

**MARQUETTE AREA PUBLIC SCHOOLS  
MARQUETTE, MICHIGAN  
FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Education  
Marquette Area Public Schools  
Marquette, Michigan 49855

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marquette Area Public Schools, as of and for the year ended June 30, 2013, 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 Members of the Board of Education  
Marquette Area Public Schools  
Marquette, Michigan 49855

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marquette Area Public Schools, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note T to the financial statements, in 2013, the Marquette Area Public Schools adopted the following new accounting guidance: GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

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

To the Members of the Board of Education  
Marquette Area Public Schools  
Marquette, Michigan 49855

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2013, on our consideration of Marquette Area Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marquette Area Public Schools' internal control over financial reporting and compliance.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

October 28, 2013

## Marquette Area Public Schools

### Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of Marquette Area Public Schools (School District) financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. Please read it in conjunction with the financial statements, which begin as listed in the table of contents.

#### FINANCIAL HIGHLIGHTS

- Net position for Marquette Area Public Schools as a whole was reported at \$13,728,537, comprised of 100% governmental activities.
- During the year, Marquette Area Public Schools expenses were \$28,470,574, while revenues from all sources totaled \$29,261,673, resulting in an increase in net position of \$791,099.
- There were no significant changes in programs for the 2012-13 fiscal year. Enrollment has been stabilizing or slightly increasing. The State funded a Technology Infrastructure Grant of \$10 per pupil to assist in preparing for online learning (deferred grant revenue until 2013-14). The School District also qualified for the Best Practices Incentive Grant through State Aid in an amount of \$161,586.
- In March 2013, the School District refunded the 2003 Bonds in the amount of \$3,285,000 with BOSC, Inc. having the best interest rate (0.985545%) out of 10 bidders. The debt refunding will result in a net savings to the public of \$340,280, realized over 7 years through property tax payments.
- The School District purchased two new buses for \$163,250 and revised the capital assets to account for disposed technology equipment of \$778,962.
- Senate Bill 1040 made changes to the Michigan Public School Employees Retirement System (MPERS). Employees who were members before July 1, 2010 were given four pension options. Employees hired before Sept. 3, 2012 were given two retirement healthcare options. This Bill was passed in an attempt to save the school districts money in retirement costs.
- MPERS section 147C started in fiscal year 2012-13 which is meant to stabilize the UAAL (unfunded actuarial accrued liability) rate to the 20.96%. The State will calculate each school district's share of the Section 147c pot (based on prior year salaries), send the school district its portion through state aid, and ORS (Office of Retirement Services) will bill each school district for the exact same amount as that school district's share of state revenue. Effective July 1, 2013 the School District is required to charge a 4.56% Stabilization Rate on all wages and salaries earned.
- Terminal Leave payments were higher in fiscal year 2012-13 by \$28,000 due to some mid-year retirements. Retirements have been higher than average for the past two years.

## Management's Discussion and Analysis (Unaudited) (Continued)

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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



## Management's Discussion and Analysis (Unaudited) (Continued)

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

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

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

### The School District as a Whole

Table 1 provides a summary of the School District's net position as of June 30, 2013 and 2012:

<b>Table 1</b>		<b>Net Position</b>	
		<u>Governmental Activities</u>	
		<u>2013</u>	<u>2012</u>
Current and other assets		\$10,293,489	\$10,047,150
Capital assets, net		10,856,021	11,193,693
	Total Assets	<u>21,149,510</u>	<u>21,240,843</u>
Deferred outflows of resources		<u>31,386</u>	<u>-</u>
Current liabilities		3,231,002	4,063,246
Long-term liabilities		4,104,438	4,193,657
	Total Liabilities	<u>7,335,440</u>	<u>8,256,903</u>
Deferred inflows of resources		<u>116,919</u>	<u>-</u>
Net Position:			
Net investment in capital assets		7,543,208	6,893,655
Restricted		434,851	497,555
Unrestricted		5,750,478	5,592,730
	Total Net Position	<u>\$13,728,537</u>	<u>\$12,983,940</u>

## Management's Discussion and Analysis (Unaudited) (Continued)

The School District's net position was \$13,728,537 at June 30, 2013. Net investment in capital assets totaling \$7,543,208 compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due.

Restricted net position totaling \$434,851 is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position of \$5,750,478 was unrestricted.

The \$5,750,478 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

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

**Table 2**  
**Change in Net Position**

	Governmental Activities	
	2013	2012
<b>Revenues</b>		
Program revenues:		
Charges for services	\$937,666	\$940,104
Operating grants and contributions	6,134,321	6,269,079
Capital grants and contributions	-	-
General revenues:		
Property taxes	9,384,583	9,289,492
State sources not restricted to specific program	12,655,808	12,309,517
State sources restricted for debt service	41,321	41,321
Investment earnings	60,104	53,106
Gain/(loss) on disposal of capital assets	-	(14,794)
Miscellaneous	47,870	53,356
Total Revenues	<u>29,261,673</u>	<u>28,941,181</u>
Program Expenses:		
Instruction	16,594,773	16,927,316
Supporting services	9,914,126	9,457,700
Community services	153,332	178,275
Food service activities	900,392	949,101
Facilities acquisition	46,211	87,325
Other	54,125	86,190
Interest on retirement of debt	168,573	221,713
Depreciation - unallocated	639,042	759,600
Total Expenses	<u>28,470,574</u>	<u>28,667,220</u>
Increase (decrease) in net position	791,099	273,961
Net position, beginning, as restated	12,937,438	12,709,979
Net Position, Ending	<u>\$13,728,537</u>	<u>\$12,983,940</u>

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$28,470,574. Certain activities were partially funded from those who benefited from the programs, totaling \$937,666, or by other governments and organizations that subsidized certain programs with grants and categorical, totaling \$6,134,321. We paid for the remaining "public

## Management's Discussion and Analysis (Unaudited) (Continued)

benefit" portion of our governmental activities with \$9,384,583 in taxes, \$12,655,808 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net position for the year of \$791,099.

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

- Net increase in governmental fund balances of \$138,436
- Depreciation charged to expense of \$639,042
- Lease expense of \$52,782
- Purchase of capital assets in the amount of \$301,370
- Net increase due to pay down of principal through the use of debt fund balance of \$789,443
- Accrued interest on long-term debt included in expense \$20,621
- Proceeds from debt issuance of \$3,350,176
- Payments to escrow agent of \$3,430,000
- Amortization of deferred bond discount of \$5,230
- Payment of long-term compensated absences of \$52,895

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

**Table 3  
Governmental Activities**

	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$16,594,773	\$10,574,720	\$16,927,316	\$10,768,987
Supporting services	9,914,126	9,914,126	9,457,700	9,457,700
Food service activities	900,392	101,443	949,101	(46,631)

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

### **The School District's Funds**

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

As the School District completed the year, its governmental funds (as presented in the balance sheet as listed in the table of contents) reported a combined fund balance of \$6,848,594, an increase of \$138,436 from the beginning of the year. This included a \$283,030 increase in the General Fund's fund balance, a decrease of \$81,890 in the Capital Projects Fund's fund balance, a decrease of \$114,219 in the Debt Service Fund and an increase of \$51,515 in the School Lunch Fund.

### **General Fund Budgetary Highlights**

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

## Management's Discussion and Analysis (Unaudited) (Continued)

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

Changes to the General Fund original budget were as follows:

- Budgeted revenues increased by \$823,735, including other financing sources, to reflect an increase for Special Education from MARESA, increases in restricted state revenue for best practices and MPSERS offsets, and increases in Federal grants.
- Budget expenditures were increased by \$1,060,752 to reflect an allocation of expenses for building security and the Cherry Creek roof through capital outlay which will carry into the 2013-2014 fiscal year.

### **Capital Asset and Debt Administration**

#### ***Capital Assets***

At June 30, 2013 and 2012, the School District had \$10,856,021 and \$11,193,693, respectively invested in a variety of capital assets including land, buildings, and machinery and equipment. (See table 4 below):

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

	Governmental Activities	
	2013	2012
Land	\$822,392	\$822,392
Site improvements	449,093	507,328
Buildings	8,457,949	8,740,316
Equipment	624,570	661,805
Vehicles and buses	502,017	461,852
Totals	\$10,856,021	\$11,193,693

This year's additions of \$301,370 included building renovations, other equipment, and buses. No new debt was issued for these additions.

We anticipate capital additions for the 2013-2014 fiscal year will be higher than the 2012-2013 fiscal year due to building security projects and the completion of the Cherry Creek roof. We present more detailed information about our capital assets in the notes to the financial statements.

#### ***Debt***

At June 30, 2013 and 2012, the School District had \$3,312,813 and \$4,300,038, respectfully, in debt outstanding as depicted in Table 5.

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

	Governmental Activities	
	2013	2012
Bus leases payable	\$27,813	\$80,595
General obligation bonds	3,285,000	4,180,000
School improvement bonds	-	39,443
Totals	\$3,312,813	\$4,300,038

## **Management's Discussion and Analysis (Unaudited) (Continued)**

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

### **Economic Factors and Next Year's Budgets**

Our elected officials and administration consider many key factors when setting the School District's fiscal year 2014 budget. One of the most important factors affecting the budget is our pupil enrollment count. Each December, the district obtains enrollment projections to build the following year's budget assumptions. This number becomes the base for the state revenue calculation. The State foundation revenue is determined by multiplying the blended student count by the state foundation allowance per pupil. This amount then is reduced by the local tax effort based upon 18.0000 operating mills levied on non-homestead properties. This local portion is approximately 32% of the revenue budget with the state foundation contributing 55%. As the district cannot access additional tax revenue for general obligations per State law, the amount of state foundation allowance which provides over half of the district's revenue is significant to the budget.

The enrollment projection data for 2013-14 anticipates an increase of 11 students as the assumption for the 2013-14 budget. Early headcounts reflect greater than anticipated enrollments which, upon validation through audit, will require an amendment if different from original appropriations.

The School District anticipates a large capital outlay expense due to building security projects and the completion of the Cherry Creek roof in 2013-14.

All the union contracts expired June 30, 2013.

### **Contacting the School District's Financial Management**

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

**Marquette Area Public Schools**

Statement of Net Position

June 30, 2013

	<b>Governmental Activities</b>
	<hr/>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 3,502,899
Investments	2,673,616
Receivables:	
Accounts receivable	49,756
Delinquent property taxes	19,226
Due from other governmental units	3,992,224
Prepaid expenditures	28,821
Inventories	26,947
Non-current assets:	
Capital Assets:	
Land and construction in progress	822,392
Other capital assets, net	10,033,629
	<hr/>
<b>TOTAL ASSETS</b>	<b>21,149,510</b>
	<hr/>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Unamortized bond discount	31,386
	<hr/>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>31,386</b>
	<hr/>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	341,136
Accrued payroll and other liabilities	2,842,342
Accrued interest	8,759
Due to other governmental units	37,915
Other current liabilities	850
Non-current Liabilities:	
Portion due or payable within one year	
Leases payable	27,813
Bonds payable	555,000
Employee benefit payable	85,741
Portion due or payable after one year	
Leases payable	-
Bonds payable	2,730,000
Employee benefit payable	705,884
	<hr/>
<b>TOTAL LIABILITIES</b>	<b>7,335,440</b>
	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Grants received in advance	51,743
Premiums on bonds issued	65,176
	<hr/>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>116,919</b>
	<hr/>
<b>NET POSITION</b>	
Net investment in capital assets	7,543,208
Restricted	434,851
Unrestricted	5,750,478
	<hr/>
<b>TOTAL NET POSITION</b>	<b>\$ 13,728,537</b>
	<hr/>

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

**Marquette Area Public Schools**

Statement of Activities

For the Year Ended June 30, 2013

Function / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instruction	\$ 16,594,773	\$ 421,377	\$ 5,598,676	\$ (10,574,720)
Supporting services	9,914,126	-	-	(9,914,126)
Community services	153,332	50,099	-	(103,233)
Food service activities	900,392	466,190	535,645	101,443
Facilities acquisition	46,211	-	-	(46,211)
Other	54,125	-	-	(54,125)
Interest on retirement of debt	168,573	-	-	(168,573)
Depreciation- unallocated	639,042	-	-	(639,042)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>28,470,574</b>	<b>937,666</b>	<b>6,134,321</b>	<b>(21,398,587)</b>
<b>General revenues:</b>				
Taxes				
Property taxes, levied for general purposes				8,437,044
Property taxes, levied for debt services				947,539
State aid not restricted to specific purposes				12,655,808
State aid restricted for debt service				41,321
Interest and investment earnings				60,104
Gain/(loss) on disposal of capital assets				-
Miscellaneous				47,870
			<b>TOTAL GENERAL REVENUES</b>	<b>22,189,686</b>
			<b>CHANGES IN NET POSITION</b>	<b>791,099</b>
Net Position, July 1, as restated				12,937,438
			<b>NET POSITION, JUNE 30</b>	<b>\$ 13,728,537</b>

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

**Marquette Area Public Schools**

Governmental Funds

Balance Sheet

June 30, 2013

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Non-major School Lunch Fund</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,075,762	\$ -	\$ -	\$ 427,137	\$ 3,502,899
Investments	894,074	1,606,981	80,066	-	2,581,121
Receivables:					
Accounts receivable	49,549	-	-	207	49,756
Delinquent property taxes	16,487	-	2,739	-	19,226
Due from other governmental units	3,984,100	-	1,289	6,835	3,992,224
Due from other funds	96,000	15,000	24	-	111,024
Prepaid expenses	28,821	-	-	-	28,821
Inventories	-	-	-	26,947	26,947
<b>TOTAL ASSETS</b>	<b>8,144,793</b>	<b>1,621,981</b>	<b>84,118</b>	<b>461,126</b>	<b>10,312,018</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 8,144,793</b>	<b>\$ 1,621,981</b>	<b>\$ 84,118</b>	<b>\$ 461,126</b>	<b>\$ 10,312,018</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 332,094	\$ -	\$ -	\$ 9,042	\$ 341,136
Accrued liabilities	2,842,237	-	-	105	2,842,342
Due to other governmental units	37,915	-	-	-	37,915
Due to other funds	88,192	-	-	101,246	189,438
Other liabilities	850	-	-	-	850
<b>TOTAL LIABILITIES</b>	<b>3,301,288</b>	<b>-</b>	<b>-</b>	<b>110,393</b>	<b>3,411,681</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Grants received in advance	51,743	-	-	-	51,743
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>51,743</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,743</b>
<b>FUND BALANCES</b>					
Non-spendable	-	-	-	26,947	26,947
Restricted	-	-	84,118	323,786	407,904
Committed	3,000,000	-	-	-	3,000,000
Assigned	33,960	1,621,981	-	-	1,655,941
Unassigned	1,757,802	-	-	-	1,757,802
<b>TOTAL FUND BALANCES</b>	<b>4,791,762</b>	<b>1,621,981</b>	<b>84,118</b>	<b>350,733</b>	<b>6,848,594</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 8,144,793</b>	<b>\$ 1,621,981</b>	<b>\$ 84,118</b>	<b>\$ 461,126</b>	<b>\$ 10,312,018</b>

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



# Marquette Area Public Schools

## Governmental Funds

### Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2013

**Total Fund Balances for Governmental Funds** \$ 6,848,594

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

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

Cost of capital assets not depreciated	\$ 822,392	
Cost of capital assets being depreciated	28,773,988	
Accumulated depreciation	<u>(18,740,359)</u>	10,856,021

Internal service funds are used by the School District to record terminal leave. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. 170,909

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

Current portion:		
Leases payable	27,813	
Bonds payable	555,000	
Bonds & Loans payable - non-current portion		
Leases payable	-	
Bonds payable	2,730,000	
Accrued interest on bonds	8,759	
Employee benefits payable - current	85,741	
Employee benefits payable - non-current	705,884	
Premium on refunding bonds	65,176	
Deferred discount on refunding bonds	<u>(31,386)</u>	<u>(4,146,987)</u>

**Net Position of Governmental Activities** \$ 13,728,537

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

**Marquette Area Public Schools**

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2013

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Non-major School Lunch Fund</b>	<b>Total</b>
<b>REVENUES:</b>					
Local sources	\$ 11,305,960	\$ 1,038	\$ 951,815	\$ 471,013	\$ 12,729,826
State sources	15,253,617	-	41,321	56,165	15,351,103
Federal sources	701,263	-	-	479,480	1,180,743
<b>TOTAL REVENUES</b>	<b>27,260,840</b>	<b>1,038</b>	<b>993,136</b>	<b>1,006,658</b>	<b>29,261,672</b>
<b>EXPENDITURES:</b>					
Instruction	16,594,773	-	-	-	16,594,773
Supporting services	10,270,047	-	-	-	10,270,047
Community services	153,332	-	-	-	153,332
Food service activities	-	-	-	900,392	900,392
Facilities acquisition	52,530	-	-	44,807	97,337
Debt service:					
Principal	-	-	789,443	-	789,443
Interest	-	-	177,806	-	177,806
Other	-	-	6,158	-	6,158
Payments to other governmental units	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>27,070,682</b>	<b>-</b>	<b>973,407</b>	<b>945,199</b>	<b>28,989,288</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>190,158</b>	<b>1,038</b>	<b>19,729</b>	<b>61,459</b>	<b>272,384</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of bonds	-	-	3,285,000	-	3,285,000
Premiums on bonds issued	-	-	65,176	-	65,176
Payment to refunded bond escrow agent	-	-	(3,430,000)	-	(3,430,000)
Bond issuance costs	-	-	(54,124)	-	(54,124)
Transfers in	173,194	80,322	-	-	253,516
Transfers (out)	(80,322)	(163,250)	-	(9,944)	(253,516)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>92,872</b>	<b>(82,928)</b>	<b>(133,948)</b>	<b>(9,944)</b>	<b>(133,948)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>283,030</b>	<b>(81,890)</b>	<b>(114,219)</b>	<b>51,515</b>	<b>138,436</b>
Fund Balance, July 1	4,508,732	1,703,871	198,337	299,218	6,710,158
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 4,791,762</b>	<b>\$ 1,621,981</b>	<b>\$ 84,118</b>	<b>\$ 350,733</b>	<b>\$ 6,848,594</b>

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

**Marquette Area Public Schools**

Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balances to the Statement of Activities

For the Year Ended June 30, 2013

**Net Change in Fund Balances - Total Governmental Funds** \$ 138,436

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

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

Depreciation expense	\$ 639,042	
Capital lease expense	(52,782)	
Capital outlays	(301,370)	
Net book value of disposed assets	-	(284,890)

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

Proceeds from bond issuance	(3,285,000)	
Premiums on bonds issued	(65,176)	(3,350,176)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 789,443

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

Purchase of bonds		3,430,000
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The deferred discount on refunding bonds is reported as an expenditure in the governmental funds. However, for governmental activities this costs is shown in the statement of net position and amortized over the life of the bond issuance as annual interest and other costs in the statement of activities. (5,230)

Interest on long-term debt is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount of accrued interest recognized in the statement of activities. 20,621

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 52,895

**Change in Net Position of Governmental Activities** \$ 791,099

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

**Marquette Area Public Schools**

Proprietary Funds

Statement of Net Position

June 30, 2013

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>ASSETS</b>	
Current Assets:	
Investments	\$ 92,495
Due from other funds	<u>78,414</u>
<b>TOTAL ASSETS</b>	<u>170,909</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>
<b>LIABILITIES</b>	
Non-current Liabilities:	
Employee benefits payable	170,909
Due to other funds	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>170,909</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>
<b>NET POSITION</b>	
Unrestricted	<u>-</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ -</u></u>

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

**Marquette Area Public Schools**

Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2013

	<b>Governmental Activities</b>
	<b>Internal</b>
	<b>Service Fund</b>
<b>OPERATING REVENUES:</b>	
Other revenue for services	\$ 88,214
<b>TOTAL OPERATING REVENUES</b>	<b>88,214</b>
<b>OPERATING EXPENSES:</b>	
Employee Benefits:	
Terminal leave	82,642
FICA	5,572
<b>TOTAL OPERATING EXPENSES</b>	<b>88,214</b>
<b>OPERATING INCOME (LOSS)</b>	<b>-</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Interest income	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>-</b>
<b>CHANGE IN NET POSITIION</b>	<b>-</b>
Net Position, July 1	-
<b>NET POSITION, JUNE 30</b>	<b>\$ -</b>

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

**Marquette Area Public Schools**

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2013

	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from other operating activities	\$ 88,214
Cash payments for employee benefits	<u>(134,517)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(46,303)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
(Increase) decrease in due from other funds	<u>10,029</u>
<b>NET CASH PROVIDED (USED) FOR NONCAPITAL FINANCING ACTIVITIES</b>	<u>10,029</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Redemption of investments - net	<u>36,274</u>
<b>NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>36,274</u>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 -
 Cash and cash equivalents, July 1	 <u>-</u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	 <u><u>\$ -</u></u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ -
 Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Increase (decrease) in employee benefits payable	<u>(46,303)</u>
TOTAL ADJUSTMENTS	<u>(46,303)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ (46,303)</u></u>

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

# Marquette Area Public Schools

## Fiduciary Funds

### Statement of Fiduciary Net Position

June 30, 2013

	Private Purpose Trust Fund	
	Scholarship Fund	Student Activity Agency Fund
<b>ASSETS</b>		
Cash and equivalents	\$ 370,322	\$ 473,259
Accounts receivable	4,874	-
	<u>375,196</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>375,196</u>	<u>\$ 473,259</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	
<b>LIABILITIES</b>		
Accounts payable	-	\$ 27,647
Due to other governmental units	-	317
Due to groups, organizations and activities	-	445,295
	<u>-</u>	<u>445,295</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>\$ 473,259</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	
<b>NET ASSETS</b>		
Restricted for scholarships	<u>375,196</u>	
<b>TOTAL NET ASSETS</b>	<u>\$ 375,196</u>	

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

**Marquette Area Public Schools**

Fiduciary Fund

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2013

	<u>Private Purpose Trust Fund Scholarship Fund</u>
<b>ADDITIONS:</b>	
Private sources contributions	\$ 156,801
Interest	<u>5,575</u>
<b>TOTAL ADDITIONS</b>	<u>162,376</u>
<b>DEDUCTIONS:</b>	
Scholarships awarded	<u>168,921</u>
<b>TOTAL DEDUCTIONS</b>	<u>168,921</u>
<b>CHANGE IN NET POSITION</b>	(6,545)
Net position, July 1	<u>381,741</u>
<b>NET POSITION, JUNE 30</b>	<u><u>\$ 375,196</u></u>

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



# MARQUETTE AREA PUBLIC SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

#### *Reporting Entity*

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

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

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

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

#### *Basic Financial Statements – District-Wide Financial Statements:*

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

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

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

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

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

### *Basic Financial Statements – Fund Financial Statements:*

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

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

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

### Governmental Funds

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

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

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

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

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

### Proprietary Funds

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

### Fiduciary Funds

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

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

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

## **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

### **Measurement Focus**

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

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

### **Basis of Accounting**

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

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

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

Cash and Equivalents

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

Investments

Investments are carried at market value.

Receivables

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

Due From and To Other Funds

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

Inventory

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

Capital Assets

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

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

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

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

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

### Deferred Outflows of Resources

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

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

### Long-Term Debt

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

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

### Employee Benefits

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

### Deferred Inflows of Resources

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

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

Deferred inflows of resources are reported in the district-wide and district fund financial statements for grant money that is received during the current year, but will be used to finance the subsequent year. The General Fund reported grant funding that has been received but is unearned of \$51,743 at the end of the fiscal year.

### Equity Classification

#### *District-Wide Statements*

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

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

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

### *Fund Statements*

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

### Revenues

#### *District-Wide Statements*

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

### *Fund Statements*

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

### Property Taxes

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

### Expenses/Expenditures

#### *District-Wide Statements*

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

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

### *Fund Statements*

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

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

### Interfund Activity

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

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

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

### Budgets and Budgetary Accounting

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

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

### Use of Estimates

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

### Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 28, 2013, the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

**NOTE B – DEPOSITS AND INVESTMENTS:**

Cash Equivalents

As of June 30, 2013, the School District's cash and equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and equivalents	\$3,502,899	\$843,581	\$4,346,480
Investments	2,673,616	-	2,673,616
	<u>\$6,176,515</u>	<u>\$843,581</u>	<u>\$7,020,096</u>

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy includes the consideration of credit risk for cash and investments held by the School District. The carrying amounts of the School District's deposits with financial institutions were \$4,346,480 and the bank balance was \$4,627,633. The bank balance is categorized as follows.

Amount insured by the FDIC	\$466,094
Amount uncollateralized and uninsured	4,161,539
	<u>\$4,627,633</u>

Investments

As of June 30, 2013, the School District had the following investments.

Investment Type	Fair Value	Investment Maturities Less Than One year
Michigan Liquid Asset Fund – Mutual Bonds	<u>\$2,673,617</u>	<u>\$2,673,617</u>

*Interest Rate Risk*

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

*Credit Risk*

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

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



**NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS:**

Amounts due from other governmental units as of June 30, 2013, totaled \$3,992,224. Of that amount \$3,039,012 was due from the State of Michigan for State Aid, \$114,502 was due from the Federal Government, and the remaining \$838,710 due from other governmental units for the operation of special programs and grant projects.

**NOTE D – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

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

		Due From Other Funds				
		General Fund	Capital Projects Fund	Debt Service Fund	Internal Service Fund	Total Due to Other Funds
Due To Other Funds	General Fund	\$-	\$15,000	\$24	\$73,168	\$88,192
	School Lunch Fund	96,000	-	-	5,246	101,246
	Internal Service Fund	-	-	-	-	-
	Total Due From Other Funds	\$96,000	\$15,000	\$24	\$78,414	\$189,438

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. See table below.

		Transfers Out To Other Funds			
		General Fund	Capital Projects Fund	School Lunch Fund	Total Transfers In
Transfers In From Other Funds	General Fund	\$-	\$163,250	\$9,944	\$173,194
	Capital Projects Fund	80,322	-	-	80,322
	School Lunch Fund	-	-	-	-
	Total Transfers Out	\$80,322	\$163,250	\$9,944	\$253,516

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

**NOTE E – CAPITAL ASSETS:**

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

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital assets not being depreciated:				
Land	\$822,392	\$-	\$-	\$822,392
Construction in progress	-	-	-	-
Capital assets being depreciated:				
Site improvements	2,166,626	-	-	2,166,626
Buildings	22,064,465	51,126	-	22,115,591
Equipment	3,230,705	86,994	(778,962)	2,538,737
Vehicles and buses	1,789,784	163,250	-	1,953,034
Total Capital Assets	<u>30,073,972</u>	<u>301,370</u>	<u>(778,962)</u>	<u>29,596,380</u>
Less accumulated depreciation:				
Site improvements	(1,659,298)	(58,235)	-	(1,717,533)
Buildings	(13,324,149)	(333,493)	-	(13,657,642)
Equipment	(2,568,900)	(124,229)	778,962	(1,914,167)
Vehicles and buses	(1,327,932)	(123,085)	-	(1,451,017)
Total Accumulated Depreciation	<u>(18,880,279)</u>	<u>(639,042)</u>	<u>778,962</u>	<u>(18,740,359)</u>
Capital Assets, Net	<u>\$11,193,693</u>	<u>\$(337,672)</u>	<u>\$-</u>	<u>\$10,856,021</u>

Depreciation expense was charged to unallocated activities in the amount of \$639,042.

**NOTE F – ACCRUED LIABILITIES:**

A summary of accrued liabilities at June 30, 2013 is as follows:

	Governmental Activities
Accrued wages	\$1,409,241
MESSA payable	678,278
Accrued fringes	754,823
	<u>\$2,842,342</u>

**NOTE G – LONG-TERM OBLIGATIONS:**

A summary of long-term obligations at June 30, 2013 and transactions related thereto for the year then ended is as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
School Improvement Bonds, Series 1998, due in annual installments of \$29,000 to \$54,000 through 2013 with interest of 8.00%. The only source of revenues for making the debt service payments on these bonds is an annual state appropriation.	\$39,443	\$-	\$39,443	\$-	\$-

**NOTE G – LONG-TERM OBLIGATIONS (Continued):**

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Bus lease due in annual installments of \$27,435 including interest at 4.95% through January 2012	\$26,141	\$-	\$26,141	\$-	\$-
Bus lease due in annual installments of \$29,037 including interest at 4.4% through August 2013	54,454	-	26,641	27,813	27,813
2003 Refunding Issue Serial Bonds, due in annual installments of \$500,000 to \$885,000 through 2020 with interest of 2.0% to 4.35%	4,180,000	-	4,180,000	-	-
2013 Refunding Issue Serial Bonds, due in annual installments of \$250,000 to \$555,000 through 2020 with interest of 1.0% to 2.0%	-	3,285,000	-	3,285,000	555,000
Subtotal	<u>4,300,038</u>	<u>3,285,000</u>	<u>4,272,225</u>	<u>3,312,813</u>	<u>582,813</u>
Employee benefits:					
Governmental Funds terminal leave	673,611	-	52,895	620,716	-
Internal Service terminal leave	217,212	78,414	124,717	170,909	85,741
Subtotal	<u>890,823</u>	<u>78,414</u>	<u>177,612</u>	<u>791,625</u>	<u>85,741</u>
TOTAL LONG-TERM DEBT	<u>\$5,190,861</u>	<u>\$3,363,414</u>	<u>\$4,449,837</u>	<u>\$4,104,438</u>	<u>\$668,554</u>

**Debt Service Requirements**

The annual requirements to pay principal and interest based on debt outstanding at June 30, 2013 (exclusive of employee benefits) are as follows:

Fiscal Year	Principal	Interest	Total
2014	\$582,813	\$49,002	\$631,815
2015	590,000	37,450	627,450
2016	600,000	31,550	631,550
2017	525,000	25,550	550,550
2018	430,000	20,300	450,300
2019-2020	585,000	16,700	601,700
TOTALS	<u>\$3,312,813</u>	<u>\$180,552</u>	<u>\$3,493,365</u>

**NOTE H – EMPLOYEE BENEFITS PAYABLE:**

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

**NOTE H – EMPLOYEE BENEFITS PAYABLE (Continued):**

	Internal Service Fund	Other	Total Governmental Activities
Terminal Leave	\$170,909	\$620,716	\$791,625
TOTALS	<u>\$170,909</u>	<u>\$620,716</u>	<u>\$791,625</u>

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

Current portion	\$85,741
Long-term portion	705,884
TOTAL	<u>\$791,625</u>

**NOTE I – FUND BALANCES – GOVERNMENTAL FUNDS:**

As of June 30, 2013, fund balances of the governmental funds are classified as follows:

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

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

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

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

*Unassigned* — all other spendable amounts.

As of June 30, 2013, fund balances are composed of the following:

	General Fund	Capital Projects Fund	Debt Service Fund	School Lunch Fund	Total Governmental Funds
Non-spendable:					
Inventories	\$-	\$-	\$-	\$26,947	\$26,947
Restricted:					
School Lunch	-	-	-	306,933	306,933
Debt Service	-	-	84,118	-	84,118
FY13/14 Budgeted Shortfall	-	-	-	16,853	16,853
Committed:					
Contingency	3,000,000	-	-	-	3,000,000

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

	General Fund	Capital Projects Fund	Debt Service Fund	School Lunch Fund	Total Governmental Funds
Assigned:					
Kaufman Auditorium	\$2,699	\$-	\$-	\$-	\$2,699
Shiras Planetarium	12,209	-	-	-	12,209
FY13/14 Budgeted Shortfall	19,052	693,178	-	-	712,230
Capital Improvements	-	928,803	-	-	928,803
Unassigned	1,757,802	-	-	-	1,757,802
Total fund balances	<u>\$4,791,762</u>	<u>\$1,621,981</u>	<u>\$84,118</u>	<u>\$350,733</u>	<u>\$6,848,594</u>

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

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

**NOTE J – PRIVATE PURPOSE TRUST FUND:**

The School District restricts fund equities for the following funds:

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

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

**NOTE K – ECONOMIC DEPENDENCY:**

The School District received approximately 52 percent of its revenue through state and federal sources to be used for providing elementary and secondary education for the residents of Marquette. The School District’s Foundation Allowance is set by the state and includes the local contribution from Non Homestead taxes. Increases in the local Non Homestead property tax revenues are offset by a corresponding decrease in state aid on a per pupil basis.

**NOTE L – STATE REVENUE:**

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For

**NOTE L – STATE REVENUE (Continued):**

the year ended June 30, 2013, the foundation allowance was based on the three-year average of the blended pupil membership counts taken in February and October.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2012 – August 2013.

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

**NOTE M – NON-MONETARY TRANSACTIONS:**

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized \$75,299 during fiscal year 2013 in revenues and expenditures for USDA commodities.

**NOTE N – PROPERTY TAXES:**

The taxable value of real and personal property located in the School District at December 31, 2012 totaled \$1,046,104,311 (\$545,912,561 designated as Homestead, \$455,567,626 designated as Non-Homestead, \$42,007,024 designated as Commercial Personal Property, and \$2,617,100 as Industrial Personal Property). The total tax levy consists of 18.0000 mills on all non-homestead property, 6.0000 mills on all commercial personal property for the General Fund and 0.9000 mills for debt retirement on all properties.

**NOTE O – CONTINGENT LIABILITIES:**

Grant Assistance

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

Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

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

## **NOTE O – CONTINGENT LIABILITIES (Continued):**

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

## **NOTE P – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:**

### **Plan Description**

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

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

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

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

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

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

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

### **Pension Benefits**

Employer contributions to the pension system result from the implementing effects of the School Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The School District was required by state statute to contribute 24.46% of covered compensation to the Plan through September 2012 and 27.37% from October 2012 through January 2013. Statutory Changes effective February 1, 2013 required members to select from a variety of options and the employer is now required to contribute to a defined benefit / defined contribution plans. The new rates range from 23.20% - 24.32% effective February 1, 2013 through June 30, 2013. The total amount contributed to the Plan for the year ended June 30, 2013 was \$4,675,173 which consisted of \$3,683,134 from the School District and \$992,039 from employees electing the MIP option. These represent approximately 24.70% and 6.65% of covered payroll, respectively. The School District's

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

contributions to the MPSERS plan for the years ended June 30, 2013, 2012, and 2011 were \$4,675,173, \$4,620,619, and \$3,940,998, respectively.

Payroll paid to employees covered by the System for the year ended June 30, 2013 was approximately \$15,124,654. The School District's total payroll was approximately \$15,124,654.

**Post Employment Benefits**

Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees electing this coverage contribute an amount equivalent to the monthly cost of Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The required contribution rate was 8.50% of covered payroll for the period from July 1, 2012 through September 30, 2012, and 8.75% for the period from October 1, 2012 through June 30, 2013. Required contributions for post employment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

**NOTE Q – OPERATING LEASE COMMITMENTS:**

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

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

<u>Year ending June 30,</u>	<u>Computer Lease Hewlett- Packard 2013-17</u>	<u>Copier Lease Marlin 2010-11</u>	<u>Minimum Operating Lease Commitments</u>
2014	\$30,606	\$2,676	\$33,282
2015	30,606	2,676	33,282
2016	30,606	2,676	33,282
2017	4,787	446	5,233
TOTAL	<u>\$96,605</u>	<u>\$8,474</u>	<u>\$105,079</u>

**NOTE R – NET POSITION RESTATEMENT:**

The School District adopted the provisions of GASB Statements No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, in the current year. As a result, the beginning net position of the School District was decreased by \$46,502 to eliminate unamortized bond issuance costs, which no longer meet the definition of an asset and are now required to be recognized as an expense in the period incurred.



**NOTE R – NET POSITION RESTATEMENT (Continued):**

	Governmental Activities
Net Position, beginning of year	\$12,983,940
Prior period adjustment, Unamortized bond issuance costs	(46,502)
Net position, beginning of year, as restated	<u>\$12,937,438</u>

**NOTE S – SINGLE AUDIT:**

The School District's audited financial statements report a total of \$1,180,743 in federal expenditures. As the amount is more than the single audit threshold of \$500,000, the School District is therefore required to have an audit in accordance with OMB Circular A-133 for the fiscal year ended June 30, 2013.

**NOTE T – NEW GASB STANDARDS:**

Recently Issued and Adopted Accounting Pronouncements

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASBS No. 62 incorporates in the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute for Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This Statement is effective for periods beginning after December 15, 2011. The adoption of GASBS No. 62 does not have any impact on the School District's financial statements. The School District adopted it in fiscal year 2013.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This Statement is effective for periods beginning after December 15, 2011. The School District adopted it in fiscal year 2013. The impact of the adoption of GASBS No. 63 is enumerated in Note R.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASBS No. 65 provides guidance on identifying what items should be reported in the new categories of deferred outflows and deferred inflows as required by GASBS No. 63. It additionally identifies what items should be reported in the new categories in proprietary fund, fiduciary fund, and government-wide statements of net position and which ones in governmental fund balance sheets. It also identifies certain items previously reported as assets and liabilities that the GASB determined should be recognized as revenues, expense, or expenditures when incurred and not be reported in statements of net position/balance sheets at all. This Statement is in effect for financial statement periods beginning after December 15, 2012. The School District adopted it in fiscal year 2013. The impact of the adoption of GASBS No. 65 is enumerated in Note R.

## **NOTE T – NEW GASB STANDARDS (Continued):**

### Other Recently Issued Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASBS No. 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement is effective for periods beginning after December 15, 2011. The School District does not have any SCAs and therefore the adoption of GASBS No. 60 does not have any impact on the School District’s financial statements.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASBS No. 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This Statement is effective for periods beginning after June 15, 2012. The School District does not have any component units and therefore the adoption of GASBS No. 61 does not have any impact on the School District’s financial statements.

## **NOTE U – UPCOMING STANDARDS:**

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

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

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

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

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

### GASB 67: Financial Reporting for Pension Plans

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

This standard establishes the requirements for pension plans administered by trusts to report on their operations, including setting new uniform requirements for actuarial valuations of the total pension liability, and reporting various 10-year trend data as required supplementary information. The financial statements of pension plans will not change substantially as a result of GASB 67, though the additional note disclosures and required supplementary information will be significant. Additionally, actuarial valuations conducted in accordance with GASB 67 will have to match the government’s fiscal year, or be rolled forward to that date by the actuary.

## **NOTE U – UPCOMING STANDARDS (Continued):**

### GASB 68: Accounting and Financial Reporting for Pensions

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

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

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

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

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

### GASB 69: Government Combinations and Disposals of Government Operations

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

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

## **NOTE V – SUBSEQUENT EVENTS:**

In fiscal year 2013-2014 the School will potentially see a payback of fiscal year 2011-2012 flowthrough grant funds, due to a certification issue claimed for salaries and benefits. The amount of the payback will flow back through the ISD to the state.

**REQUIRED SUPPLEMENTAL INFORMATION**

**Marquette Area Public Schools**

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>REVENUES:</b>					
Local sources	\$ 11,237,726	\$ 11,118,439	\$ 11,305,960	\$ (119,287)	\$ 187,521
State sources	14,421,932	15,230,899	15,253,617	808,967	22,718
Federal sources	645,524	695,009	701,263	49,485	6,254
<b>TOTAL REVENUES</b>	<b>26,305,182</b>	<b>27,044,347</b>	<b>27,260,840</b>	<b>739,165</b>	<b>216,493</b>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Basic Programs	12,574,028	12,813,563	12,546,005	(239,535)	267,558
Added Needs	3,995,929	4,220,026	4,048,768	(224,097)	171,258
Adult/Continuing education	7,092	-	-	7,092	-
<b>Total Instruction</b>	<b>16,577,049</b>	<b>17,033,589</b>	<b>16,594,773</b>	<b>(456,540)</b>	<b>438,816</b>
<b>Supporting Services:</b>					
Pupil services	2,207,491	2,428,091	2,352,512	(220,600)	75,579
Instructional staff	543,330	552,175	528,387	(8,845)	23,788
General administration	446,867	489,504	436,541	(42,637)	52,963
School administration	1,512,663	1,533,328	1,512,696	(20,665)	20,632
Business services	406,643	414,379	372,310	(7,736)	42,069
Operation and maintenance	2,634,276	2,643,096	2,579,458	(8,820)	63,638
Pupil transportation	1,166,859	1,347,160	1,326,180	(180,301)	20,980
Central staff	708,717	707,234	634,769	1,483	72,465
Other	530,222	516,944	527,194	13,278	(10,250)
<b>Total Supporting services</b>	<b>10,157,068</b>	<b>10,631,911</b>	<b>10,270,047</b>	<b>(474,843)</b>	<b>361,864</b>
<b>Community Services</b>	<b>132,941</b>	<b>183,368</b>	<b>153,332</b>	<b>(50,427)</b>	<b>30,036</b>
<b>Facilities Acquisition</b>	<b>7,500</b>	<b>86,442</b>	<b>52,530</b>	<b>(78,942)</b>	<b>33,912</b>
<b>Payments To Other Governmental Units</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXPENDITURES</b>	<b>26,874,558</b>	<b>27,935,310</b>	<b>27,070,682</b>	<b>(1,060,752)</b>	<b>864,628</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(569,376)</b>	<b>(890,963)</b>	<b>190,158</b>	<b>(321,587)</b>	<b>1,081,121</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	87,680	172,250	173,194	84,570	944
Transfers (out)	(53,114)	(80,322)	(80,322)	(27,208)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>34,566</b>	<b>91,928</b>	<b>92,872</b>	<b>57,362</b>	<b>944</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(534,810)</b>	<b>(799,035)</b>	<b>283,030</b>	<b>(264,225)</b>	<b>1,082,065</b>
Fund Balance, July 1	4,508,732	4,508,732	4,508,732	-	-
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 3,973,922</b>	<b>\$ 3,709,697</b>	<b>\$ 4,791,762</b>	<b>\$ (264,225)</b>	<b>\$ 1,082,065</b>

**Marquette Area Public Schools**

Budgetary Comparison Schedule

Capital Projects Fund

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>REVENUES:</b>					
Local sources	\$ 1,500	\$ 1,000	\$ 1,038	\$ (500)	\$ 38
<b>TOTAL REVENUES</b>	<u>1,500</u>	<u>1,000</u>	<u>1,038</u>	<u>(500)</u>	<u>38</u>
<b>EXPENDITURES:</b>					
Facilities Acquisition	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,500</u>	<u>1,000</u>	<u>1,038</u>	<u>(500)</u>	<u>38</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	53,114	80,322	80,322	27,208	-
Transfers (out)	(257,380)	(163,250)	(163,250)	94,130	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(204,266)</u>	<u>(82,928)</u>	<u>(82,928)</u>	<u>121,338</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(202,766)</u>	<u>(81,928)</u>	<u>(81,890)</u>	<u>120,838</u>	<u>38</u>
Fund Balance, July 1	<u>1,703,871</u>	<u>1,703,871</u>	<u>1,703,871</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ 1,501,105</u>	<u>\$ 1,621,943</u>	<u>\$ 1,621,981</u>	<u>\$ 120,838</u>	<u>\$ 38</u>

**Marquette Area Public Schools**

Budgetary Comparison Schedule

Debt Service Fund

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>REVENUES:</b>					
Local sources:					
Taxes and penalties	\$ 945,000	\$ 945,000	\$ 947,539	\$ -	\$ 2,539
Interest	742	200	266	(542)	66
Other	-	2,000	4,010	2,000	2,010
State sources	41,321	41,321	41,321	-	-
<b>TOTAL REVENUES</b>	<b>987,063</b>	<b>988,521</b>	<b>993,136</b>	<b>1,458</b>	<b>4,615</b>
<b>EXPENDITURES:</b>					
Debt service-principal payments	974,103	789,443	789,443	184,660	-
Debt service-interest and agent fees	-	177,806	177,806	(177,806)	-
Other	-	6,650	6,158	(6,650)	492
<b>TOTAL EXPENDITURES</b>	<b>974,103</b>	<b>973,899</b>	<b>973,407</b>	<b>204</b>	<b>492</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of bonds	-	3,285,000	3,285,000	3,285,000	-
Premiums on bonds issued	-	65,176	65,176	65,176	-
Payment to refund bond escrow agent	-	(3,430,000)	(3,430,000)	(3,430,000)	-
Bond issuance costs	-	(54,137)	(54,124)	(54,137)	13
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(133,961)</b>	<b>(133,948)</b>	<b>(133,961)</b>	<b>13</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>12,960</b>	<b>(119,339)</b>	<b>(114,219)</b>	<b>(132,299)</b>	<b>5,120</b>
Fund Balance, July 1	198,337	198,337	198,337	-	-
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 211,297</b>	<b>\$ 78,998</b>	<b>\$ 84,118</b>	<b>\$ (132,299)</b>	<b>\$ 5,120</b>

## OTHER SUPPLEMENTAL INFORMATION



**Marquette Area Public Schools**

General Fund

Balance Sheet

June 30, 2013

With Comparative Actual Amounts at June 30, 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 3,075,762	\$ 2,196,389
Investments	894,074	1,670,484
Accounts receivable	49,549	63,379
Delinquent taxes receivable	16,487	12,005
Due from other governmental units	3,984,100	3,683,896
Due from other funds	96,000	-
Prepaid expense	<u>28,821</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>8,144,793</u>	<u>7,626,153</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 8,144,793</u></u>	<u><u>\$ 7,626,153</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ 332,094	\$ 254,846
Accrued liabilities	2,842,237	2,632,877
Due to other governmental units	37,915	92,405
Due to other funds	88,192	100,480
Other liabilities	<u>850</u>	<u>850</u>
<b>TOTAL LIABILITIES</b>	<u>3,301,288</u>	<u>3,081,458</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Grants received in advance	<u>51,743</u>	<u>35,963</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>51,743</u>	<u>35,963</u>
<b>FUND BALANCES</b>		
Non-spendable	-	-
Restricted	-	-
Committed	3,000,000	3,000,000
Assigned	33,960	545,936
Unassigned	<u>1,757,802</u>	<u>962,796</u>
<b>TOTAL FUND BALANCES</b>	<u>4,791,762</u>	<u>4,508,732</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 8,144,793</u></u>	<u><u>\$ 7,626,153</u></u>

**Marquette Area Public Schools**

Capital Projects Fund

Balance Sheet

June 30, 2013

With Comparative Actual Amounts at June 30, 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Investments	\$ 1,606,981	\$ 1,688,871
Due from other funds	<u>15,000</u>	<u>15,000</u>
<b>TOTAL ASSETS</b>	<u>15,000</u>	<u>15,000</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 15,000</u></u>	<u><u>\$ 15,000</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ -
Due to other funds	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>		
Non-spendable	-	-
Restricted	-	-
Committed	-	257,380
Assigned	1,621,981	1,446,491
Unassigned	<u>-</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<u>1,621,981</u>	<u>1,703,871</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 1,621,981</u></u>	<u><u>\$ 1,703,871</u></u>

**Marquette Area Public Schools**

Debt Service Fund

Balance Sheet

June 30, 2013

With Comparative Actual Amounts at June 30, 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Investments	\$ 80,066	\$ 194,878
Delinquent property taxes	2,739	2,131
Due from other governmental units	1,289	1,328
Due from other funds	<u>24</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>84,118</u>	<u>198,337</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 84,118</u></u>	<u><u>\$ 198,337</u></u>
<b>LIABILITIES</b>		
Accounts Payable	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>		
Non-spendable	-	-
Restricted	84,118	198,337
Committed	-	-
Assigned	-	-
Unassigned	<u>-</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<u>84,118</u>	<u>198,337</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 84,118</u></u>	<u><u>\$ 198,337</u></u>

**Marquette Area Public Schools**

Special Revenue Fund

School Lunch Fund

Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual

For the Year Ended June 30, 2013

With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013			
	Final Budget	Actual	Variance Favorable (Unfavorable)	2012
<b>REVENUES:</b>				
Local sources:				
School lunch activities	\$ 451,000	\$ 466,190	\$ 15,190	\$ 495,614
Interest	4,000	4,236	236	4,532
Other revenues	500	587	87	156
State sources	56,165	56,165	-	40,403
Federal sources	465,965	479,480	13,515	459,715
<b>TOTAL REVENUES</b>	<b>977,630</b>	<b>1,006,658</b>	<b>29,028</b>	<b>1,000,420</b>
<b>EXPENDITURES:</b>				
School lunch activities:				
Salaries	243,661	232,167	11,494	234,815
Employee benefits	126,077	121,937	4,140	127,041
Purchased services	16,100	15,080	1,020	18,912
Supplies and materials	534,965	521,647	13,318	542,517
Capital outlay	50,000	44,807	5,193	82,575
Other	12,000	9,561	2,439	25,816
<b>TOTAL EXPENDITURES</b>	<b>982,803</b>	<b>945,199</b>	<b>37,604</b>	<b>1,031,676</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(5,173)</b>	<b>61,459</b>	<b>66,632</b>	<b>(31,256)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers (out)	(9,000)	(9,944)	(944)	(9,502)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(9,000)</b>	<b>(9,944)</b>	<b>(944)</b>	<b>(9,502)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(14,173)</b>	<b>51,515</b>	<b>65,688</b>	<b>(40,758)</b>
Fund Balance, July 1	299,218	299,218	-	339,976
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 285,045</b>	<b>\$ 350,733</b>	<b>\$ 65,688</b>	<b>\$ 299,218</b>

**Marquette Area Public Schools**

Student Activity Agency Fund

Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2013

	<u>Balance July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30</u>
<b>ASSETS:</b>				
Cash and equivalents	<u>\$ 499,752</u>	<u>\$ 739,785</u>	<u>\$ 766,278</u>	<u>\$ 473,259</u>
<b>TOTAL ASSETS</b>	<u>\$ 499,752</u>	<u>\$ 739,785</u>	<u>\$ 766,278</u>	<u>\$ 473,259</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 17,168	\$ 684,200	\$ 673,721	\$ 27,647
Due to other funds	-	-	-	-
Due to other governmental units	416	2,882	2,981	317
Due to groups, organizations and activities	<u>482,168</u>	<u>753,085</u>	<u>789,958</u>	<u>445,295</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 499,752</u>	<u>\$ 1,440,167</u>	<u>\$ 1,466,660</u>	<u>\$ 473,259</u>

**Marquette Area Public Schools**

Student Activity Agency Fund

Statement of Receipts, Disbursements and Transfers

For the Year Ended June 30, 2013

	<u>Balance</u> <u>June 30, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2013</u>
ABC Conference	\$ 210	\$ -	\$ -	\$ 210
Academic Extracurricular	91	-	-	91
Advanced Placement	9,835	18,918	16,280	12,473
Athletics	785	-	-	785
Auto Shop	945	-	-	945
Band Fund	772	10,235	10,527	480
Band Fund-Bothwell	2,397	5,996	4,687	3,706
Bay Cliff - 5th Grade	(13,167)	26,877	17,817	(4,107)
Bay Cliff - 5th Grade	-	585	585	-
Big Foot Snowshoe	159	-	-	159
BPA	6,119	19,169	23,512	1,776
Board Flower fund	109	-	-	109
Bothwell Extracurricular Activities	-	479	210	269
Bothwell Junior Honor Society	1,084	1,196	872	1,408
Bothwell School Camp	32,066	73,599	75,033	30,632
Bothwell Sports	3,464	11,744	8,425	6,783
Bothwell Student Benevolence	566	-	-	566
Bothwell Lego League	2,008	-	623	1,385
Bothwell Art	586	2,066	1,057	1,595
Bowling	622	-	62	560
Bus Garage	301	69	344	26
Central Administration	82	430	405	107
Carnegie Hall	3	-	-	3
Center for Economic Education	-	-	-	-
Cheer Club	35	-	-	35
Choral Fund	7,944	7,282	14,307	919
Choral Fund	180	2,236	1,698	718
Class of 1991	472	-	-	472
Class of 1995	260	-	-	260
Class of 1996	1,628	-	-	1,628
Class of 1998	-	-	-	-
Class of 1999	3,408	-	-	3,408
Class of 2000	-	-	-	-
Class of 2001	500	-	-	500
Class of 2002	5	-	-	5
Class of 2003	1,803	-	1,412	391
Class of 2004	1,487	-	-	1,487
Class of 2005	443	-	-	443
Class of 2006	723	-	-	723
Class of 2007	1,604	-	-	1,604
Class of 2008	3,116	-	-	3,116
Class of 2009	4,520	-	-	4,520
Class of 2010	5,024	-	-	5,024
Class of 2011	5,879	-	-	5,879
Class of 2012	7,798	-	-	7,798
Class of 2013	4,595	5,277	6,872	3,000
Class of 2014	(871)	11,288	3,217	7,200
Class of 2015	-	250	1,044	(794)
Class of 2016	-	665	-	665
Community Education	(376)	-	543	(919)
CEU-SB	346	-	-	346
Culture Club	102	-	-	102
Distracted Driver	-	2,515	500	2,015

**Marquette Area Public Schools**

Student Activity Agency Fund

Statement of Receipts, Disbursements and Transfers

For the Year Ended June 30, 2013

	Balance June 30, 2012	Receipts	Disbursements	Balance June 30, 2013
Drama Fund	\$ 2,938	\$ 4,522	\$ 3,852	\$ 3,608
Early On	7	-	-	7
Evans Memorial Fund	1,838	163	520	1,481
Ecology Club	226	-	-	226
Expanding Possibilities	12,809	5,788	412	18,185
Environmental Club	186	-	255	(69)
Field Trips	2,975	-	1,800	1,175
Fingerprints Singing Group	-	4,295	4,252	43
Forensic Club	3,051	991	6,328	(2,286)
Foundation BMS	-	2,000	-	2,000
Choral/Orch Trip	4,970	10,452	8,719	6,703
French Club	34	-	49	(15)
Freshman Transition	-	500	426	74
Friends of Kaufman	-	-	-	-
Functional Skills Cotter	424	-	-	424
German Account	221	-	-	221
Giving Tree	-	-	-	-
Guidance Special Needs	2,405	1,240	377	3,268
Bill Hart Football Activity	1,470	-	-	1,470
Health Occupation	2,852	7,365	8,252	1,965
High School Bowl	228	-	195	33
High School Office Vending	4,617	612	1,707	3,522
Homeless	-	388	323	65
Industrial Arts	1,741	-	-	1,741
Interact High School	64	-	-	64
Interest	17,464	9,621	18,339	8,746
Intramural Basketball	715	-	-	715
Jazz Club	203	-	-	203
K-12 Music	6,595	1,162	515	7,242
Kaufman Foundation Maintenance	-	1,000	1,014	(14)
Kaufman Incentive	7,731	-	7,731	-
Kaufman Incentive	16,213	65	16,290	(12)
Kaufman Capital Improvement	13,848	20,475	6,405	27,918
Kaufman Auditorium	690	20,830	14,961	6,559
Kaufman Lyceum	8,774	5,092	7,683	6,183
Kids for Change	-	-	-	-
Lego Robotics	99	19,196	16,019	3,276
Library Club HS	1,490	223	291	1,422
Library Club SK	686	-	-	686
Library Club BMS	398	317	291	424
Life Skills	263	-	-	263
Locks PE & Athletics	60	-	-	60
Lounge Fund-High School	249	-	-	249
Lounge Fund-Bothwell	1,219	171	1,164	226
Lyceum	11,669	-	-	11,669
Metals	694	618	-	1,312
MSSH Ink	266	-	-	266
Miscellaneous	(159)	-	-	(159)
MSSH Marching Band	-	5,759	3,123	2,636
MSSH Orchestra	18,352	15,640	17,989	16,003
MSSH Sunshine Committee	102	793	726	169
Musical Fund	14,505	9,103	12,724	10,884
National Honor Society	9,457	1,195	3,773	6,879

**Marquette Area Public Schools**

Student Activity Agency Fund

Statement of Receipts, Disbursements and Transfers

For the Year Ended June 30, 2013

	Balance June 30, 2012	Receipts	Disbursements	Balance June 30, 2013
Native American Students	\$ 1,095	\$ -	\$ -	\$ 1,095
Observer	697	-	-	697
Office	1,930	4,963	6,771	122
OM Support	375	-	-	375
PTO - Cherry Creek	8,579	49,452	53,675	4,356
Parent Training - Sandy Knoll	310	-	-	310
Peer Mentoring Program	-	-	-	-
Percussive Attack Camp	-	285	-	285
Photography Club	1,576	-	-	1,576
Photography Club	1,788	1,886	2,324	1,350
Pre-Voc	26	-	-	26
PTSO Mini-Grant	9	-	-	9
Record Account-MSHS	19,608	1,090	106	20,592
Recess Milk - SH	-	7,777	7,777	-
Recess Milk - SK	-	8,689	8,689	-
Recess Milk - VAN	-	-	-	-
Recess Milk - CC	-	13,293	13,293	-
Recess Milk - GIS	-	-	-	-
Recreation-Field Trips-Alt. Ed.	(97)	2,975	2,392	486
Renaissance	685	1,270	1,401	554
Rotary	41	-	-	41
Reality Store MSHS	814	-	15	799
SADD	5	-	-	5
Scholarship Fund - Bothwell	3,968	-	39	3,929
Science Olympiad	-	-	-	-
S.H.A.P.E.	16,633	40,962	39,873	17,722
Spanish Club	(11)	-	-	(11)
Spec Ed Assistive Tech	2,402	-	-	2,402
SSR Reading	640	-	-	640
Stadium Project	62	-	-	62
Student Council-MSHS	11,890	4,143	4,660	11,373
Student Council-Bothwell	1,907	2,171	506	3,572
Student Council-MSHS Renov.	100	2,494	27	2,567
Student Activity-Graveraet MS	234	-	-	234
Student Activity - Superior Hills	781	15,780	10,174	6,387
Student Activity - Sandy Knoll	2,972	9,679	9,295	3,356
Student Activity-Vandenboom	1,213	391	426	1,178
Student Activity-Bothwell	15	-	-	15
Student Activity-Cherry Creek	13,410	6,405	8,407	11,408
Student Activity - Graveraet	-	340	33	307
Student Activity 5th Grade	105	2,641	2,741	5
Student Activity 5th Grade	91	-	-	91
Student Activity 6th Grade	(1,402)	4,543	3,141	-
Student Activity BMS	-	-	-	-
Student Activity BMS	1,718	504	209	2,013
Student Activity 8th Grade	925	91	369	647
Student Activity-At Risk	427	-	-	427
Student Activity-Superior Hills	343	-	-	343
Student Welfare Fund	7,732	-	-	7,732
Suicide Prevention	-	12,995	11,021	1,974
Tatler	24,267	20,413	28,761	15,919
Teen Leadership	55	-	-	55
Therapeutic Swimming Program	5,981	-	-	5,981



**Marquette Area Public Schools**

Student Activity Agency Fund

Statement of Receipts, Disbursements and Transfers

For the Year Ended June 30, 2013

	<u>Balance</u> <u>June 30, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2013</u>
UP Chamber Fest	\$ 2,953	\$ 1,808	\$ 1,881	\$ 2,880
UP Dyslexia Outreach	2,363	-	-	2,363
UP Reading Association	760	-	-	760
Yearbook	(109)	8,365	8,239	17
Yearbook	3,144	3,040	3,373	2,811
Yoga Calm	-	1,000	1,000	-
Video Club	611	-	-	611
Woods	1,278	-	-	1,278
Wrestling Club	72	1,011	-	1,083
Unclaimed Deposits	-	1,997	-	1,997
Auction Fundraiser	-	18,765	18,386	379
General Athletics	1,257	8,888	5,204	4,941
Football	26,537	21,501	59,255	(11,217)
Girls Basketball	1,495	11,038	12,634	(101)
Boys Basketball	(1,932)	10,530	9,504	(906)
Hockey	428	3,166	3,333	261
Volleyball	6,826	1,360	6,182	2,004
Wrestling	958	6,026	4,552	2,432
Gymnastics	351	4,765	3,366	1,750
Swimming	12,226	6,050	7,540	10,736
Girls Track	2,289	28	108	2,209
Boys Track	1,081	925	-	2,006
Cross Country	635	-	468	167
Girls Tennis	2,019	679	2,072	626
Boys Tennis	1,129	1,430	1,617	942
Cheerleading	(1,854)	23,653	20,906	893
Skiing	5,698	880	2,822	3,756
Golf	988	35	272	751
Softball	(44)	3,925	3,336	545
Dance	6,777	5,556	5,863	6,470
Competitive Cheerleading	-	-	-	-
JV Hockey	(6,477)	25,966	22,214	(2,725)
Girls Soccer Revolving	66	1,200	878	388
Baseball	2,443	13,814	12,291	3,966
<b>Total</b>	<b>\$ 482,168</b>	<b>\$ 753,085</b>	<b>\$ 789,958</b>	<b>\$ 445,295</b>

## COMPLIANCE SECTION



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

To the Members of the Board of Education  
Marquette Area Public Schools  
Marquette, Michigan 49855

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marquette Area Public Schools, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Marquette Area Public Schools' basic financial statements and have issued our report thereon dated October 28, 2013.

**Internal Control Over Financial Reporting**

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

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

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

To the Members of the Board of Education  
Marquette Area Public Schools  
Marquette, MI 49855

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

October 28, 2013



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

To the Members of the Board of Education  
Marquette Area Public Schools  
Marquette, Michigan 49855

**Report on Compliance for Each Major Federal Program**

We have audited Marquette Area Public Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Marquette Area Public Schools' major federal programs for the year ended June 30, 2013. Marquette Area Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

To the Members of the Board of Education  
Marquette Area Public Schools  
Marquette, MI 49855

### ***Opinion on Each Major Federal Program***

In our opinion, Marquette Area Public Schools, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

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

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

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

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

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

October 28, 2013

MARQUETTE AREA PUBLIC SCHOOLS  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2013

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2012	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2013
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>							
Nutrition Cluster:							
National School Breakfast Program:							
<i>Passed through the Michigan Department of Education:</i>							
Breakfast 1977 & 1978	10.553	\$ 66,752	\$ 62,950	\$ -	\$ 66,752	\$ 66,752	\$ -
National School Lunch Program:							
<i>Direct award:</i>							
Non-Cash Entitlement Commodities	10.555	75,299	79,181	-	75,299	75,299	-
Non-Cash Bonus Commodities	10.555	-	4,901	-	-	-	-
<i>Passed through the Michigan Department of Education:</i>							
Section 11 - Free and Reduced 1967 & 1968	10.555	337,430	312,683	-	337,430	337,430	-
Total National School Lunch Program		412,729	396,765	-	412,729	412,729	-
Total Nutrition Cluster		479,481	459,715	-	479,481	479,481	-
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>							
<b>U.S. DEPARTMENT OF EDUCATION:</b>							
ECIA Title I, Part A Cluster:							
<i>Passed through the Michigan Department of Education:</i>							
ECIA Title I, Part A:							
111530 1011	84.010	442,182	20,812	-	-	-	-
121530 1112	84.010	364,290	345,347	68,062	8,412	76,474	-
131530 1213	84.010	359,193	-	-	341,142	259,453	81,689
ARRA Title I, Part A:	84.389	126,098	1,608	-	-	-	-
111535 1011		1,291,763	367,767	68,062	349,554	335,927	81,689
Total ECIA Title I, Part A Cluster				68,062	349,554	335,927	81,689
Special Education Cluster:							
<i>Passed Through Marquette-Alger Regional Educational Service Agency:</i>							
P.L. 94-142 Flow Through:							
120450 1112	84.027	174,803	174,803	54,284	-	54,284	-
130450 1213	84.027	94,483	-	-	94,483	77,189	17,294
Total Special Education Cluster		269,286	174,803	54,284	94,483	131,473	17,294

MARQUETTE AREA PUBLIC SCHOOLS  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2012	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2013
Carl D. Perkins Vocation and Applied Technologies Education Act: Passed Through Marquette-Alger Regional Educational Service Agency: 123520-12122 123520-12122	84.048 84.048	\$ 13,420 12,230 25,650	\$ 13,420 -	\$ 1,197 -	\$ - 12,230 12,230	\$ 1,197 12,230 13,427	\$ - -
Total Carl D. Perkins Vocation			13,420	1,197	12,230	13,427	-
P.L. 92-318 Indian Education, Title VII, Part A: Direct Award: S-060A100067 S-060A100067	84.060 84.060	- 48,156 48,156	48,384 -	- -	- 48,156 48,156	- 48,156 48,156	- -
Total Indian Education, Title VII, Part A			48,384	-	48,156	48,156	-
Small Learning Communities: Passed through Traverse City Public Schools: S215L070343 S215L070343A S215L070343 S215L070343A	84.215 84.215 84.215 84.215	264,521 4,065 47,626 4,951 321,163	134,566 997 -	35,655 447 -	- -	35,655 447 47,626 4,951 88,679	- -
Total Small Learning Communities			135,563	36,102	52,577	88,679	-
ECIA Title IID: Passed through the Michigan Department of Education: ARRA Title IID: 114295-1011	84.386	8,257 8,257	100 100	- -	- -	- -	- -
Total ECIA Title IID			100	-	-	-	-
ECIA Title IIA: Passed through the Michigan Department of Education: 110520 1011 120520 1112 130520 1213	84.367 84.367 84.367	317,643 189,425 192,571 699,639	28,744 166,756 -	- 41,954 -	- -	- 41,716 121,491 163,207	- 238 15,518 15,756
Total ECIA Title IIA			195,500	41,954	137,009	163,207	-
Education Jobs Fund: Passed through the Michigan Department of Education: 112545 1011 112545 1112	84.410 84.410	702,601 53,076 755,677	351,300 53,076 404,376	- 31,338 31,338	- -	- 31,338 31,338	- -
Total Education Jobs Fund			404,376	31,338	-	31,338	-
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<b>3,419,591</b>	<b>1,339,913</b>	<b>232,937</b>	<b>694,009</b>	<b>812,207</b>	<b>114,739</b>



MARQUETTE AREA PUBLIC SCHOOLS  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2012	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2013
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES:</b>							
LEA Medicaid Outreach:							
Passed Through Marquette-Alger Regional Educational Service Agency:							
N/A	93.778	\$ 5,543	\$ 5,543	\$ -	\$ -	\$ -	\$ -
N/A	93.778	7,253	-	-	7,253	-	7,253
		<u>12,796</u>	<u>5,543</u>	<u>-</u>	<u>7,253</u>	<u>-</u>	<u>7,253</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>		<b>12,796</b>	<b>5,543</b>	<b>-</b>	<b>7,253</b>	<b>-</b>	<b>7,253</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<b>\$ 3,911,868</b>	<b>\$ 1,805,171</b>	<b>\$ 232,937</b>	<b>\$ 1,180,743</b>	<b>\$ 1,291,688</b>	<b>\$ 121,992</b>

MARQUETTE AREA PUBLIC SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2013

**NOTE A – OVERSIGHT AGENCY:**

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

**NOTE B – BASIS OF ACCOUNTING:**

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

**NOTE C – FINAL COST REPORT – FORM DS4044:**

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

**NOTE D – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION:**

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

Current payments per Grant Auditor Report		\$819,633
Add - payments not on Grant Auditor Report:		
Direct programs	\$48,156	
Passed through other Districts/Others	233,579	
Bonus and entitlement commodities	75,299	357,034
Less – Accrued/Deferred revenue at the beginning of year	(232,937)	
Add – Accrued/Deferred revenue at the end of year	121,992	
Add – Payments on Grant Auditor Report recorded as Receivables at June 30, 2012	115,020	4,075
Rounding		1
PER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS		\$1,180,743

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

Total Federal Revenue Sources Reported in the Financial Statements		\$1,180,743
Rounding		-
TOTAL FEDERAL AWARDS EXPENDITURES REPORTED IN THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS		\$1,180,743

MARQUETTE AREA PUBLIC SCHOOLS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the year June 30, 2013

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of Marquette Area Public Schools.
2. There were no significant deficiencies disclosed during the audit of the financial statements of Marquette Area Public Schools.
3. There were no instances of noncompliance material to the financial statements.
4. No significant deficiencies relating to the audit of the major federal award programs is reported in this schedule.
5. The auditor's report on compliance for the major federal award programs for Marquette Area Public Schools expresses an unqualified opinion.
6. No audit findings relative to the major federal award program for Marquette Area Public Schools were disclosed during the audit.
7. The programs tested as major programs were:

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

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Marquette Area Public Schools was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

NONE REPORTED

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS AUDIT

NONE REPORTED

MARQUETTE AREA PUBLIC SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the year June 30, 2013

There were no findings and questioned costs for major federal awards in the prior year.

## COMMUNICATION SECTION



***Marquette Area Public Schools***  
***Report to Management Letter***  
***For the Year Ended June 30, 2013***

October 28, 2013

To the Members of the Board of Education  
Marquette Area Public Schools  
1201 W. Fair Avenue  
Marquette, MI 49855

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marquette Area Public Schools as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

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

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants



**ANDERSON, TACKMAN & COMPANY, PLC**

**Certified Public Accountants**

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***Marquette Area Public Schools***  
*Communication with Those Charged with Governance*  
*For the Year Ended June 30, 2013*

October 28, 2013

To the Members of the Board of Education  
Marquette Area Public Schools  
1201 W. Fair Avenue  
Marquette, MI 49855

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marquette Area Public Schools for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 20, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Marquette Area Public Schools are described in Note A to the financial statements. As described in Note T to the financial statements, Marquette Area Public Schools changed accounting policies related to items reported as assets, liabilities, and net assets/fund balance by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*, and GASB No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year 2012-2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of accumulated depreciation and depreciation expense is based on historical costs and useful lives of the assets. Depreciation is

To the Members of the Board of Education  
Marquette Area Public Schools  
Marquette, MI 49855

calculated using the straight-line method. We evaluated the key factors and assumptions used to develop the current years depreciation expense and accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Adjustments*

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

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 28, 2013.

#### *Management Consultations with Other Independent Accountants*

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



To the Members of the Board of Education  
Marquette Area Public Schools  
Marquette, MI 49855

*Other Audit Findings or Issues*

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

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants