

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

JUNE 30, 2011

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditors' Report	i-ii
Management's Discussion and Analysis	iii-x
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds	3
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Fiduciary Funds	
Statement of Fiduciary Net Assets	7
Statement of Changes in Fiduciary Net Assets	8
Notes to Financial Statements	9-25
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	26-27
Nonmajor Governmental Fund Types	
Combining Balance Sheet	28
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	29
Financial Statements of Individual Funds	
Fiduciary Fund Types	
Combining Statement of Fiduciary Net Assets	30
Combining Statement of Changes in Fiduciary Net Assets	31
Agency Fund	
Statement of Cash Receipts and Disbursements	32-33

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

	<u>PAGES</u>
Other Information	
Schedule of Bonds Payable	
1998 Bond Issue – Durant Settlement	34
2005 Energy Conservation Improvement Bonds	35-36
2006 School Building and Site Bonds	37-38
2006 Refunding Bonds	39-40
2010 Refunding Bonds	41-42

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

July 28, 2011

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Marion Public Schools
Marion, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Public Schools, Marion, Michigan, as of and for the year ended June 30, 2011, which collectively comprise the Districts' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Public Schools, Marion, Michigan, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2011, on our consideration of Marion Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iii through x and 26 and 27 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marion Public Schools, Marion, Michigan's financial statements as a whole. The combining fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

This section of Marion Public Schools’ (the “District”) annual report presents our discussion and analysis of the District’s financial performance during the year ended June 30, 2011. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

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

A. Government-Wide Financial Statements

The government-wide statements provide short-term and long-term financial information about the District’s overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The district-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net Assets includes all of the District’s assets and liabilities. All of the year’s revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

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

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

B. Fund Financial Statements

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

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

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

The District maintains the following kinds of funds:

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

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

C. Summary of Net Assets

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

	<u>2011</u>	<u>2010</u>
Assets		
Current Assets	\$ 1,729,593	\$ 2,598,394
Non Current Assets		
Deferred Charges - Net	180,193	223,979
Capital Assets	9,986,893	10,220,214
Less Accumulated Depreciation	<u>(4,154,975)</u>	<u>(4,005,175)</u>
Total Non Current Assets	<u>6,012,111</u>	<u>6,439,018</u>
Total Assets	<u>\$ 7,741,704</u>	<u>\$ 9,037,412</u>

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

	<u>2011</u>	<u>2010</u>
Liabilities		
Current Liabilities	\$ 1,358,069	\$ 2,005,478
Non Current Liabilities	<u>4,503,653</u>	<u>4,769,387</u>
Total Liabilities	<u>5,861,722</u>	<u>6,774,865</u>
Net Assets		
Invested in Capital Assets Net of Related Debt	1,380,519	1,571,714
Restricted for Food Service	20,290	0
Restricted for Debt Retirement	110,525	102,044
Restricted for Millie Jones Expenses	19,521	0
Unrestricted	<u>349,127</u>	<u>588,789</u>
Total Net Assets	<u>1,879,982</u>	<u>2,262,547</u>
Total Liabilities and Net Assets	<u>\$ 7,741,704</u>	<u>\$ 9,037,412</u>

D. Analysis of Financial Position

During the fiscal year ended June 30, 2011, the District's net assets decreased by \$382,565. A few of the more significant factors affecting net assets during the year are discussed below:

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2011, \$390,392 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2011, \$7,271 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$383,121 for the fiscal year ended June 30, 2011.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

3. Payment of Long-Term Debt

During the year ending June 30, 2011, the District decreased its long-term debt by \$221,869.

E. Change in Net Assets

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

	<u>2011</u>	<u>2010</u>
General Revenues		
Property Taxes	\$ 1,764,371	\$ 1,874,421
Investment Earnings	1,311	3,970
State Sources	2,405,596	2,580,614
Gain on Sale of Capital Assets	2,000	0
Other	<u>76,667</u>	<u>69,872</u>
Total General Revenues	<u>4,249,945</u>	<u>4,528,877</u>
Program Revenues		
Charges for Services	84,725	76,669
Operating Grants	<u>2,124,791</u>	<u>2,461,879</u>
Total Program Revenues	<u>2,209,516</u>	<u>2,538,548</u>
Total Revenues	<u>6,459,461</u>	<u>7,067,425</u>
Expenses		
Instruction	4,153,986	4,570,428
Supporting Services	1,693,691	1,719,918
Community Activities	2,679	4,515
Food Service	284,619	262,900
Athletic Activities	106,041	141,611
Interest on Long-Term Debt	210,118	175,478
Other Transactions	500	950
Unallocated Depreciation	<u>390,392</u>	<u>406,548</u>
Total Expenses	<u>6,842,026</u>	<u>7,282,348</u>
Change in Net Assets	<u>\$ (382,565)</u>	<u>\$ (214,923)</u>

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

F. Financial Analysis of the District's Funds

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

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Major Fund			
General Fund	\$ 468,783	\$ 673,346	\$ (204,563)
Nonmajor Funds			
Food Service	20,290	21,676	(1,386)
2000 Debt Retirement	0	240	(240)
2000 Debt Refunding	0	54,559	(54,559)
2005 Energy Debt Retirement	66	66	0
2006 Debt Retirement	65,934	54,852	11,082
2006 Debt Refunding	48,600	32,850	15,750
2010 Debt Refunding	34,277	4,154	30,123
	<u>\$ 637,950</u>	<u>\$ 841,743</u>	<u>\$ (203,793)</u>

In 2010-2011, the General Fund balance decreased due to a decreasing enrollment as well as increased operational costs (i.e. retirement, health care, electricity, etc). The Board consciously made a decision to spend out-of-fund balance to maintain services to students.

G. Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District levies 18 mills of property taxes for operations on non-principal residence exemption (PRE) properties and 6 mills on non-principal residence exemption (PRE) commercial personal properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2010-2011 fiscal year, the District levied \$1,394,982 in non-principal residence exemption (PRE) property taxes.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

The following table summarizes the non-principal residence exemption (PRE) property tax levies for operations for the past three years:

<u>Fiscal Year</u>	<u>Non-Principal Residence Exemption (PRE) Tax Levy</u>
2010-2011	\$ 1,394,982
2009-2010	1,364,925
2008-2009	1,281,523

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count, plus blended counts from the two previous years. For the 2010-2011 fiscal year, the District received \$7,316 per student FTE.

3. Student Enrollment

The following schedule summarizes the blended student enrollment for the past three fiscal years:

<u>Fiscal Year</u>	<u>Blended Student FTE</u>
2010-2011	553
2009-2010	586
2008-2009	617

4. Operating Grants

The District funds a significant portion of its operations with categorical grant sources. For the fiscal year ended June 30, 2011, federal, state, and other grants of this type accounted for \$2,124,791.

H. General Fund Budgetary Highlights

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

For the 2010-2011 fiscal year, the District amended the general fund budget in November 2010, April 2011, and June 2011. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>
Total Revenues	<u>\$ 5,328,371</u>	<u>\$ 5,913,870</u>	<u>\$ 5,823,593</u>
 <u>EXPENDITURES</u>			
Instruction	\$ 4,036,893	\$ 4,302,160	\$ 4,155,307
Supporting Services	1,596,837	1,944,445	1,812,990
Community Activities	5,335	5,000	2,679
Debt Services	6,000	3,746	3,746
Total Expenditures	<u>\$ 5,645,065</u>	<u>\$ 6,255,351</u>	<u>\$ 5,974,722</u>

The change in the Total Revenue Original Budget to Final Budget was an increase of \$585,499 as a result of receiving the Title I School Improvement Grant and the ARRA Stabilization Grant for federal revenue. State revenue also increased due to the foundation allowance increasing.

The change in the Total Expenditures Original Budget to Final Budget was an increase of \$610,286 due to spending the Title I School Improvement Grant. The increase in the state foundation allowance was paid back to staff as according to the contract.

I. Capital Asset and Debt Administration

1. Capital Assets

At June 30, 2011, the District has \$9,986,893 in a broad range of capital assets, including school buildings and facilities, school buses, and various types of equipment. Depreciation expense for the year amounted to \$390,392, bringing the accumulated depreciation to \$4,154,975 as of June 30, 2011.

2. Long-Term Debt

At June 30, 2011, the District has \$4,597,926 in bonded debt outstanding. This represents a decrease of \$213,695 from the amount outstanding at the close of the prior fiscal year. Other long-term debt includes compensated absences of \$100,135 and a water connection loan in the amount of \$65,228.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2011

J. Factors Bearing on the District's Future

Going forward, the ARRA budget stabilization funds are substantially used up. For 2010-2011, Marion received \$68,054 of federal money in lieu of state aid. With this money gone at the state level, funding is uncertain for the future.

Retirement costs continue to rise while per pupil funding is remaining (at best) steady. The District is striving to control these costs while still providing a sound education for its students.

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

K. Contacting the District's Financial Management

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS

CURRENT ASSETS

Cash	\$ 990,526
Taxes Receivable	115
Inventories	7,815
Due from Other Governmental Units	731,015
Investments	122
Total Current Assets	1,729,593

NON CURRENT ASSETS

Deferred Charges - Net	180,193
Capital Assets	9,986,893
Less Accumulated Depreciation	(4,154,975)
Total Non Current Assets	6,012,111
TOTAL ASSETS	7,741,704

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	49,788
Accrued Interest Payable	34,423
Salaries and Fringe Benefits Payable	451,482
State Aid Note	575,000
Deferred Revenue	11,376
Current Portion of Non Current Liabilities	236,000
Total Current Liabilities	1,358,069

NON CURRENT LIABILITIES

Bonds Payable (Net of Deferred Charges of \$23,636)	4,574,290
Water Connection Loan	65,228
Compensated Absences	100,135
Less Current Portion of Non Current Liabilities	(236,000)
Total Non Current Liabilities	4,503,653
Total Liabilities	5,861,722

NET ASSETS

Invested in Capital Assets Net of Related Debt	1,380,519
Restricted for Food Service	20,290
Restricted for Debt Retirement	110,525
Restricted for Millie Jones Expenses	19,521
Unrestricted	349,127
Total Net Assets	\$ 1,879,982

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>GOVERNMENTAL</u>
		<u>CHARGES FOR</u>	<u>OPERATING</u>	<u>ACTIVITIES</u>
		<u>SERVICES</u>	<u>GRANTS</u>	<u>NET (EXPENSE)</u>
				<u>REVENUE AND</u>
				<u>CHANGES IN</u>
				<u>NET ASSETS</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$ 4,153,986	\$ 0	\$ 1,758,877	\$ (2,395,109)
Supporting Services	1,693,691	7,201	155,040	(1,531,450)
Community Activities	2,679	0	2,679	0
Food Service Activities	284,619	53,823	208,195	(22,601)
Athletic Activities	106,041	23,701	0	(82,340)
Interest on Long Term Debt	210,118	0	0	(210,118)
Other Transactions	500	0	0	(500)
Unallocated Depreciation	390,392	0	0	(390,392)
Total Governmental Activities	<u>\$ 6,842,026</u>	<u>\$ 84,725</u>	<u>\$ 2,124,791</u>	<u>(4,632,510)</u>
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				1,394,982
Property Taxes - Debt Service				369,389
Investment Earnings				1,311
State Sources				2,405,596
Gain on Sale of Capital Assets				2,000
Other				76,667
Total General Revenues				<u>4,249,945</u>
Change in Net Assets				(382,565)
<u>NET ASSETS</u> - Beginning of Year				<u>2,262,547</u>
<u>NET ASSETS</u> - End of Year				<u>\$ 1,879,982</u>

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2011

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash	\$ 829,795	\$ 160,731	\$ 990,526
Taxes Receivable	115	0	115
Due from Other Funds	5,668	5,391	11,059
Inventories	0	7,815	7,815
Due from Other Governmental Units	727,531	3,484	731,015
Investments	122	0	122
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 1,563,231	\$ 177,421	\$ 1,740,652
<hr/>			
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 47,201	\$ 2,587	\$ 49,788
Due to Other Funds	5,392	5,667	11,059
Accrued Interest Payable	3,997	0	3,997
Salaries and Fringe Benefits Payable	451,482	0	451,482
State Aid Note Payable	575,000	0	575,000
Deferred Revenue	11,376	0	11,376
	<hr/>	<hr/>	<hr/>
Total Liabilities	1,094,448	8,254	1,102,702
<hr/>			
<u>FUND BALANCES</u>			
Nonspendable			
Inventory	0	7,815	7,815
Restricted for:			
Food Service	0	12,475	12,475
Debt Retirement	0	148,877	148,877
Millie Jones Expenditures	19,521	0	19,521
Assigned for Subsequent Year Budget	28,737	0	28,737
Unassigned	420,525	0	420,525
	<hr/>	<hr/>	<hr/>
Total Fund Balances	468,783	169,167	637,950
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,563,231	\$ 177,421	\$ 1,740,652

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

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

JUNE 30, 2011

Total Governmental Fund Balances \$ 637,950

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

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

The cost of the capital assets is	\$ 9,986,893	
Accumulated depreciation is	<u>(4,154,975)</u>	5,831,918

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

Bonds Payable	(4,597,926)	
Water Connection Loan	(65,228)	
Compensated Absences	(100,135)	
Bond Discount	35,780	
Amortization of Bond Discount	(12,144)	
Bond Deferred Loss on Refunding	154,691	
Amortization of Bond Deferred Loss on Refunding	(45,308)	
Bond Issuance Cost on Refunding	98,150	
Amortization of Bond Issuance Cost on Refunding	<u>(27,340)</u>	(4,559,460)

Accrued interest is not included as a liability in government funds, it is recorded when paid	<u>(30,426)</u>
---	-----------------

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,879,982</u></u>
---------------------------------------	----------------------------

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 1,503,649	\$ 423,425	\$ 1,927,074
State Sources	2,786,281	15,880	2,802,161
Federal Sources	1,440,960	196,563	1,637,523
Other Transactions	92,703	0	92,703
Total Revenues	<u>5,823,593</u>	<u>635,868</u>	<u>6,459,461</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	3,579,988	0	3,579,988
Added Needs	575,319	0	575,319
Supporting Services			
Pupil	45,336	0	45,336
Instructional Staff	114,553	0	114,553
General Administration	148,644	0	148,644
School Administration	376,646	0	376,646
Business	61,919	0	61,919
Operation and Maintenance	422,812	0	422,812
Pupil Transportation Services	422,604	0	422,604
Support Services - Central	114,435	0	114,435
Support Services - Athletics	106,041	0	106,041
Community Activities	2,679	0	2,679
Food Service Activities	0	283,409	283,409
Debt Service			
Principal	2,076	213,695	215,771
Interest	1,670	190,928	192,598
Other Transactions	0	500	500
Total Expenditures	<u>5,974,722</u>	<u>688,532</u>	<u>6,663,254</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(151,129)</u>	<u>(52,664)</u>	<u>(203,793)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)	<u>(53,434)</u>	<u>53,434</u>	<u>0</u>
Net Change in Fund Balance	(204,563)	770	(203,793)
<u>FUND BALANCE</u> - Beginning of Year	<u>673,346</u>	<u>168,397</u>	<u>841,743</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 468,783</u>	<u>\$ 169,167</u>	<u>\$ 637,950</u>

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

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

YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances Total Governmental Funds \$ (203,793)

Amounts reported for governmental activities are different because:

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

Depreciation Expense	(390,392)
Capital Outlay	7,271

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

Accrued Interest Payable - Beginning of Year	33,056
Accrued Interest Payable - End of Year	(30,426)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available.

Amortization of Bond Discount	(2,024)
Amortization of Bond Issuance Cost on Refunding	(6,630)
Amortization of Bond Deferred Loss on Refunding	(11,496)
Repayment of Bond Principal	213,695
Repayment of Principal on Long-Term Debt	2,076

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

Compensated Absences - Beginning of Year	106,233
Compensated Absences - End of Year	(100,135)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (382,565)</u>
---	---------------------

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUND</u>
<u>ASSETS</u>		
Cash	\$ 298,792	\$ 35,640
Interest Receivable	6,110	0
Scholarship Loans	22,574	0
Investments	2	0
	<hr/>	<hr/>
TOTAL ASSETS	327,478	35,640
	<hr/>	<hr/>
<u>LIABILITIES</u>		
Due to Groups and Organizations	0	35,640
	<hr/>	<hr/>
<u>NET ASSETS</u>		
Reserved for		
Endowments	30,189	0
Student Loans	297,286	0
Student Scholarships	3	0
	<hr/>	<hr/>
Total Net Assets	<u>\$ 327,478</u>	<u>\$ 0</u>

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2011

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Earnings on Investments and Deposits	\$ 1,448
<u>DEDUCTIONS</u>	
Scholarships	<u>4,351</u>
Changes in Net Assets	(2,903)
<u>NET ASSETS</u> - Beginning of Year	<u>330,381</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 327,478</u></u>

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

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District is located in Osceola and Clare Counties with the school buildings located in Marion, Michigan. The District operates under an elected 7-member board of education and provides services to its 553 students in elementary, high school, special education instruction, guidance, health, transportation, food service, athletics and recreation. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. The District is not included in any other governmental reporting entity as defined by the generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

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

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

The District does not allocate indirect costs.

The effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

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

Other Non-Major Funds

The *SPECIAL REVENUE FUND* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service activities in the special revenue fund.

The *DEBT SERVICE FUNDS* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Fiduciary Funds

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

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

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

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2011, the foundation allowance was based on pupil membership counts taken in February and September of 2010, and blended with the previous two years counts. For fiscal year ended June 30, 2011, the per pupil foundation allowance was \$7,316 for Marion Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes (formerly known as Non-Homestead) which may be levied at a rate of up to 6 mills for commercial personal property and up to 18 mills for real property. The State revenue is recognized during the foundation period and is funded through payments from October 2010 to August 2011. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

D. Other Accounting Policies

1. Cash and Investments

Cash includes amounts in demand deposits and certificates of deposit with original maturities of one year or less.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

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

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and billed and due December 1. Unpaid taxes become delinquent as of February 14th and are subject to penalties and interest after that date. Uncollected taxes at year-end are not material.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

For the year ended June 30, 2011, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund – Non-Principal Residence Exemption (PRE)	18.0000
General Fund – Commercial Personal Property	6.0000
2010 Refunding Debt Retirement Fund – PRE, Non-PRE	0.5200
2006 Debt Retirement Fund – PRE, Non-PRE	1.1000
2006 Refunding Debt Retirement Fund – PRE, Non-PRE	0.9600

4. Inventories and Prepaid Expenditures

Inventories are valued at cost. In the General Fund, the School District considers all supplies to be consumed when acquired and any inventories on hand at year-end are considered to be immaterial. The food service inventory consists of U.S.D.A. commodities and other food products held for consumption. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets

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

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

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

Buildings and additions	25 - 50 years
Furniture and other equipment	5 - 20 years

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

6. Compensated Absences

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

7. Long-Term Obligations

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

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

8. Fund Balance

Beginning with fiscal year 2011, the School District implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – Includes amounts that can only be used for specific purposes determined by a formal action by Board Resolution. These amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action (Board Resolution) that was employed when the funds were initially committed.

Assigned – Includes amounts a government intends to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority. The School Board has delegated this authority to the Superintendent.

Unassigned – Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

As stated in Note 1B above, restricted resources are used first when an expense is incurred for which both restricted and unrestricted resources are available.

9. Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the District.

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

1. In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.
4. The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
5. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

6. Budgeted amounts are as originally adopted on June 21, 2010, or as amended by the School Board of Education on November 9, 2010, April 12, 2011, and June 29, 2011.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments – Credit Risk

The District's deposits and investments are all on deposit with Citizens Bank within the State of Michigan, Michigan School District Liquid Asset Fund Plus, and The Bank of New York Mellon.

The District does not have a formal Investment Policy that addresses investment rate risk, foreign currency risk, credit risk, concentration of credit risk or custodial credit risk.

Deposits

At year-end, the carrying amount of the District's deposits was \$1,324,958. The bank balance was \$1,241,951 of which \$912,364 was covered by federal depository insurance and \$329,587 was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

Investments

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name.

Investments not subject to categorization:

Investment Trust Funds	\$	<u>124</u>
------------------------	----	------------

The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2011, the fair value of the District's investments is the same as the value of the pool shares.

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Balance sheet classifications:

	Statement of Net Assets	Statement of Fiduciary Net Assets	Total
Cash	\$ 990,526	\$ 334,432	\$ 1,324,958
Investments	122	2	124
	<u>\$ 990,648</u>	<u>\$ 334,434</u>	<u>\$ 1,325,082</u>

B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

	General	Nonmajor and Other Funds	Total
Receivables			
Taxes	\$ 115	\$ 0	\$ 115
Due from Other Governmental Units	727,531	3,484	731,015
Total Receivables	<u>\$ 727,646</u>	<u>\$ 3,484</u>	<u>\$ 731,130</u>

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

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

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Grant Receipts Received, But Not Yet Utilized	\$ 0	\$ 11,376

MARION PUBLIC SCHOOLS
MARION, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

C. Capital Assets

A summary of changes in the District's capital assets follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 56,817	\$ 0	\$ 0	\$ 56,817
Capital assets, being depreciated:				
Books	193,501	0	0	193,501
Buildings	3,436,495	0	0	3,436,495
Buses	575,424	0	0	575,424
Equipment and Furniture	1,963,469	5,949	240,592	1,728,826
Improvements	3,956,562	1,322	0	3,957,884
Other Vehicles	37,946	0	0	37,946
Total Capital assets, being depreciated	<u>10,163,397</u>	<u>7,271</u>	<u>240,592</u>	<u>9,930,076</u>
Less accumulated depreciation for:				
Books	94,852	27,644	0	122,496
Buildings	1,367,676	39,688	0	1,407,364
Buses	466,989	29,838	0	496,827
Equipment and Furniture	1,125,486	91,690	240,592	976,584
Improvements	926,479	197,826	0	1,124,305
Other Vehicles	23,693	3,706	0	27,399
Total Accumulated depreciation	<u>4,005,175</u>	<u>390,392</u>	<u>240,592</u>	<u>4,154,975</u>
Total Capital assets, being depreciated, net	<u>6,158,222</u>	<u>(383,121)</u>	<u>0</u>	<u>5,775,101</u>
Governmental activities capital assets, net	<u>\$6,215,039</u>	<u>\$ (383,121)</u>	<u>\$ 0</u>	<u>\$ 5,831,918</u>

Depreciation for the fiscal year ended June 30, 2011 amounted to \$390,392. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Long-Term Debt

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Self-Liquidating Bonds were issued by the State of Michigan in the name of the District as part of a state-wide lawsuit settlement.

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2011:

	General Obligation Serial Bonds	Self Liquidating Bonds	Water Connection Loan	Compensated Absences Payable	Total
Balance July 1, 2010	\$ 4,800,000	\$ 11,621	\$ 67,304	\$ 106,233	\$ 4,985,158
Increases	0	0	0	0	0
Decreases	(210,000)	(3,695)	(2,076)	(6,098)	(221,869)
Balance June 30, 2011	4,590,000	7,926	65,228	100,135	4,763,289
Less current portion	(230,000)	(3,871)	(2,129)	0	(236,000)
Total due after one year	<u>\$ 4,360,000</u>	<u>\$ 4,055</u>	<u>\$ 63,099</u>	<u>\$ 100,135</u>	<u>\$ 4,527,289</u>

At June 30, 2011, the Schools' Long-Term Debt consisted of the following:

General Obligation Serial Bonds

2010 refunding bonds due in annual installments of \$70,000 to \$95,000 through May 1, 2021, interest at 2.50% to 4.50%. \$ 835,000

2005 energy conservation improvement bonds due in annual installments of \$25,000 to \$35,000 through May 1, 2020, interest at 4.450% to 4.95%. 265,000

2006 refunding bonds due in annual installments of \$100,000 to \$170,000 through May 1, 2020, interest at 3.50% to 4.00%. 1,265,000

2006 school building and site bonds due in annual installments of \$35,000 to \$400,000 through May 1, 2025, interest at 3.90% to 4.10%. 2,225,000

Self-Liquidating Bonds

1998 Durant Settlement Bonds due in annual principal payments of \$3,871 to \$4,055 through May 15, 2013, interest at 4.761%. The funding for this payment to be provided by the State of Michigan through restricted State Aid. 7,926

Water Connection Loan

\$78,734 loan from the Village of Marion dated March 1, 2005 to finance new water line connection at High School. Semi annual payments of \$1,873 including interest at 2.5% due March 1 and August 31 each year through March 1, 2034. 65,228

Compensated Absences Payable

Accumulated Sick and Vacation Pay. 100,135

TOTAL LONG-TERM DEBT \$ 4,763,289

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

The annual requirements to amortize debt outstanding as of June 30, 2011, including interest payments of \$1,517,463 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2012	\$ 236,000	\$ 181,090	\$ 417,090
2013	251,237	173,127	424,364
2014	267,237	164,612	431,849
2015	287,293	155,395	442,688
2016	312,351	145,195	457,546
2017-2021	1,717,673	531,340	2,249,013
2022-2026	1,564,349	163,751	1,728,100
2027-2031	16,247	2,483	18,730
2032-2034	10,767	470	11,237
	<hr/> 4,663,154	1,517,463	6,180,617
Compensated absences	100,135	0	100,135
	<hr/> <hr/> \$ 4,763,289	\$ 1,517,463	\$ 6,280,752

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

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

E. Short-Term Debt

On August 20, 2010, the District issued State Aid Anticipation Notes in the amount of \$575,000. At June 30, 2011, the balance outstanding on these notes was \$578,997, including accrued interest at 0.80%. The District has \$579,587 set aside at The Bank of New York Mellon that will be used to pay off the \$575,000 State Aid Anticipation Note and related accrued interest.

The following is a summary of the Short-Term Debt transactions for the School District for the year ended June 30, 2011:

Short-Term Debt at July 1, 2010	\$ 1,200,000
New Debt Issued	575,000
Debt Retired and Paid	<u>(1,200,000)</u>
Short-Term Debt at June 30, 2011	<hr/> <hr/> \$ 575,000

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

F. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2011, were:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 5,668	\$ 5,392
School Service Fund - Food Service Fund	898	0
2000 Refunding Debt Retirement Fund	4,493	0
2006 Debt Retirement Fund	0	421
2010 Refunding Debt Retirement Fund	0	5,246
	<u>\$ 11,059</u>	<u>\$ 11,059</u>

All remaining 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. All interfund balances outstanding at June 30, 2011 are expected to be repaid within one year.

Interfund transfers as shown in the individual fund financial statements at June 30, 2011, were:

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General Fund	\$ 0	\$ 53,434
School Service Fund - Food Service Fund	20,000	0
2005 Energy Debt Fund	33,434	0
2000 Debt Retirement Fund	0	240
2000 Refunding Debt Retirement Fund	0	54,592
2010 Refunding Debt Retirement Fund	54,832	0
	<u>\$ 108,266</u>	<u>\$ 108,266</u>

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

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 4 – OTHER INFORMATION

A. Employee Retirement System

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPSERS. The MPSERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909 or by calling (517) 322-5103.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990, contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 and December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired on July 1, 2008 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

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

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For employees who first worked before July 1, 2010, the rate for the year ended June 30, 2011, was 16.94% for the first quarter, 19.41% for the month of October, and 20.66% for the remainder of the year. For employees who first worked on or after July 1, 2010, the rate for the year ended June 30, 2011, was 15.44% for the first quarter, 17.91% for the month of October, and 19.16% for the remainder of the year. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2011, 2010, and 2009 were \$566,544, \$501,423, and \$507,817, respectively, and were equal to the required contribution for those years.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Other Post Employment Benefits Funding Policy

Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The system has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by the System with the balance deducted from the monthly pension.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

B. Single Audit Report

The School District is required to have an audit performed in accordance with the guidelines of the Single Audit Act of 1984, as amended. This audit is being performed and the reports based thereon will be issued under separate cover.

C. Risk Management

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

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2011 or any of the prior three years.

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

D. Lease Information

The School District leases copy machines, digital duplicators, and a dishwasher. The total rental expense for the fiscal years ended June 30, 2011, and June 30, 2010, was \$13,765 and \$12,943 respectively. The future minimum payments are summarized below:

<u>YEAR-ENDING</u>	<u>AMOUNTS</u>
2012	\$ 12,954
2013	11,507
2014	9,847
2015	7,114
2016	<u>1,131</u>
	<u>\$ 42,553</u>

E. Commitments and Contingencies

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

F. New GASB Standard

Effective July 1, 2010 the District adopted GASB Statement 54 Fund Balance Reporting and Governmental Fund Type Definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement also clarifies existing governmental fund type definitions. Accordingly the components of fund balance in the prior year have been restated using the new definitions in order to be consistent with the current year's presentation.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2011

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 1,422,311	\$ 1,582,329	\$ 1,503,649
State Sources	2,713,595	2,763,763	2,786,281
Federal Sources	1,192,465	1,567,778	1,440,960
Other Transactions	0	0	92,703
Total Revenues	<u>5,328,371</u>	<u>5,913,870</u>	<u>5,823,593</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs			
Elementary	1,310,670	1,507,949	1,504,099
High School	1,279,448	1,273,160	1,232,650
Pre-Kindergarten	918,565	926,163	843,239
Added Needs			
Special Education	342,837	316,083	315,196
Compensatory Education	185,373	278,805	260,123
Supporting Services			
Pupil			
Guidance	43,874	44,817	44,399
Other Pupil Services	1,502	1,502	937
Instructional Staff			
Improvement of Instruction	20,000	32,699	12,225
Educational Media Services	1,150	1,150	1,008
Computer-Assisted Instruction	0	149,011	101,320
General Administration			
Board of Education	40,600	50,600	34,921
Executive Administration	92,532	114,988	113,723
School Administration			
Office of the Principal	368,972	384,988	376,646
Business			
Fiscal Services	50,800	42,102	41,739
Other Business Services	42,445	21,630	20,180
Operation and Maintenance	435,847	429,397	422,812
Pupil Transportation Services	377,322	431,753	422,604
Support Services - Central			

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2011

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>
Non-Instructional Technology	121,793	119,760	114,435
Support Services - Other	0	120,048	106,041
Community Activities	5,335	5,000	2,679
Debt Service			
Principal	6,000	2,076	2,076
Interest	0	1,670	1,670
Total Expenditures	<u>5,645,065</u>	<u>6,255,351</u>	<u>5,974,722</u>
Excess (Deficiency) of Revenues Over Expenditures	(316,694)	(341,481)	(151,129)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	<u>(165,254)</u>	<u>(53,434)</u>	<u>(53,434)</u>
Net Change in Fund Balance	(481,948)	(394,915)	(204,563)
<u>FUND BALANCE</u> - Beginning of Year	<u>503,520</u>	<u>666,947</u>	<u>673,346</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 21,572</u>	<u>\$ 272,032</u>	<u>\$ 468,783</u>

THIS PAGE INTENTIONALLY LEFT BLANK

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

JUNE 30, 2011

	SPECIAL REVENUE FUND	DEBT RETIREMENT FUNDS								TOTAL NONMAJOR GOVERNMENTAL
	FOOD SERVICE FUND	1998 DEBT RETIREMENT FUND	2000 DEBT RETIREMENT FUND	2000 REFUNDING DEBT RETIREMENT FUND	2005 ENERGY DEBT RETIREMENT FUND	2006 DEBT RETIREMENT FUND	2006 REFUNDING DEBT RETIREMENT FUND	2010 REFUNDING DEBT RETIREMENT FUND		
<u>ASSETS</u>										
Cash	\$ 10,680	\$ 0	\$ 0	\$ 0	\$ 66	\$ 66,355	\$ 44,107	\$ 39,523	\$ 160,731	
Due from Other Funds	898	0	0	0	0	0	4,493	0	5,391	
Due from Other Governments	3,484	0	0	0	0	0	0	0	3,484	
Inventory	7,815	0	0	0	0	0	0	0	7,815	
TOTAL ASSETS	\$ 22,877	\$ 0	\$ 0	\$ 0	\$ 66	\$ 66,355	\$ 48,600	\$ 39,523	\$ 177,421	
<u>LIABILITIES AND FUND BALANCES</u>										
<u>LIABILITIES</u>										
Accounts Payable	\$ 2,587	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,587	
Due to Other Funds	0	0	0	0	0	421	0	5,246	5,667	
Total Liabilities	2,587	0	0	0	0	421	0	5,246	8,254	
<u>FUND BALANCE</u>										
Nonspendable										
Inventory	7,815	0	0	0	0	0	0	0	7,815	
Restricted for:										
Food Service	12,475	0	0	0	0	0	0	0	12,475	
Debt Retirement	0	0	0	0	66	65,934	48,600	34,277	148,877	
Total Fund Balances	20,290	0	0	0	66	65,934	48,600	34,277	169,167	
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,877	\$ 0	\$ 0	\$ 0	\$ 66	\$ 66,355	\$ 48,600	\$ 39,523	\$ 177,421	

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

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

YEAR ENDED JUNE 30, 2011

	DEBT RETIREMENT FUNDS								TOTAL
	SPECIAL REVENUE FUND								NONMAJOR
	FOOD SERVICE FUND	1998 DEBT RETIREMENT FUND	2000 DEBT RETIREMENT FUND	2000 REFUNDING DEBT RETIREMENT FUND	2005 ENERGY DEBT RETIREMENT FUND	2006 DEBT RETIREMENT FUND	2006 REFUNDING DEBT RETIREMENT FUND	2010 REFUNDING DEBT RETIREMENT FUND	GOVERNMENTAL FUNDS
<u>REVENUES</u>									
Local Sources	\$ 53,828	\$ 0	\$ 0	\$ 33	\$ 0	\$ 136,762	\$ 157,108	\$ 75,694	\$ 423,425
State Sources	11,632	4,248	0	0	0	0	0	0	15,880
Federal Sources	196,563	0	0	0	0	0	0	0	196,563
Total Revenues	262,023	4,248	0	33	0	136,762	157,108	75,694	635,868
<u>EXPENDITURES</u>									
Food Service Activities	283,409	0	0	0	0	0	0	0	283,409
Debt Service									
Principal	0	3,695	0	0	20,000	35,000	90,000	65,000	213,695
Interest	0	553	0	0	13,434	90,480	51,158	35,303	190,928
Other Transactions	0	0	0	0	0	200	200	100	500
Total Expenditures	283,409	4,248	0	0	33,434	125,680	141,358	100,403	688,532
Excess (Deficiency) of Revenues Over Expenditures	(21,386)	0	0	33	(33,434)	11,082	15,750	(24,709)	(52,664)
<u>OTHER FINANCING SOURCES</u>									
Transfers In (Out)	20,000	0	(240)	(54,592)	33,434	0	0	54,832	53,434
Net Change in Fund Balance	(1,386)	0	(240)	(54,559)	0	11,082	15,750	30,123	770
FUND BALANCE - Beginning of Year	21,676	0	240	54,559	66	54,852	32,850	4,154	168,397
FUND BALANCE - End of Year	\$ 20,290	\$ 0	\$ 0	\$ 0	\$ 66	\$ 65,934	\$ 48,600	\$ 34,277	\$ 169,167

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

FIDUCIARY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

WITH COMPARATIVE TOTALS FOR JUNE 30, 2010

	PRIVATE PURPOSE TRUST FUNDS							
	B. DEE DEE		DORALD L.	MILLIE		TOTALS		
	MANCHA-HAMMAR	WHITE-HELFRICH	GIDDINGS	JONES	JENNIE P.			
	MEMORIAL	LOAN FUND	SCHOLARSHIP	SCHOLARSHIP	OPPER	2011	2010	
			TRUST	TRUST	LOAN FUND			
<u>ASSETS</u>								
Cash	\$ 3	\$ 173,956	\$ 10,071	\$ 20,118	\$ 94,644	\$ 298,792	\$ 135,882	
Interest Receivable	0	4,040	0	0	2,070	6,110	5,196	
Scholarship Loans	0	12,574	0	0	10,000	22,574	26,790	
Investments	0	0	0	0	2	2	162,513	
TOTAL ASSETS	3	190,570	10,071	20,118	106,716	327,478	330,381	
<u>LIABILITIES</u>	0	0	0	0	0	0	0	
<u>NET ASSETS</u>								
Reserved for								
Endowments	0	0	10,071	20,118	0	30,189	31,072	
Student Loans	0	190,570	0	0	106,716	297,286	298,356	
Student Scholarships	3	0	0	0	0	3	953	
Total Net Assets	\$ 3	\$ 190,570	\$ 10,071	\$ 20,118	\$ 106,716	\$ 327,478	\$ 330,381	

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

YEAR ENDED JUNE 30, 2011

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2010

	PRIVATE PURPOSE TRUST FUNDS					TOTALS	
	B. DEE DEE MANCHA - HAMMAR MEMORIAL	WHITE-HELFRICH LOAN FUND	DORALD L. GIDDINGS SCHOLARSHIP TRUST	MILLIE JONES SCHOLARSHIP TRUST	JENNIE P. OPPER LOAN FUND	2011	2010
<u>ADDITIONS</u>							
Earnings on Investments and Deposits	\$ 0	\$ 735	\$ 9	\$ 159	\$ 545	\$ 1,448	\$ 2,006
<u>DEDUCTIONS</u>							
Scholarships	950	2,000	51	1,000	350	4,351	375
Bank Charges	0	0	0	0	0	0	12
Total Deductions	950	2,000	51	1,000	350	4,351	387
Changes in Net Assets	(950)	(1,265)	(42)	(841)	195	(2,903)	1,619
<u>NET ASSETS - Beginning of Year</u>	953	191,835	10,113	20,959	106,521	330,381	328,762
<u>NET ASSETS - End of Year</u>	\$ 3	\$ 190,570	\$ 10,071	\$ 20,118	\$ 106,716	\$ 327,478	\$ 330,381

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2011

	BALANCE 7/1/2010	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2011
<u>Elementary and Administrative</u>				
Band Resale-Elementary	\$ 90	\$ 306	\$ 206	\$ 190
Book Store	801	17	0	818
Elementary Book Fair	446	1,430	1,410	466
Paper and Administration	10,748	6,942	6,421	11,269
Elementary Pop Account	650	247	133	764
Girls on the Run	837	1,270	1,152	955
Field Trips	1,630	3,625	2,821	2,434
Interest Account	1,550	285	1,165	670
General Mills Grant	0	4,900	186	4,714
Osceola Community Foundation	1,441	1,160	1,152	1,449
Total Elementary and Administrative	<u>18,193</u>	<u>20,182</u>	<u>14,646</u>	<u>23,729</u>
<u>High School</u>				
Art	38	0	0	38
Band and Choir	58	0	42	16
Band Boosters	0	3,189	3,026	163
Band Resale-High School	101	86	79	108
Choir	(5)	0	0	(5)
Class of 2008	(317)	0	0	(317)
Class of 2010	514	0	514	0
Class of 2011	5,434	4,735	9,974	195
Class of 2012	670	4,307	4,184	793
Class of 2013	574	385	0	959
Class of 2014	0	215	0	215
Junior High Boys' Basketball	0	32	0	32
Lowe's Grant	(1)	200	0	199
Middle School Student Council	188	0	0	188
Miscellaneous Account	220	0	237	(17)
NHS	0	943	874	69
Shop	2,512	5,790	4,341	3,961
Spanish Club	(919)	0	0	(919)
Stuco	457	774	331	900
Student Activities	1,161	1,369	1,750	780
Students Against Drunk Driving	75	251	0	326

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2011

	BALANCE 7/1/2010	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2011
Varsity and Junior Varsity Boys' Basketball	1	5,080	4,354	727
Varsity and Junior Varsity Football	673	3,675	2,900	1,448
Varsity and Junior Varsity Girls' Basketball	191	0	0	191
Varsity and Junior Varsity Baseball	503	423	500	426
Varsity and Junior Varsity Softball	621	885	1,442	64
Varsity and Junior Varsity Track	(1)	1,202	868	333
Varsity and Junior Varsity Volleyball	37	1,028	412	653
Varsity Cheerleaders	(400)	6,856	6,241	215
Yearbook	(2,225)	1,567	4,242	(4,900)
Pencil and Paper HS	64	260	233	91
General Mills Grant	5,000	4,900	4,996	4,904
HS Sunshine Fund	6	118	49	75
Total High School	15,230	48,270	51,589	11,911
Total Elementary, Administrative and High School	\$ 33,423	\$ 68,452	\$ 66,235	\$ 35,640
Represented By				
Assets				
Elementary and Administrative				
Cash	\$ 5,485			\$ 23,729
Investments	12,700			0
Total Elementary and Administrative	18,185			23,729
High School				
Cash	15,237			11,911
	\$ 33,422			\$ 35,640
Liabilities				
Due to Groups and Organizations	\$ 33,422			\$ 35,640

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

BOND PAYMENT SCHEDULE

1998 BOND ISSUE - DURANT SETTLEMENT

JUNE 30, 2011

<u>TITLE OF ISSUE</u>	1998 School Improvement Bond
<u>PURPOSE</u>	For purposes permitted in Section 1352(1) of Act-451, Public Acts of Michigan
<u>DATE OF ISSUE</u>	November 24, 1998
<u>INTEREST PAYABLE</u>	May 15th of each year
<u>AMOUNT OF ISSUE</u>	\$ 60,497
<u>AMOUNT REDEEMED</u>	
Prior to Current Year	\$ 48,876
During Current Year	<u>3,695</u> <u>52,571</u>
<u>BALANCE OUTSTANDING - June 30, 2011</u>	<u>\$ 7,926</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 15, 2012	4.761 %	\$ 3,871	\$ 377	\$ 4,248
May 15, 2013	4.761 %	4,055	193	4,248
		<u>\$ 7,926</u>	<u>\$ 570</u>	<u>\$ 8,496</u>

REDEMPTIONS PRIOR TO MATURITY This bond does not provide for redemption prior to maturity.

TAX LEVY FOR RETIREMENT OF BONDS The revenues to redeem the 1998 Durant Settlement Bond issue come from yearly transfers of state aid from the State of Michigan. Therefore, no property taxes are levied by the School District to meet this debt obligation.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

BOND PAYMENT SCHEDULE
2005 ENERGY CONSERVATION IMPROVEMENT BONDS

JUNE 30, 2011

<u>TITLE OF ISSUE</u>	2005 Energy Conservation Improvement Bonds		
<u>PURPOSE</u>	The bonds are issued for the purpose of paying the cost of certain energy conservation projects for the District's facilities.		
<u>DATE OF ISSUE</u>	April 15, 2005		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>		\$	375,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year		\$	90,000
During Current Year		<u>20,000</u>	<u>110,000</u>
<u>BALANCE OUTSTANDING - June 30, 2011</u>		<u>\$</u>	<u>265,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2011			\$ 6,279	\$ 6,279
May 1, 2012	4.450 %	\$ 25,000	6,279	31,279
November 1, 2012			5,723	5,723
May 1, 2013	4.500 %	25,000	5,723	30,723
November 1, 2013			5,161	5,161
May 1, 2014	4.550 %	25,000	5,161	30,161
November 1, 2014			4,592	4,592
May 1, 2015	4.600 %	25,000	4,592	29,592
November 1, 2015			4,017	4,017
May 1, 2016	4.750 %	30,000	4,017	34,017
November 1, 2016			3,304	3,304
May 1, 2017	4.850 %	30,000	3,304	33,304

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

BOND PAYMENT SCHEDULE
2005 ENERGY CONSERVATION IMPROVEMENT BONDS

JUNE 30, 2011

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2017			2,577	2,577
May 1, 2018	4.875 %	35,000	2,577	37,577
November 1, 2018			1,724	1,724
May 1, 2019	4.900 %	35,000	1,724	36,724
November 1, 2019			866	866
May 1, 2020	4.950 %	35,000	866	35,866
		<u>\$ 265,000</u>	<u>\$ 68,486</u>	<u>\$ 333,486</u>

DENOMINATIONS

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

REDEMPTION PRIOR TO MATURITY

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

TAX LEVY FOR RETIREMENT OF BONDS

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

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

JUNE 30, 2011

<u>TITLE OF ISSUE</u>	2006 School Building and Site Bond		
<u>PURPOSE</u>	Partially remodeling school facilities; and developing and improving sites related to the remodeling.		
<u>DATE OF ISSUE</u>	January 26, 2006		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 2,365,000
Amount Redeemed Prior Years		\$ 105,000	
Amount Redeemed During Current Year		35,000	140,000
			<hr/>
<u>BALANCE OUTSTANDING</u> - June 30, 2011			<u><u>\$ 2,225,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2011			\$ 44,557	\$ 44,557
May 1, 2012	3.900 %	\$ 35,000	44,557	79,557
November 1, 2012			43,875	43,875
May 1, 2013	3.900 %	35,000	43,875	78,875
November 1, 2013			43,192	43,192
May 1, 2014	3.900 %	35,000	43,193	78,193
November 1, 2014			42,510	42,510
May 1, 2015	3.900 %	35,000	42,510	77,510
November 1, 2015			41,828	41,828
May 1, 2016	3.900 %	40,000	41,828	81,828
November 1, 2016			41,048	41,048
May 1, 2017	3.900 %	45,000	41,048	86,048
November 1, 2017			40,170	40,170
May 1, 2018	3.900 %	50,000	40,170	90,170
November 1, 2018			39,195	39,195
May 1, 2019	3.900 %	60,000	39,195	99,195
November 1, 2019			38,025	38,025

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

BOND PAYMENT SCHEDULE

2006 SCHOOL BUILDING AND SITE BONDS

JUNE 30, 2011

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 1, 2020	3.900 %	80,000	38,025	118,025
November 1, 2020			36,465	36,465
May 1, 2021	3.900 %	260,000	36,465	296,465
November 1, 2021			31,395	31,395
May 1, 2022	4.000 %	375,000	31,395	406,395
November 1, 2022			23,895	23,895
May 1, 2023	4.000 %	385,000	23,895	408,895
November 1, 2023			16,195	16,195
May 1, 2024	4.100 %	390,000	16,195	406,195
November 1, 2024			8,200	8,200
May 1, 2025	4.100 %	400,000	8,200	408,200
		<u>\$ 2,225,000</u>	<u>\$ 981,101</u>	<u>\$ 3,206,101</u>

DENOMINATIONS

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

REDEMPTIONS PRIOR TO MATURITY

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

TAX LEVY FOR RETIREMENT OF BONDS

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

BOND PAYMENT SCHEDULE
2006 REFUNDING BONDS

JUNE 30, 2011

<u>TITLE OF ISSUE</u>	2006 Refunding Bonds		
<u>PURPOSE</u>	To refund a portion of a prior bond issue of the School District and the costs of issuing the bonds		
<u>DATE OF ISSUE</u>	January 26, 2006		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>		\$	1,410,000
Amount Redeemed Prior Years		\$	55,000
Amount Redeemed During Current Year			90,000
			145,000
<u>BALANCE OUTSTANDING - June 30, 2011</u>			\$ 1,265,000

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		Principal	Interest	Total
November 1, 2011			\$ 24,026	\$ 24,026
May 1, 2012	3.500 %	\$ 100,000	24,026	124,026
November 1, 2012			22,276	22,276
May 1, 2013	3.550 %	110,000	22,276	132,276
November 1, 2013			20,324	20,324
May 1, 2014	3.600 %	120,000	20,324	140,324
November 1, 2014			18,164	18,164
May 1, 2015	3.650 %	135,000	18,164	153,164
November 1, 2015			15,700	15,700
May 1, 2016	3.800 %	145,000	15,700	160,700
November 1, 2016			12,945	12,945
May 1, 2017	3.800 %	155,000	12,945	167,945
November 1, 2017			10,000	10,000
May 1, 2018	4.000 %	165,000	10,000	175,000
November 1, 2018			6,700	6,700

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

BOND PAYMENT SCHEDULE
2006 REFUNDING BONDS

JUNE 30, 2011

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 1, 2019	4.000 %	170,000	6,700	176,700
November 1, 2019			3,300	3,300
May 1, 2020	4.000 %	165,000	3,300	168,300
		<u>\$ 1,265,000</u>	<u>\$ 266,870</u>	<u>\$ 1,531,870</u>

DENOMINATIONS

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

REDEMPTIONS PRIOR TO MATURITY

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

TAX LEVY FOR RETIREMENT OF BONDS

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

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

BOND PAYMENT SCHEDULE
2010 REFUNDING BONDS

JUNE 30, 2011

<u>TITLE OF ISSUE</u>	2010 Refunding Bonds		
<u>PURPOSE</u>	To refund a portion of a prior bond issue of the School District and the costs of issuing the bonds.		
<u>DATE OF ISSUE</u>	March 11, 2010		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>		\$	900,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year		\$	0
During Current Year		<u>65,000</u>	<u>65,000</u>
<u>BALANCE OUTSTANDING - June 30, 2011</u>		<u>\$</u>	<u>835,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2011			\$ 14,686	\$ 14,686
May 1, 2012	2.500 %	\$ 70,000	14,686	84,686
November 1, 2012			13,811	13,811
May 1, 2013	2.500 %	75,000	13,811	88,811
November 1, 2013			12,874	12,874
May 1, 2014	2.750 %	85,000	12,874	97,874
November 1, 2014			11,705	11,705
May 1, 2015	3.000 %	90,000	11,705	101,705
November 1, 2015			10,355	10,355
May 1, 2016	3.500 %	95,000	10,355	105,355
November 1, 2016			8,693	8,693
May 1, 2017	3.750 %	90,000	8,692	98,692
November 1, 2017			7,005	7,005
May 1, 2018	4.000 %	85,000	7,005	92,005
November 1, 2018			5,305	5,305

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

BOND PAYMENT SCHEDULE
2010 REFUNDING BONDS

JUNE 30, 2011

<u>DUE DATES</u>	<u>RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 1, 2019	4.200 %	85,000	5,305	90,305
November 1, 2019			3,520	3,520
May 1, 2020	4.300 %	80,000	3,520	83,520
November 1, 2020			1,800	1,800
May 1, 2021	4.500 %	80,000	1,800	81,800
		<u>\$ 835,000</u>	<u>\$ 179,507</u>	<u>\$ 1,014,507</u>

DENOMINATIONS

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

REDEMPTION PRIOR TO MATURITY

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

TAX LEVY FOR RETIREMENT OF BONDS

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

