

Marquette Area Public Schools

**Financial Report
with Supplemental Information
June 30, 2016**

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 funds, and the aggregate remaining fund information of Marquette Area Public Schools (the "School District"), as of and for the year ended June 30, 2016 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 funds, and the aggregate remaining fund information of Marquette Area Public Schools as of June 30, 2016 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.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the General Fund budgetary comparison schedule, and the schedules of proportionate share and contributions, 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, which 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 supplemental 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 supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental 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 supplemental 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.

To the Board of Education
Marquette Area Public Schools

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2016 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, 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 & Moran, PLLC

October 4, 2016

Marquette Area Public Schools

Management's Discussion and Analysis

This section of 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, 2016. 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 funds - the General Fund and the 2016 Capital Projects Fund - with all other funds presented in one column as nonmajor funds. The statements of fiduciary net position and changes in fiduciary net position present financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The remaining statements, the statement of net position, revenue, expenses, and changes in net position, and cash flows of the proprietary funds, present 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 Funds

Schedule of Proportionate Share of the Net Pension Liability

Schedule of the School District's Pension Plan Contributions

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

Financial Highlights

- In May 2016, the voters passed a 15-year Capital Projects Bond for \$6,285,000. The project's costs will be 85 percent spent within three years. The Debt Retirement Fund will pay the principal and interest until 2031.
- The School District completed security entrance upgrades to school buildings at Sandy Knoll, MAHS, and MSHS, installed a new fire alarm system, purchased panic pendants, continued with the Chromebook 1:1 initiative, and purchased two new buses.
- MPSERS section 147C started in 2012-2013 which is meant to stabilize the UAAL (unfunded actuarial accrued liability) rate to 20.96 percent. The State will calculate each district's share of the Section 147c pot (based on prior year salaries), send the district its portion through state aid, and ORS will bill the district for the exact same amount as the district's share of state revenue. For 2015-2016, the rate was 7.63 percent. Effective July 1, 2016, we are required to charge an estimated 10.53 percent stabilization rate on all wages and salaries earned.
- There were 15 retirements in 2015-2016. This was higher than 2014-2015 (10) and remains higher than the average of five. Terminal leave payments were lower in 2015-2016 by \$15,870.
- All bargaining groups renewed a three-year contract effective July 2016.
- Health insurance rates increased by 12 percent and MAPS hard cap portion increased by 2.5 percent.

Marquette Area Public Schools

Management's Discussion and Analysis (Continued)

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table I provides a summary of the School District's net position as of June 30, 2016 and 2015:

TABLE I

	Governmental Activities	
	June 30	
	2016	2015
	(in millions)	
Assets		
Current and other assets	\$ 20.2	\$ 13.0
Capital assets	12.4	11.0
Total assets	32.6	24.0
Deferred Outflows of Resources	6.8	2.3
Total assets and deferred outflows of resources	39.4	26.3
Liabilities		
Current liabilities	4.0	3.4
Long-term liabilities	53.5	40.9
Total liabilities	57.5	44.3
Deferred Inflows of Resources	1.4	2.8
Total liabilities and deferred inflows of resources	58.9	47.1
Net Position		
Net investment in capital assets	10.6	8.9
Restricted	1.2	1.3
Unrestricted (deficit)	(31.3)	(31.0)
Total net position	<u>\$ (19.5)</u>	<u>\$ (20.8)</u>

The above analysis focuses on the net position (see Table I). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was (\$19.5) million at June 30, 2016. Capital assets, net of related debt totaling \$10.6 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. Effective July 1, 2014, the School District adopted GASB Statement Nos. 68 and 71, as required by the Government Accounting Standards Board (GASB), and began recording its proportionate share of the net pension liability of the Michigan Public Schools Employees' Retirement System within its financial statements. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use the net position for day-to-day operations. The remaining amount of net position, (\$31.3) million, was unrestricted.

Marquette Area Public Schools

Management's Discussion and Analysis (Continued)

The (\$31.3) million in unrestricted net position 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.

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 position for the fiscal years ended June 30, 2016 and 2015.

TABLE 2

	Governmental Activities	
	Year Ended June 30	
	2016	2015
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.7	\$ 0.7
Operating grants and contributions	7.1	7.3
General revenue:		
Property taxes	11.4	11.3
State foundation allowance	13.4	13.3
Other	<u>0.3</u>	<u>0.4</u>
Total revenue	32.9	33.0
Functions/Program Expenses		
Instruction	18.5	17.0
Support services	10.6	11.0
Athletics	0.5	0.5
Food services	0.9	1.0
Community services	0.2	0.2
Interest and debt issuance cost on long-term debt	0.2	0.1
Depreciation (unallocated)	<u>0.7</u>	<u>0.6</u>
Total functions/program expenses	<u>31.6</u>	<u>30.4</u>
Change in Net Position	1.3	2.6
Net Position - Beginning of year	<u>(20.8)</u>	<u>(23.4)</u>
Net Position - End of year	<u>\$ (19.5)</u>	<u>\$ (20.8)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$31.6 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 (\$7.1 million). We paid for the remaining "public benefit" portion of our governmental activities with \$11.4 million in taxes, \$13.4 million in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

Marquette Area Public Schools

Management's Discussion and Analysis (Continued)

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.

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 \$16.0 million, which is an increase of \$6.6 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance remained stable from prior year, showing a fund balance increase of \$0.2 million to \$7.4 million due to unspent budget. General Fund fund balance is available to fund costs related to allowable school operating purposes.

The 2016 Capital Projects Fund has a fund balance of \$6.2 million from the sale of a bond with voter approval to improve facilities district-wide. Construction began in summer 2016.

Our Special Revenue Fund remained stable from the prior years, showing a net increase of approximately \$12,000.

The Debt Service Fund also remained stable from the prior years, showing a fund balance increase of approximately \$57,000. 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 2016 School Bond Debt Retirement Fund has a fund balance of approximately \$53,500 which will be used to pay the first debt service payment and part of the second debt service payment on the 2016 capital bond.

The combined Capital Projects Funds fund balance increased slightly from a beginning combined fund balance of approximately \$1.8 million to approximately \$1.9 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.

Marquette Area Public Schools

Management's Discussion and Analysis (Continued)

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 revenue 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.

Substantial changes to the 2015-2016 General Fund original budget were as follows:

- Budgeted revenue increased approximately \$900,000 from the original budgeted amount of approximately \$30,400,000 to the final amended budget of approximately \$31,300,000. These increases were due to additional State Aid grant revenue as a result of an increase in pupil enrollment and grants, along with an increase in MARESA special education revenue.
- Budgeted expenses increased approximately \$500,000 from the original budgeted amount of approximately \$30,900,000 to the final amended budget of approximately \$31,400,000. Significant changes from the original budget to the final amended budget are as follows:
 1. Basic Instruction: +\$312,000 salary & benefits (increased staffing)
 2. Added Needs: -\$170,000 salary & benefits (retirements and change in personnel)
 3. Admin/Fiscal: -\$126,000 salary & benefits (change in personnel and insurance plan)
 4. Operation/Transportation: +\$85,000 salary & benefits (additional overtime)
 5. Central Support: +\$508,000 Chromebooks (1:1 initiative)
 6. Facilities: -\$210,000 (Graveraet cafeteria project not complete in 2015-2016)

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

Marquette Area Public Schools

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2016, the School District had approximately \$12.4 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 \$1.3 million, or 12.1 percent, from last year.

	<u>2016</u>	<u>2015</u>
Land	\$ 822,392	\$ 822,392
Construction in progress	577,779	114,710
Land improvements	2,190,813	2,166,626
Buildings and improvements	23,742,488	23,084,569
Vehicles and buses	1,998,402	1,820,618
Furniture and equipment	<u>3,650,588</u>	<u>2,923,097</u>
Total capital assets	32,982,462	30,932,012
Less accumulated depreciation	<u>(20,614,015)</u>	<u>(19,898,815)</u>
Net capital assets	<u>\$ 12,368,447</u>	<u>\$ 11,033,197</u>

This year's additions of \$2,050,450 included the replacement or installation of fire alarms, security entrances to several buildings, improvements to the natatorium, and various other additions. As discussed in Note 6 to the financial statements, the School District issued a \$6.285 million bond during the year ended June 30, 2016, to finance capital projects district-wide. Approximately \$103,000 of additions were financed with the proceeds from this bond.

Several major capital projects are planned for the 2016-2017 fiscal year. Sinking Fund (SF) projects are expected to be \$1,094,000 and 2016 Capital Projects Fund (CP) projects are expected to be \$864,000. The majority of these projects are the following:

- GES new cafeteria (private grant)
- Boiler replacements at GES, SK, MSHS (SF)
- SK parking lot (SF)
- MSHS natatorium wall repair and dehumidification (SF)
- MSHS expanded weight room (SF)
- Computer maker's lab (SF)
- MSHS football field artificial turf and auxiliary gymnasium (CP)
- SH addition for classroom (CP)
- CC addition for classroom (CP)
- GES addition for dressing rooms and classroom (CP)
- Shiras planetarium ADA accessibility improvements (CP)

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 \$8.7 million in bonds outstanding and other obligations versus \$2.9 million in the previous year - an increase of 200 percent. Those long-term liabilities consisted of the following:

	<u>2016</u>	<u>2015</u>
Bonds	\$ 7,825,000	\$ 2,140,000
Bond issuance premiums	187,764	46,554
Employee compensated absences and terminal leave	544,967	577,935
Retiree compensated absences and terminal leave	<u>169,519</u>	<u>146,864</u>
Total	<u>\$ 8,727,250</u>	<u>\$ 2,911,353</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 key factors when setting the School District's fiscal year 2016-2017 budget. One of the most important factors affecting the budget is our pupil enrollment count. Each December, the School District obtains enrollment projections to build the following year's budget assumptions. This number becomes the base for the state revenue calculation. The state foundation revenue is determined by multiplying the blended student count by the state foundation allowance per pupil. This amount is then reduced by the local tax effort based upon 18.0000 operating mills levied on non-homestead properties. This local portion is approximately 32 percent of the revenue budget with the state foundation contributing 57.7 percent. As the School District cannot assess additional tax revenue for general obligations per state law, the amount of state foundation allowance which provides over half of the School District's revenue is significant to the budget. The enrollment projection data for 2016-2017 anticipates 3,223 students as the assumption for the 2016-2017 budget. Early headcounts reflect close to budgeted enrollments which, upon validation through audit, will require an amendment if different from original appropriations. State aid foundation for 2016-2017 will increase by \$120 per pupil (from \$7,391 to \$7,511). State economic factors and legislation continue to be of concern for state funding to K-12 districts.

Contacting the District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School 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, 2016

	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 8,229,729
Receivables (Note 4)	4,407,694
Inventories	15,008
Prepaid costs	69,296
Restricted assets (Notes 1, 3, and 9)	7,478,116
Capital assets - Net (Note 5)	<u>12,368,447</u>
Total assets	32,568,290
Deferred Outflows of Resources	
Deferred charges on bond refunding	33,784
Deferred outflows related to pensions (Note 10)	<u>6,790,678</u>
Total deferred outflows of resources	<u>6,824,462</u>
Total assets and deferred outflows of resources	39,392,752
Liabilities	
Accounts payable	837,380
Accrued payroll-related liabilities	2,987,008
Accrued interest	4,258
Unearned revenue (Note 4)	225,395
Noncurrent liabilities:	
Due within one year (Note 6)	630,955
Due in more than one year (Note 6)	8,096,295
Net pension liability (Note 10)	<u>44,746,947</u>
Total liabilities	57,528,238
Deferred Inflows of Resources - Deferred inflows (Notes 1 and 10)	<u>1,373,718</u>
Total liabilities and deferred inflows of resources	<u>58,901,956</u>
Net Position	
Net investment in capital assets	10,571,933
Restricted:	
Debt service fund	212,627
Capital projects fund	964,835
Unrestricted	<u>(31,258,599)</u>
Total net position	<u>\$ (19,509,204)</u>

Marquette Area Public Schools

Statement of Activities Year Ended June 30, 2016

	Expenses	Program Revenue		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 18,492,377	\$ -	\$ 5,210,810	\$ (13,281,567)
Support services	10,582,592	74,634	1,302,703	(9,205,255)
Athletics	465,112	177,493	-	(287,619)
Food services	919,672	406,184	551,407	37,919
Community services	238,939	63,319	9,715	(165,905)
Interest	30,548	-	-	(30,548)
Debt issuance costs	151,083	-	-	(151,083)
Depreciation expense (unallocated) (Note 5)	715,200	-	-	(715,200)
Total primary government	\$ 31,595,523	\$ 721,630	\$ 7,074,635	(23,799,258)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				9,679,824
Property taxes, levied for debt service				683,216
Property taxes, levied for capital projects				1,117,899
State aid not restricted to specific purposes				13,414,997
Interest and investment earnings				24,319
Other				178,942
				<u>25,099,197</u>
				Change in Net Position 1,299,939
				Net Position - Beginning of year <u>(20,809,143)</u>
				Net Position - End of year <u>\$ (19,509,204)</u>

Marquette Area Public Schools

Governmental Funds Balance Sheet June 30, 2016

	General Fund	2016 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 7,014,107	\$ -	\$ 1,174,675	\$ 8,188,782
Receivables (Note 4)	4,397,045	-	10,649	4,407,694
Due from other funds (Note 8)	29,500	-	202,696	232,196
Inventories	-	-	15,008	15,008
Prepaid costs	69,296	-	-	69,296
Restricted assets (Notes 1, 3, and 9)	-	6,235,451	1,242,665	7,478,116
	<u>\$ 11,509,948</u>	<u>\$ 6,235,451</u>	<u>\$ 2,645,693</u>	<u>\$ 20,391,092</u>
Total assets				
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 615,439	\$ 38,485	\$ 183,456	\$ 837,380
Accrued payroll-related liabilities	2,948,761	-	38,247	2,987,008
Due to other funds (Note 8)	331,376	14,500	15,000	360,876
Unearned revenue (Note 4)	225,395	-	-	225,395
	<u>4,120,971</u>	<u>52,985</u>	<u>236,703</u>	<u>4,410,659</u>
Total liabilities				
Fund Balances				
Nonspendable	69,296	-	15,008	84,304
Restricted:				
Capital projects	-	6,182,466	964,835	7,147,301
Debt service	-	-	216,885	216,885
Food service	-	-	257,068	257,068
Committed - Contingency fund	3,000,000	-	-	3,000,000
Assigned:				
Capital projects	-	-	955,194	955,194
Kaufman Auditorium	11,223	-	-	11,223
Shiras Planetarium	18,155	-	-	18,155
Board assigned - Working capital	1,194,025	-	-	1,194,025
Unassigned	3,096,278	-	-	3,096,278
	<u>7,388,977</u>	<u>6,182,466</u>	<u>2,408,990</u>	<u>15,980,433</u>
Total fund balances				
Total liabilities and fund balances	<u>\$ 11,509,948</u>	<u>\$ 6,235,451</u>	<u>\$ 2,645,693</u>	<u>\$ 20,391,092</u>

Marquette Area Public Schools

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2016

Fund Balance Reported in Governmental Funds \$ 15,980,433

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	\$ 32,982,462	
Accumulated depreciation	<u>(20,614,015)</u>	12,368,447

Deferred outflows related to pension payments made subsequent to the measurement date	3,462,860
---	-----------

Deferred outflows related to pensions	3,327,818
---------------------------------------	-----------

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

Bonds payable including premium	(8,012,764)	
Compensated absences	<u>(544,967)</u>	(8,557,731)

Accrued interest payable is not included as a liability in governmental funds	(4,258)
---	---------

Deferred charges on bond refunding	33,784
------------------------------------	--------

Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position	108
---	-----

Net pension obligations do not present a claim on current financial resources and are not reported as fund liabilities	(44,746,947)
--	--------------

Deferred inflows related to pension investment returns and changes in assumptions are not reported in the governmental funds	<u>(1,373,718)</u>
--	--------------------

Net Position of Governmental Activities **\$ (19,509,204)**

Marquette Area Public Schools

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2016

	General Fund	2016 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 10,195,201	\$ 266	\$ 2,219,105	\$ 12,414,572
State sources	18,068,024	-	78,546	18,146,570
Federal sources	677,048	-	475,742	1,152,790
Interdistrict sources	2,405,974	-	-	2,405,974
Total revenue	<u>31,346,247</u>	<u>266</u>	<u>2,773,393</u>	<u>34,119,906</u>
Expenditures				
Current:				
Instruction	18,789,735	-	-	18,789,735
Support services	10,650,198	-	162	10,650,360
Athletics	468,845	-	-	468,845
Food services	-	-	925,603	925,603
Community services	241,532	-	-	241,532
Debt service:				
Principal (Note 6)	-	-	600,000	600,000
Interest (Note 6)	-	-	31,548	31,548
Other	-	150,008	1,075	151,083
Capital outlay	948,423	49,815	1,115,348	2,113,586
Total expenditures	<u>31,098,733</u>	<u>199,823</u>	<u>2,673,736</u>	<u>33,972,292</u>
Excess of Revenue Over (Under) Expenditures	247,514	(199,557)	99,657	147,614
Other Financing Sources (Uses)				
Transfers in (Note 8)	13,850	-	128,649	142,499
Transfers out (Note 8)	(75,151)	(53,498)	(13,850)	(142,499)
Face value of debt issued (Note 6)	-	6,285,000	-	6,285,000
Premium on debt issued (Note 6)	-	150,521	-	150,521
Total other financing (uses) sources	<u>(61,301)</u>	<u>6,382,023</u>	<u>114,799</u>	<u>6,435,521</u>
Net Change in Fund Balances	186,213	6,182,466	214,456	6,583,135
Fund Balances - Beginning of year	<u>7,202,764</u>	<u>-</u>	<u>2,194,534</u>	<u>9,397,298</u>
Fund Balances - End of year	<u><u>\$ 7,388,977</u></u>	<u><u>\$ 6,182,466</u></u>	<u><u>\$ 2,408,990</u></u>	<u><u>\$ 15,980,433</u></u>

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, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 6,583,135

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	\$ (715,200)	
Capitalized capital outlay	<u>2,050,450</u>	1,335,250

Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of activities (6,285,000)

Underwriter's premium and deferred charges reported as revenue and expenditures in the funds and amortized in the statement of activities (149,656)

Revenue in support of pension contributions made subsequent to measurement date (1,225,417)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 600,000

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid 1,000

Change in pension expense related to deferred items 407,551

Compensated absences are recorded when earned in the statement of activities. In the current year, more was paid out than was earned 32,968

Internal Service Funds are included as part of governmental activities 108

Change in Net Position of Governmental Activities \$ 1,299,939

Marquette Area Public Schools

Proprietary Fund Statement of Net Position June 30, 2016

	Governmental Activities <u>Internal Service Fund</u>
Assets - Current assets	
Investments (Note 3)	\$ 40,947
Due from other funds (Note 8)	<u>128,680</u>
Total assets	169,627
Liabilities	
Current liabilities - Compensated absences (Note 6)	86,497
Noncurrent liabilities - Compensated absences (Note 6)	<u>83,022</u>
Total liabilities	<u>169,519</u>
Net Position	<u><u>\$ 108</u></u>

Marquette Area Public Schools

Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2016

	Governmental Activities
	Internal Service Fund
Operating Revenue - Reimbursement for payments	\$ 97,174
Operating Expenses	
Compensated absences	90,268
Payroll taxes	6,906
Total operating expenses	97,174
Nonoperating Revenue - Interest and investment earnings	108
Change in Net Position	108
Net Position - Beginning of year	-
Net Position - End of year	<u>\$ 108</u>

Marquette Area Public Schools

Proprietary Fund Statement of Cash Flows Year Ended June 30, 2016

	Governmental Activities <u>Internal Service Fund</u>
Cash Flows from Operating Activities	
Payments to retirees	\$ (14,587)
Cash payments for employee benefits	<u>(74,519)</u>
Net cash used in operating activities	(89,106)
Cash Flows from Investing Activities	
Interest received on investments	108
Proceeds from sale and maturities of investment securities	<u>88,998</u>
Net cash provided by investing activities	<u>89,106</u>
Net Change in Cash and Cash Equivalents	-
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	\$ -
Adjustments to reconcile operating income to net cash from operating activities -	
Changes in assets and liabilities	
Due from other funds	(111,761)
Benefits payable	<u>22,655</u>
Net cash used in operating activities	<u><u>\$ (89,106)</u></u>

Marquette Area Public Schools

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2016

	<u>Student Activity Agency Fund</u>	<u>Private Purpose Trust Fund - Scholarship Fund</u>
Assets		
Cash and investments (Note 3)	\$ 549,679	\$ 367,172
Due from other funds (Note 8)	425	-
Total assets	550,104	367,172
Liabilities		
Accounts payable	18,546	-
Due to student activities	531,558	-
Unearned revenue (Note 4)	-	3,203
Total liabilities	550,104	3,203
Restricted for Scholarships	\$ -	\$ 363,969

Marquette Area Public Schools

Fiduciary Funds Statement of Changes in Fiduciary Net Position Year Ended June 30, 2016

	Private Purpose Trust Fund - Scholarship Fund
Additions	
Private donations	\$ 132,053
Interest	8,564
Total additions	140,617
Deductions - Scholarships awarded	139,653
Change in Net Position	964
Net Position - Beginning of year	363,005
Net Position - End of year	\$ 363,969

Marquette Area Public Schools

Notes to Financial Statements June 30, 2016

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 revenue, are reported separately from business-type activities, 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 revenue. 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 revenue 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, 2016

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 revenue 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 revenue to be available if it is 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, 2016

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 funds:

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.

2016 Capital Projects Fund - The 2016 Capital Projects Fund accounts for the proceeds of the bond issued in 2016 and will be used for acquisitions and replacement of long-term infrastructure, technology, and capital needs.

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 Funds - 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.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2016

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

The 2016 School Bond Debt Retirement 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.

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. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool.

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.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2016

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

Restricted Assets - The unspent bond proceeds and related interest of the Capital Projects Funds require amounts to be set aside for construction. In addition, 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.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental 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.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2016

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

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.

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. Issuance costs are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position or fund balance 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, including the deferred charge on refunding reported in the government-wide statement of net position of \$33,784, and the outflows related to the pension plan of \$6,790,678. 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 net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 two items that qualify for reporting in this category, including the deferred inflow related to the pension plan of \$148,301 and state funding in support of pension plan payments of \$1,225,417 from the State of Michigan.

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

Marquette Area Public Schools

Notes to Financial Statements June 30, 2016

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

- Committed: Amounts that have been formally set aside by the Board of Education 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
- 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, has 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.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2016

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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.

Adoption of New Standard - As of June 30, 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 79 provides guidance for determining whether certain investment pools can continue to be accounted for using amortized cost. The adoption did not have a significant impact on amounts reported in the financial statements.

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 Funds, Capital Projects Funds, 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. As a result of these amendments, budgeted General Fund revenue was increased by \$892,406 and budgeted General Fund expenditures were increased by \$468,014.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2016

Note 2 - Stewardship, Compliance, and Accountability (Continued)

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.

Capital Projects 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.

The 2016 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. This includes the 2016 School Building and Site Bonds. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code. The School District has reported the annual construction activity of the 2016 School Building and Site Bonds. Total construction expenditures related to this bond total \$102,800.

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.

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

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost, except for a one-day minimum investment period on MILAF cash management funds and a 14-day redemption limitation on MILAF MAX Class funds.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2016

Note 3 - Deposits and Investments (Continued)

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 be used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$4,460,231 had \$3,997,928 of bank deposits (certificates of deposit and 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 each institution; only those 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 that 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 requiring the structuring of 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.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2016

Note 3 - Deposits and Investments (Continued)

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.

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

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Rating Organization</u>
MILAF - Cash management funds	\$ 1,653,976	N/A	AAAm	Standard & Poor's
MILAF - MAX Class	11,012,350	N/A	AAAm	Standard & Poor's
Total investments	<u>\$ 12,666,326</u>			

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:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:			
Taxes receivable	\$ 17,205	\$ 2,804	\$ 20,009
Accounts receivable	64,836	15	64,851
Due from other governmental units	4,315,004	7,830	4,322,834
Total receivables	<u>\$ 4,397,045</u>	<u>\$ 10,649</u>	<u>\$ 4,407,694</u>

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 recognized in connection with resources that have been received but not yet earned. At June 30, 2016, grant and categorical aid payment received prior to meeting all eligibility requirements was \$225,395.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2016

Note 5 - Capital Assets

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

	Balance July 1, 2015	Additions/ Transfers	Balance June 30, 2016
Governmental Activities			
Capital assets not being depreciated:			
Land	\$ 822,392	\$ -	\$ 822,392
Construction in progress	114,710	463,069	577,779
Subtotal	937,102	463,069	1,400,171
Capital assets being depreciated:			
Land improvements	2,166,626	24,187	2,190,813
Buildings and improvements	23,084,569	657,919	23,742,488
Furniture and equipment	2,923,097	727,491	3,650,588
Vehicles and buses	1,820,618	177,784	1,998,402
Subtotal	29,994,910	1,587,381	31,582,291
Accumulated depreciation:			
Land improvements	1,806,977	29,264	1,836,241
Buildings and improvements	14,385,619	399,110	14,784,729
Furniture and equipment	2,164,773	196,158	2,360,931
Vehicles and buses	1,541,446	90,668	1,632,114
Subtotal	19,898,815	715,200	20,614,015
Net capital assets being depreciated	10,096,095	872,181	10,968,276
Net capital assets	\$ 11,033,197	\$ 1,335,250	\$ 12,368,447

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, 2016 was \$715,200.

Construction Commitments - The School District has active construction projects at year end. The projects include various projects from the Sinking Fund and 2016 Capital Projects Fund. At year end, the School District has commitments with contractors of approximately \$628,000.

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.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2016

Note 6 - Long-term Debt (Continued)

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	\$ 2,140,000	\$ 6,285,000	\$ 600,000	\$ 7,825,000	\$ 525,000
Bond issuance premiums	46,554	150,521	9,311	187,764	19,458
Total bonds payable	2,186,554	6,435,521	609,311	8,012,764	544,458
Retiree compensated absences and terminal leave	146,864	97,185	74,530	169,519	86,497
Employee compensated absences and terminal leave	577,935	-	32,968	544,967	-
Total governmental activities	<u>\$ 2,911,353</u>	<u>\$ 6,532,706</u>	<u>\$ 716,809</u>	<u>\$ 8,727,250</u>	<u>\$ 630,955</u>

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

<u>Years Ending June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 525,000	\$ 138,313	\$ 663,313
2018	515,000	154,275	669,275
2019	490,000	143,975	633,975
2020	485,000	134,175	619,175
2021	500,000	124,475	624,475
2022-2026	2,665,000	465,375	3,130,375
2027-2031	2,645,000	198,025	2,843,025
Total	<u>\$ 7,825,000</u>	<u>\$ 1,358,613</u>	<u>\$ 9,183,613</u>

Marquette Area Public Schools

Notes to Financial Statements June 30, 2016

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 \$525,000 through May 1, 2020, with interest ranging from 1.0 to 2.0 percent	\$ 1,540,000
\$6,285,000 Capital Projects Bonds due in annual installments of \$85,000 to \$575,000 through May 1, 2031, with interest ranging from 2.00 to 2.75 percent. The first principal payment is not due until May 1, 2018	<u>6,285,000</u>
Total bonded debt	<u>\$ 7,825,000</u>

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.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2016

Note 8 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from Other Funds		
General Fund	2016 Capital Projects Fund	\$ 14,500
General Fund	School Lunch Fund	15,000
Debt Service Fund	General Fund	43,749
Capital Projects Fund	General Fund	80,000
Sinking Fund	General Fund	71,652
Internal Service Fund	General Fund	128,680
School Lunch Fund	General Fund	6,870
Agency Fund	General Fund	425
	Total due to/from other funds	<u>\$ 360,876</u>

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.

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	\$ 13,850
2016 Capital Projects Fund	2016 Debt Service Fund	53,498
Capital Projects Fund	General Fund	75,151
	Total transfers	<u>\$ 142,499</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. Transfers from the 2016 Capital Projects Fund to the 2016 Debt Service Fund funded the 2016 Debt Service Fund in accordance with the bond documents.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2016

Note 9 - Restricted Assets

The balances for the restricted asset accounts are as follows:

	<u>Governmental Activities</u>
Unspent proceeds of the Sinking Fund	\$ 1,070,581
Restricted for debt service	172,084
Restricted for unspent bond proceeds and related interest of the 2016 Capital Projects Fund	<u>6,235,451</u>
Total restricted assets	<u>\$ 7,478,116</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 the "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 healthcare 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.

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 districts' 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 is as follows:

School District	
October 1, 2014 - September 30, 2015	18.76% - 23.07%
October 1, 2015 - June 30, 2016	14.56% - 18.95%

Marquette Area Public Schools

Notes to Financial Statements June 30, 2016

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

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 year ended June 30, 2015 was \$4,418,369. The School District's required and actual contributions include an allocation of \$1,225,417 of revenue received from the State of Michigan, and remitted to the system, to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) stabilization rate for the year ended June 30, 2016.

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.

Members are eligible for nonduty 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 who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2016

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

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2016, the School District reported a liability of \$44,746,947 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014, which used updated procedures to roll forward the estimated liability to September 30, 2015. 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, 2015, the School District's proportion was 0.183201 percent.

For the year ended June 30, 2016, the School District recognized pension expense of \$4,319,659, exclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 148,215
Changes of assumptions	1,101,765	-
Net difference between projected and actual earnings on pension plan assets	228,397	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	1,997,656	86
The School District's contributions subsequent to the measurement date	3,462,860	-
Total	<u>\$ 6,790,678</u>	<u>\$ 148,301</u>

Marquette Area Public Schools

Notes to Financial Statements June 30, 2016

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

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

Years Ending June 30	Amount
2017	\$ 663,148
2018	663,148
2019	603,412
2020	<u>1,249,809</u>
Total	<u>\$ 3,179,517</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.

Actuarial Assumptions - The total pension liability as of September 30, 2015 is based on the results of an actuarial valuation date of September 30, 2014 and rolled forward:

Actuarial cost method	Entry age normal cost actuarial cost method
Investment rate of return	7.00 to 8.00 percent, net of investment expenses based on the groups
Salary increases	3.50 - 12.3%, including wage inflation of 3.5%
Mortality basis	RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of living pension adjustments	3% annual non-compounded for MIP members

The actuarial assumptions used for the September 30, 2014 valuation were based on the results of an actuarial experience study for the period from October 1, 2007 to September 30, 2012. As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2016

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

Discount Rate - The discount rate used to measure the total pension liability was 7.00 to 8.00 percent depending on the plan option. 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.

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:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity pools	28.0 %	5.9 %
Private equity pools	18.0 %	9.2 %
International equity pools	16.0 %	7.2 %
Fixed-income pools	10.5 %	0.9 %
Real estate and infrastructure pools	10.0 %	4.3 %
Real return, opportunistic, and absolute pool	15.5 %	6.0 %
Short-term investment pools	2.0 %	- %
Total	<u>100.0 %</u>	

Marquette Area Public Schools

Notes to Financial Statements June 30, 2016

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

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 7.00 to 8.00 percent, depending on the plan option. The following also reflects 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 (6.00/7.00 percent) or 1.00 percentage point higher (8.00/9.00 percent) than the current rate:

<u>1.00 Percent Decrease (6.00/7.00 Percent)</u>	<u>Current Discount Rate (7.00/8.00 Percent)</u>	<u>1.00 Percent Increase (8.00/9.00 Percent)</u>
<u>\$ 57,690,285</u>	<u>\$ 44,746,947</u>	<u>\$ 33,835,183</u>

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, 2016, the School District reported a payable of \$520,932 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

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. The employer contribution rate ranged from 2.2 percent to 2.71 percent of covered payroll for the period from July 1, 2015 to September 30, 2015 and from 6.4 percent to 6.83 percent of covered payroll for the period from October 1, 2015 through June 30, 2016 dependent upon the employee's date of hire and plan election 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 403(b) account.

Marquette Area Public Schools

Notes to Financial Statements June 30, 2016

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

The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2016, 2015, and 2014 were \$883,803, \$410,482, and \$378,692, respectively. In addition, a portion ranging from 35-100 percent of the the MPSERS Unfunded Actuarial Accrued Liability (UAAL) stabilization rate is considered a contribution to the retiree healthcare plan.

Note 11 - Upcoming Accounting Pronouncements

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 supplemental 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, 2016

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 10,388,983	\$ 10,203,769	\$ 10,195,201	\$ (8,568)
State sources	17,160,499	18,024,629	18,068,024	43,395
Federal sources	623,466	674,161	677,048	2,887
Governmental - Intergovernmental	2,222,800	2,385,595	2,405,974	20,379
Total revenue	<u>30,395,748</u>	<u>31,288,154</u>	<u>31,346,247</u>	<u>58,093</u>
Expenditures				
Current:				
Instruction:				
Basic program	13,635,525	13,948,372	13,990,091	41,719
Added needs	5,000,982	4,824,289	4,809,519	(14,770)
Total instruction	<u>18,636,507</u>	<u>18,772,661</u>	<u>18,799,610</u>	<u>26,949</u>
Support services:				
Pupil	2,536,748	2,493,397	2,478,710	(14,687)
Instructional staff	657,887	702,091	671,684	(30,407)
General administration	449,290	431,381	429,939	(1,442)
School administration	1,848,324	1,764,574	1,764,379	(195)
Business	436,635	412,358	403,809	(8,549)
Operations and maintenance	3,003,396	3,061,755	2,986,401	(75,354)
Pupil transportation services	1,385,434	1,412,405	1,389,095	(23,310)
Central	970,548	1,450,176	1,327,641	(122,535)
Other	569,298	597,437	587,308	(10,129)
Total support services	<u>11,857,560</u>	<u>12,325,574</u>	<u>12,038,966</u>	<u>(286,608)</u>
Community services	209,807	242,751	241,532	(1,219)
Capital outlay	-	18,663	18,625	(38)
Payments to other public schools (RESAs, ISDs, LEAs)	233,950	5,000	-	(5,000)
Total expenditures	<u>30,937,824</u>	<u>31,364,649</u>	<u>31,098,733</u>	<u>(265,916)</u>
Excess of Revenue (Under) Over Expenditures	<u>(542,076)</u>	<u>(76,495)</u>	<u>247,514</u>	<u>324,009</u>
Other Financing Sources (Uses)				
Transfers in	-	-	13,850	13,850
Transfers out	(105,151)	(76,301)	(75,151)	1,150
Net Change in Fund Balance	<u>(647,227)</u>	<u>(152,796)</u>	<u>186,213</u>	<u>339,009</u>
Fund Balance - Beginning of year	<u>7,202,764</u>	<u>7,202,764</u>	<u>7,202,764</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 6,555,537</u>	<u>\$ 7,049,968</u>	<u>\$ 7,388,977</u>	<u>\$ 339,009</u>

Marquette Area Public Schools

Required Supplemental Information 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

	2015	2014
School District's proportion of the net pension liability (asset)	0.18320 %	0.17249 %
School District's proportionate share of the net pension liability (asset)	\$ 44,746,947	\$ 37,994,108
School District's covered employee payroll	15,343,152	14,064,634
School District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	291.64 %	270.14 %
Plan fiduciary net position as a percentage of the total pension liability	62.92 %	66.20 %

Marquette Area Public Schools

Required Supplemental Information Marquette Area Public Schools' Pension Plan Contributions Michigan Public School Employees' Retirement System Determined as of the Year Ended June 30

	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 4,372,055	\$ 3,325,282
Contributions in relation to the statutorily required contribution	4,372,055	3,325,282
Contribution deficiency (excess)	-	-
School District's covered employee payroll	15,852,960	14,624,457
Contributions as a percentage of covered employee payroll	27.58 %	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, 2016

	Special Revenue Fund	Debt Service Funds		Capital Projects Funds		Total Nonmajor Governmental Funds
	School Lunch Fund	Debt Service Fund	2016 School Bond Debt Retirement Fund	Capital Projects Fund	Sinking Fund	
Assets						
Cash and investments	\$ 299,481	\$ -	\$ -	\$ 875,194	\$ -	\$ 1,174,675
Receivables	7,845	1,603	-	-	1,201	10,649
Due from other funds	7,295	43,749	-	80,000	71,652	202,696
Inventories	15,008	-	-	-	-	15,008
Restricted assets	-	118,585	53,499	-	1,070,581	1,242,665
Total assets	\$ 329,629	\$ 163,937	\$ 53,499	\$ 955,194	\$ 1,143,434	\$ 2,645,693
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 4,306	\$ 551	\$ -	\$ -	\$ 178,599	\$ 183,456
Accrued payroll-related liabilities	38,247	-	-	-	-	38,247
Due to other funds	15,000	-	-	-	-	15,000
Total liabilities	57,553	551	-	-	178,599	236,703
Fund Balances						
Nonspendable	15,008	-	-	-	-	15,008
Restricted	257,068	163,386	53,499	-	964,835	1,438,788
Assigned	-	-	-	955,194	-	955,194
Total fund balances	272,076	163,386	53,499	955,194	964,835	2,408,990
Total liabilities and fund balances	\$ 329,629	\$ 163,937	\$ 53,499	\$ 955,194	\$ 1,143,434	\$ 2,645,693

Marquette Area Public Schools

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2016

	Special Revenue Fund	Debt Service Funds		Capital Projects Funds		Total Nonmajor Governmental Funds
	School Lunch Fund	Debt Service Fund	2016 School Bond Debt Retirement Fund	Capital Projects Fund	Sinking Fund	
Revenue						
Local sources	\$ 406,762	\$ 686,396	\$ 1	\$ 2,015	\$ 1,123,931	\$ 2,219,105
State sources	75,665	2,881	-	-	-	78,546
Federal sources	475,742	-	-	-	-	475,742
Total revenue	958,169	689,277	1	2,015	1,123,931	2,773,393
Expenditures						
Current:						
Support services	-	-	-	-	162	162
Food services	925,603	-	-	-	-	925,603
Debt service:						
Principal	-	600,000	-	-	-	600,000
Interest	-	31,548	-	-	-	31,548
Other	-	633	-	-	442	1,075
Capital outlay	6,452	-	-	19,895	1,089,001	1,115,348
Total expenditures	932,055	632,181	-	19,895	1,089,605	2,673,736
Excess of Revenue Over (Under) Expenditures	26,114	57,096	1	(17,880)	34,326	99,657
Other Financing Sources (Uses)						
Transfers in	-	-	53,498	75,151	-	128,649
Transfers out	(13,850)	-	-	-	-	(13,850)
Total other financing (uses) sources	(13,850)	-	53,498	75,151	-	114,799
Net Change in Fund Balances	12,264	57,096	53,499	57,271	34,326	214,456
Fund Balances - Beginning of year	259,812	106,290	-	897,923	930,509	2,194,534
Fund Balances - End of year	\$ 272,076	\$ 163,386	\$ 53,499	\$ 955,194	\$ 964,835	\$ 2,408,990

Marquette Area Public Schools

Other Supplemental Information Schedule of Bonded Indebtedness Year Ended June 30, 2016

June 30	2013 Refunding Bond Principal	2016 Capital Projects Bond Principal
2017	\$ 525,000	\$ -
2018	430,000	85,000
2019	335,000	155,000
2020	250,000	235,000
2021	-	500,000
2022	-	515,000
2023	-	535,000
2024	-	555,000
2025	-	575,000
2026	-	485,000
2027	-	500,000
2028	-	510,000
2029	-	525,000
2030	-	545,000
2031	-	565,000
Total principal	<u>\$ 1,540,000</u>	<u>\$ 6,285,000</u>
Principal payments due	May 1	May 1
Interest payments due	November 1 and May 1	November 1 and May 1
Interest rate	1.0% - 2.0%	2.0% - 2.75%
Original issue	<u>\$ 3,285,000</u>	<u>\$ 6,285,000</u>