4,128,802

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At June 30, 2015, grant and categorical aid payment received prior to meeting all eligibility requirements was \$153,208.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note 5 - Capital Assets

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

Governmental Activities	<u>Balance July 1, 2014</u>	<u>Additions/ Transfers</u>	<u>Balance June 30, 2015</u>
Capital assets not being depreciated:			
Land	\$ 822,392	\$ -	\$ 822,392
Construction in progress	<u>-</u>	<u>114,710</u>	<u>114,710</u>
Subtotal	822,392	114,710	937,102
Capital assets being depreciated:			
Land improvements	2,166,626	-	2,166,626
Buildings and improvements	22,765,585	318,984	23,084,569
Furniture and equipment	2,615,110	307,987	2,923,097
Vehicles and buses	<u>1,820,618</u>	<u>-</u>	<u>1,820,618</u>
Subtotal	29,367,939	626,971	29,994,910
Accumulated depreciation:			
Land improvements	1,762,663	44,314	1,806,977
Buildings and improvements	14,008,558	377,061	14,385,619
Furniture and equipment	2,042,700	122,073	2,164,773
Vehicles and buses	<u>1,433,330</u>	<u>108,116</u>	<u>1,541,446</u>
Subtotal	<u>19,247,251</u>	<u>651,564</u>	<u>19,898,815</u>
Net capital assets being depreciated	<u>10,120,688</u>	<u>(24,593)</u>	<u>10,096,095</u>
Net capital assets	<u>\$ 10,943,080</u>	<u>\$ 90,117</u>	<u>\$ 11,033,197</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical. Depreciation expense for the year ended June 30, 2015 was \$651,564.

Construction Commitments - The School District has active construction projects at year end. The projects include various projects from the Sinking Fund. At year end, the School District's commitments with contractors were approximately \$895,000.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note 6 - Long-term Debt

The School District issues bonds and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and termination benefits.

Long-term debt activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds	\$ 2,730,000	\$ -	\$ 590,000	\$ 2,140,000	\$ 600,000
Bond issuance premiums	55,865	-	9,311	46,554	9,311
Total bonds payable	2,785,865	-	599,311	2,186,554	609,311
Employee compensated absences and terminal leave	628,554	-	50,619	577,935	-
Total governmental activities	<u>\$ 3,414,419</u>	<u>\$ -</u>	<u>\$ 649,930</u>	<u>\$ 2,764,489</u>	<u>\$ 609,311</u>
Retiree compensated absences and terminal leave	134,373	102,957	90,466	146,864	72,921
Total proprietary fund activities	<u>\$ 134,373</u>	<u>\$ 102,957</u>	<u>\$ 90,466</u>	<u>\$ 146,864</u>	<u>\$ 72,921</u>

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 600,000	\$ 31,550	\$ 631,550
2017	525,000	25,550	550,550
2018	430,000	20,300	450,300
2019	335,000	11,700	346,700
2020	250,000	5,000	255,000
Total	<u>\$ 2,140,000</u>	<u>\$ 94,100</u>	<u>\$ 2,234,100</u>

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note 6 - Long-term Debt (Continued)

Governmental Activities

General obligation bonds consist of the following:

\$3,285,000 Refunding Bonds due in annual installments of \$250,000 to \$600,000 through May 1, 2020, with interest ranging from 1.0 to 2.0 percent	\$ 2,140,000
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Prior Refundings - In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2015, there is no outstanding defeased debt.

Note 7 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for general liability and employee medical benefit claims and participates in the SEG Self-insurers Workers' disability Compensation Fund for claims relating to employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 8 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
Capital Projects Fund	General Fund	\$ 80,000
Internal Service Fund	General Fund	16,919
	Total due to/from other funds	\$ 96,919

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note 8 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	School Lunch Fund	\$ 13,541
Capital Projects Fund	General Fund	65,322
	Total transfers	<u>\$ 78,863</u>

Transfers from the School Lunch Fund to the General Fund were to reimburse the General Fund for indirect costs incurred. Transfers from the General Fund to the Capital Projects fund provided funding for capital projects.

Note 9 - Restricted Assets

The balances for the restricted asset accounts are as follows:

	<u>Governmental Activities</u>
Unspent proceeds of the Sinking Fund	\$ 968,982
Restricted for debt service	105,036
Total restricted assets	<u>\$ 1,074,018</u>

Note 10 - Michigan Public School Employees' Retirement System

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS or System), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing MI 48909.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Contributions - Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Under these provisions, each School District's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

School District's contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS.

The range of rates are as follows:

School District

July 1, 2014	12.78%-16.25%
March 9, 2015	15.44%-18.34%
October 1, 2014 - June 30, 2015	18.76%-23.07%

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The School District's required and actual contributions to the plan for the years ended June 30, 2015 and 2014 were \$5,019,550 and \$4,213,490, respectively. Contributions include \$1,490,662 and \$957,902 of revenue received from the State of Michigan to fund the MPERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the years ended June 30, 2015 and 2014.

Benefits Provided - 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 calculated as final average compensation times years of service times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death, and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members that do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2015, the School District reported a liability of \$37,993,161 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013, which used updated procedures to roll forward the estimated liability to September 30, 2014. The School 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, 2014, the School District's proportion was 0.17249 percent, which, in the year of adoption is unchanged from the proportion measured as of September 30, 2013.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note 10 - Michigan Public School Employees' Retirement System (Continued)

For the year ended June 30, 2015, the School District recognized pension expense of \$2,713,785, exclusive of payments to fund the MPSERS UAAL Stabilization Rate. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources Subsequent to Measurement Date	Net Deferred Inflows (Outflows) of Resources - as of the Measurement Date
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	(1,401,901)
Net difference between projected and actual earnings on pension plan assets	-	4,200,380
The School District's contributions subsequent to the measurement date	<u>2,280,319</u>	<u>-</u>
Total	<u>\$ 2,280,319</u>	<u>\$ 2,798,479</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ 685,559
2017	685,559
2018	685,559
2019	<u>741,802</u>
Total	<u>\$ 2,798,479</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Actuarial Assumptions – The total pension liability as of the September 30, 2014 is based on the results of an actuarial valuation date of September 30, 2013 and rolled forward:

Actuarial cost method	Entry age normal cost actuarial cost method
Assumed rate of return	7.00 to 8.00 percent, net of investment and administrative expenses based on the groups
Rate of pay increases	3.50 percent
Mortality basis	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB

The actuarial assumptions used for the September 30, 2013 valuation were based on the results of an actuarial experience study for the period October 1, 2007 to September 30, 2012. As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience.

Discount Rate – The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. 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.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note 10 - Michigan Public School Employees' Retirement System (Continued)

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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity Pools	28 %	4.8 %
Private Equity Pools	18 %	8.5 %
International Equity Pools	16 %	6.1 %
Fixed Income Pools	10 %	1.5 %
Real Estate & Infrastructure Pools	10 %	5.3 %
Real Return, Opportunistic, and Absolute Pool	16 %	6.3 %
Short Term Investment Pools	2 %	(0.2)%
Total	100 %	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the School District, calculated using the discount rate of 8.00 percent, as well as what the School District's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (7.00 percent) or 1.00 percentage point higher (9.00 percent) than the current rate:

1.00 percent decrease (7.00 percent)	Current Discount Rate (8.00 percent)	1.00 percent increase (9.00 percent)
\$ 50,091,923	\$ 37,993,961	\$ 27,801,520

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan - At June 30, 2015, the School District reported a payable of \$345,585 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note 10 - Michigan Public School Employees' Retirement System (Continued)

Postemployment Benefits Other Than Pensions (OPEB) - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS Board of Trustees annually sets the employer contribution rate to fund the benefits on a pay as you go basis. Participating employers are required to contribute at that rate. School District – The employer contribution rate ranged from 5.52 percent to 6.45 percent of covered payroll for the period from July 1, 2014 to September 30, 2014, and from 2.20 percent to 2.71 percent of covered payroll for the period October 1, 2014 through June 30, 2015 dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 401(k) account.

The School District's required and actual contributions to the plan for retiree health care benefits for the years ended June 30, 2015, 2014, and 2013 were \$410,482, \$378,692, and \$384,245, respectively.

Note 11 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The School District is currently evaluating the impact this standard will have on the financial statements when adopted, during the School District's 2015-2016 fiscal year.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2015

Note 11 - Upcoming Accounting Pronouncements (Continued)

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2018.

Required Supplemental Information

Marquette Area Public Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 10,350,059	\$ 10,137,436	\$ 10,225,167	\$ 87,731
State sources	15,832,011	17,129,208	17,277,984	148,776
Federal sources	654,912	616,931	616,458	(473)
Governmental - Intergovernmental	1,900,500	2,377,571	2,131,811	(245,760)
Total revenue	28,737,482	30,261,146	30,251,420	(9,726)
Expenditures				
Current:				
Instruction:				
Basic program	13,493,748	13,313,379	13,179,545	(133,834)
Added needs	4,510,374	4,613,111	4,551,057	(62,054)
Total instruction	18,004,122	17,926,490	17,730,602	(195,888)
Support services:				
Pupil	2,479,979	2,467,275	2,437,689	(29,586)
Instructional staff	631,915	616,774	595,782	(20,992)
General administration	422,947	400,937	386,132	(14,805)
School administration	1,754,596	1,663,540	1,658,146	(5,394)
Business	440,022	438,506	429,056	(9,450)
Operations and maintenance	2,738,078	2,820,970	2,802,910	(18,060)
Pupil transportation services	1,140,618	1,179,547	1,150,448	(29,099)
Central	947,657	981,002	939,735	(41,267)
Other	545,217	612,714	593,411	(19,303)
Total support services	11,101,029	11,181,265	10,993,309	(187,956)
Community services	173,386	219,883	206,345	(13,538)
Capital outlay	17,500	61,429	61,425	(4)
Payments to other public schools (RESAs, ISDs, LEAs)	5,000	58,500	-	(58,500)
Total expenditures	29,301,037	29,447,567	28,991,681	(455,886)
Excess of Revenue Over (Under)				
Expenditures	(563,555)	813,579	1,259,739	446,160
Other Financing Sources (Uses)				
Transfers in	-	-	13,541	13,541
Transfers out	(80,322)	(100,322)	(65,322)	35,000
Net Change in Fund Balance	(643,877)	713,257	1,207,958	494,701
Fund Balance - Beginning of year	5,994,806	5,994,806	5,994,806	-
Fund Balance - End of year	\$ 5,350,929	\$ 6,708,063	\$ 7,202,764	\$ 494,701

Marquette Area Public Schools

Required Supplemental Information Proportionate Share of the Net Pension Liability Marquette Area Public Schools' Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System Determined as of the Plan year ended September 30, 2014

School District's proportion of the net pension liability (asset)	0.17249 %
School District's proportionate share of the net pension liability	\$ 37,994,108
School District's covered employee payroll	14,064,634
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	356 %
Plan fiduciary net position as a % of the total pension liability	66.20000 %

Marquette Area Public Schools

Required Supplemental Information Marquette Area Public Schools' Contributions Michigan Public School Employees' Retirement System Determined as of the year ended June 30, 2015

Statutorily required contribution	\$	3,325,282
Contributions in relation to the statutorily required contribution		3,325,282
Contribution deficiency (excess)		-
School District's covered employee payroll		14,624,457
Contributions as a percentage of covered employee payroll		22.74 %

Note to Pension Required Supplemental Information Schedules

Benefit Changes - There were no changes of benefit terms in 2015.

Changes in Assumptions - There were no changes of benefit assumptions in 2015.

Other Supplemental Information

Marquette Area Public Schools

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2015

	Special Revenue Fund	Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	School Lunch Fund	Debt Service Fund	Capital Projects Fund	Sinking Fund	
Assets					
Cash and investments	\$ 256,854	\$ -	\$ 817,923	\$ -	\$ 1,074,777
Receivables	7,604	1,254	-	670	9,528
Due from other funds (Note 8)	-	-	80,000	-	80,000
Inventories	12,905	-	-	-	12,905
Restricted assets (Note 9)	-	105,036	-	968,982	1,074,018
	\$ 277,363	\$ 106,290	\$ 897,923	\$ 969,652	\$ 2,251,228
Total assets					
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 2,352	\$ -	\$ -	\$ 39,143	\$ 41,495
Accrued payroll-related liabilities	15,199	-	-	-	15,199
	17,551	-	-	39,143	56,694
Total liabilities					
Fund Balances					
Nonspendable	12,905	-	-	-	12,905
Restricted	246,907	106,290	-	930,509	1,283,706
Assigned	-	-	897,923	-	897,923
	259,812	106,290	897,923	930,509	2,194,534
Total fund balances					
Total liabilities and fund balances	\$ 277,363	\$ 106,290	\$ 897,923	\$ 969,652	\$ 2,251,228

Marquette Area Public Schools

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2015

	Special Revenue Fund	Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	School Lunch Fund	Debt Service Fund	Capital Projects Fund	Sinking Fund	
Revenue					
Local sources	\$ 431,295	\$ 636,125	\$ 250	\$ 1,095,123	\$ 2,162,793
State sources	53,424	2,732	-	-	56,156
Federal sources	473,548	-	-	-	473,548
Total revenue	958,267	638,857	250	1,095,123	2,692,497
Expenditures					
Current:					
Support services	-	-	-	86	86
Food services	967,820	-	-	-	967,820
Debt service:					
Principal	-	590,000	-	-	590,000
Interest	-	37,449	-	-	37,449
Other	-	20,051	-	-	20,051
Capital outlay	33,682	-	259,521	164,528	457,731
Total expenditures	1,001,502	647,500	259,521	164,614	2,073,137
Excess of Revenue (Under) Over Expenditures	(43,235)	(8,643)	(259,271)	930,509	619,360
Other Financing Sources (Uses)					
Transfers in	-	-	65,322	-	65,322
Transfers out	(13,541)	-	-	-	(13,541)
Total other financing (uses) sources	(13,541)	-	65,322	-	51,781
Net Change in Fund Balances	(56,776)	(8,643)	(193,949)	930,509	671,141
Fund Balances - Beginning of year	316,588	114,933	1,091,872	-	1,523,393
Fund Balances - End of year	<u>\$ 259,812</u>	<u>\$ 106,290</u>	<u>\$ 897,923</u>	<u>\$ 930,509</u>	<u>\$ 2,194,534</u>

Marquette Area Public Schools

Other Supplemental Information Schedule of Bonded Indebtedness Year Ended June 30, 2015

June 30	Debt Service Fund 2013 Refunding Principal
2016	\$ 600,000
2017	525,000
2018	430,000
2019	335,000
2020	250,000
Total principal	<u>\$ 2,140,000</u>
Principal payments due	May 1
Interest payments due	November 1 and May 1
Interest rate	1.0% - 2.0%
Original issue	<u>\$ 3,285,000</u>