

**MARION PUBLIC SCHOOLS**

**MARION, MICHIGAN**

**JUNE 30, 2009**

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
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MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

	<u>PAGES</u>
<b>Independent Auditors' Report</b>	i-ii
<b>Management's Discussion and Analysis</b>	iii-ix
<b>Basic Financial Statements</b>	
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 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
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - General Fund	26-27
<b>Nonmajor Governmental Fund Types</b>	
Combining Balance Sheet	28
Combining Statement of Revenues, Expenditures and Changes In Fund Balances	29
<b>Financial Statements of Individual Funds</b>	
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, 2009

TABLE OF CONTENTS

	<u>PAGES</u>
<b>Other Information</b>	
Schedule of Bonds Payable	
1998 Bond Issue – Durant Settlement	34
2000 School Building and Site Bonds	35-36
2000 Refunding Bonds	37-38
2005 Energy Conservation Improvement Bonds	39-40
2006 School Building and Site Bonds	41-42
2006 Refunding Bonds	43-44

# *Baird, Cotter and Bishop, P.C.*

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July 31, 2009

## INDEPENDENT AUDITORS' REPORT

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, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Marion Public School's management. Our responsibility is to express opinions on these basic 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 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, 2009, and the respective changes in financial position 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 31, 2009, 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 important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through ix and 26-27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marion Public Schools, Marion, Michigan basic financial statements. The combining and individual fund financial statements and other supplementary information found on pages 28 through 44 are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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, 2009

Marion Public Schools, a K-12 school district located in Osceola and Clare Counties, Michigan has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Marion Public Schools administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2009.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

**A. Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds which include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

**B. Government-Wide Financial Statements**

This report includes government-wide statements as required by GASB statement number 34. The government-wide financial statements are designed to provide a broad overview of the district's financial position. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The District's entire assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as all debt of the District.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2009

**C. Summary of Net Assets**

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

	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
Current Assets	\$ 2,807,181	\$ 2,141,407
Non Current Assets		
Capital Assets	10,220,744	10,387,321
Less Accumulated Depreciation	<u>(3,616,099)</u>	<u>(3,511,000)</u>
Total Non Current Assets	<u>6,604,645</u>	<u>6,876,321</u>
Total Assets	<u>\$ 9,411,826</u>	<u>\$ 9,017,728</u>
<b>Liabilities</b>		
Current Liabilities	\$ 1,851,378	\$ 823,601
Non Current Liabilities	<u>5,082,978</u>	<u>5,346,082</u>
Total Liabilities	<u>6,934,356</u>	<u>6,169,683</u>
<b>Net Assets</b>		
Invested in Capital Assets Net of Related Debt	1,406,123	1,456,946
Restricted for Debt Service	291,910	231,400
Restricted for Capital Projects	5,225	37,625
Unrestricted	<u>774,212</u>	<u>1,122,074</u>
Total Net Assets	<u>2,477,470</u>	<u>2,848,045</u>
Total Liabilities and Net Assets	<u>\$ 9,411,826</u>	<u>\$ 9,017,728</u>

**D. Analysis of Financial Position**

During the fiscal year ended June 30, 2009, the District's net assets decreased by \$370,575. 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.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2009

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, 2009, \$412,368 was recorded for depreciation expense.

**2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2009, \$140,692 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.

**3. Payment of Long-Term Liabilities**

During the year ending June 30, 2009, the District decreased its long-term liabilities by \$240,517.

**E. Results of Operations**

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

	<u>2009</u>	<u>2008</u>
	<u>Amount</u>	<u>Amount</u>
<b>General Revenues</b>		
Property Taxes	\$ 1,769,941	\$ 1,700,528
Investment Earnings	20,135	44,187
State Sources	2,885,977	3,268,087
Donations	0	100,090
Other	70,347	48,549
	<u>4,746,400</u>	<u>5,161,441</u>
<b>Program Revenues</b>		
Charges for Services	105,896	92,884
Operating Grants	2,395,149	2,068,674
	<u>2,501,045</u>	<u>2,161,558</u>
<b>Total Revenues</b>	<u>7,247,445</u>	<u>7,322,999</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2009

	<u>2009</u>	<u>2008</u>
<b>Expenses</b>	<u>Amount</u>	<u>Amount</u>
Instruction	4,586,475	4,486,982
Supporting Services	1,881,075	2,237,965
Food Service	291,118	285,220
Athletic Activities	168,445	163,212
Interest on Long-Term Debt	234,170	245,980
Capital Projects	14,691	2,690
Other Transactions	29,678	13,373
Unallocated Depreciation	412,368	411,947
	<u>7,618,020</u>	<u>7,847,369</u>
Total Expenses	<u>7,618,020</u>	<u>7,847,369</u>
Change in Net Assets	<u>\$ (370,575)</u>	<u>\$ (524,370)</u>

**F. 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-homestead 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 2008-2009 fiscal year, the District levied \$1,281,523 in non-homestead property taxes.

The following table summarizes the non-homestead property tax levies for operations for the past three years:

<u>Fiscal Year</u>	<u>Non-Homestead Tax Levy</u>
2008-2009	\$ 1,281,523
2007-2008	1,242,777
2006-2007	1,167,745

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2009

**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 2008-2009 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>
2008-2009	617
2007-2008	645
2006-2007	672

**4. Operating Grants**

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2009, federal, state, and other grants accounted for \$2,395,149.

**G. General Fund Budgetary Highlights**

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

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2009

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
Total Revenues	\$ 6,912,132	\$ 6,908,083	\$ 6,465,429	\$ (442,654)
<b><u>EXPENDITURES</u></b>				
Instruction	\$ 5,064,835	\$ 5,079,603	\$ 4,601,313	\$ (478,290)
Supporting Services	2,205,395	2,163,255	1,991,561	(171,694)
Debt Services	5,620	5,620	3,746	(1,874)
Other Transactions	0	0	15,743	15,743
Total Expenditures	<u>\$ 7,275,850</u>	<u>\$ 7,248,478</u>	<u>\$ 6,612,363</u>	<u>\$ (636,115)</u>

The change between original budget and final budget was a result of a more accurate picture of anticipated actual revenues and expenditures.

The total expenditures variance of \$(636,115) is 9.62% of total budgeted expenditures. This favorable variance is a result of not spending as much as anticipated.

## **H. Capital Asset and Debt Administration**

### **1. Capital Assets**

At June 30, 2009, the District has \$10,220,744 in a broad range of capital assets, including school buildings and facilities and various types of equipment. This represents a net decrease of \$166,577 over the prior fiscal year. Depreciation expense for the year amounted to \$412,368, bringing the accumulated depreciation to \$3,616,099 as of June 30, 2009.

### **2. Long-Term Debt**

At June 30, 2009, the District had \$5,300,282 in bonded debt outstanding. This represents a decrease of \$233,367 from the amount outstanding at the close of the prior fiscal year. Other long-term debt includes compensated absences of \$114,860 and a water connection loan in the amount of \$69,330.

## **I. Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

With the current economic environment in the State of Michigan and its effect on public schools, uncertainty surrounds the level at which districts will be funded by the student foundation allowance for the 2009-2010 school year. The funding of preschool and categorical funding, such as At-Risk,

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2009

are also in question. Many of these estimates are changing often. Yet, budgets must be set, and we have used our best estimate in establishing the budget for the upcoming school year. This concern, poses a challenge in regard to staffing issues, while striving to continue appropriate educational programming.

Some funding relief will be seen in 2009-2010 with the receipt of ARRA funds, both through Title I and Special Education. However, there are many restrictions on how that money can be used in the classroom. This money is only allowed to supplement or enhance current programs. In many cases, this means adding staff to use the money rather than using the money for existing staff.

In addition, the State of Michigan is facing a funding "cliff" for the 2010-2011 school year. With the ARRA money gone and a projected shortfall of as much as \$600 per student, Marion Public Schools is actively looking at ways to control costs while still providing a sound education for its students.

Infrastructure concerns are another challenge for the district. Like many other school districts in Michigan, work on updating and maintaining our school buildings had been deferred for several years. This includes equipment in our buildings that was becoming a safety issue. These needs were addressed by the passage of the 2006 bond issue. With the economic environment in Michigan, continuing to maintain our buildings will be a challenge. Our goal is to set aside money each year to keep the buildings maintained. However, educating our children is our priority.

Health insurance rates continue to rise. This is an issue that must be addressed in order to provide decent health care for our employees, yet maintain the integrity and viability for our school system now and into the future.

The district continues to see decreases in enrollment. We are striving to have excellent programs to draw students to our district.

Marion Public Schools is working hard to face these challenges.

**J. Contacting the District's Financial Management**

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

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MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
STATEMENT OF NET ASSETS

JUNE 30, 2009

ASSETS

CURRENT ASSETS

Cash	\$ 724,041
Accounts Receivable	15,527
Taxes Receivable	1,924
Inventories	8,254
Due from Other Governmental Units	1,201,713
Investments	854,722
Prepaid Expense	1,000
Total Current Assets	2,807,181

NON CURRENT ASSETS

Capital Assets	10,220,744
Less Accumulated Depreciation	(3,616,099)
Total Non Current Assets	6,604,645
TOTAL ASSETS	\$ 9,411,826

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 49,384
Accrued Interest Payable	38,534
Salaries Payable	459,033
Deferred Revenue	125,442
State Aid Note	913,299
Current Portion of Non Current Liabilities	265,686
Total Current Liabilities	1,851,378

NON CURRENT LIABILITIES

Bonds Payable (Net of Deferred Charges of \$135,808)	5,164,474
Water Connection Loan	69,330
Compensated Absences	114,860
Less Current Portion of Non Current Liabilities	(265,686)
Total Non Current Liabilities	5,082,978
Total Liabilities	6,934,356

NET ASSETS

Invested in Capital Assets Net of Related Debt	1,406,123
Restricted for Debt Service	291,910
Restricted for Capital Projects	5,225
Unrestricted	774,212
Total Net Assets	2,477,470
TOTAL LIABILITIES AND NET ASSETS	\$ 9,411,826

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, 2009

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL
		CHARGES FOR	OPERATING	ACTIVITIES
		SERVICES	GRANTS	NET (EXPENSE)
				REVENUE AND
				CHANGES IN
				NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction				
Basic Programs	\$ 3,985,623	\$ 1,615	\$ 1,698,982	\$ (2,285,026)
Added Needs	600,852	0	455,080	(145,772)
Supporting Services				
Pupil	104,439	0	11,378	(93,061)
Instructional Staff	38,398	0	27,029	(11,369)
General Administration	281,224	0	0	(281,224)
School Administration	428,534	0	351	(428,183)
Business	72,952	0	0	(72,952)
Operation and Maintenance of Plant	420,525	0	0	(420,525)
Pupil Transportation Services	392,164	0	0	(392,164)
Support Services - Central	137,775	0	17,023	(120,752)
Community Activities	5,064	0	5,064	0
Food Service Activities	291,118	71,288	180,242	(39,588)
Athletic Activities	168,445	32,993	0	(135,452)
Interest on Long Term Debt	234,170	0	0	(234,170)
Capital Projects	14,691	0	0	(14,691)
Other Transactions	29,678	0	0	(29,678)
Unallocated Depreciation	412,368	0	0	(412,368)
Total Governmental Activities	<u>\$ 7,618,020</u>	<u>\$ 105,896</u>	<u>\$ 2,395,149</u>	<u>(5,116,975)</u>
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				1,282,810
Property Taxes - Debt Service				487,131
Investment Earnings				20,135
State Sources				2,885,977
Other				70,347
Total General Revenues				<u>4,746,400</u>
Change in Net Assets				(370,575)
<u>NET ASSETS</u> - Beginning of Year				<u>2,848,045</u>
<u>NET ASSETS</u> - End of Year				<u>\$ 2,477,470</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, 2009

	<u>GENERAL</u> <u>FUND</u>	<u>2006 CAPITAL</u> <u>PROJECTS</u> <u>FUND</u>	<u>OTHER</u> <u>NONMAJOR</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
<u>ASSETS</u>				
Cash	\$ 450,141	\$ 0	\$ 273,900	\$ 724,041
Accounts Receivable	13,524	0	2,003	15,527
Taxes Receivable	1,164	0	760	1,924
Due from Other Funds	9,680	0	64,860	74,540
Inventories	0	0	8,254	8,254
Due from Other Governmental Units	1,201,713	0	0	1,201,713
Investments	849,411	5,225	86	854,722
Prepaid Expenditures	1,000	0	0	1,000
<b>TOTAL ASSETS</b>	<b>\$2,526,633</b>	<b>\$ 5,225</b>	<b>\$ 349,863</b>	<b>\$ 2,881,721</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 47,478	\$ 0	\$ 1,906	\$ 49,384
Due to Other Funds	56,873	0	17,667	74,540
Salaries and Fringe Benefits Payable	459,033	0	0	459,033
State Aid Note Payable	913,299	0	0	913,299
Deferred Revenue	125,442	0	0	125,442
<b>Total Liabilities</b>	<b>1,602,125</b>	<b>0</b>	<b>19,573</b>	<b>1,621,698</b>
<u>FUND BALANCES</u>				
Reserved for Inventory	0	0	8,254	8,254
Reserved for Prepaid Expenditures	1,000	0	0	1,000
Reserved for Debt Retirement	0	0	330,444	330,444
Reserved for Capital Projects	0	5,225	0	5,225
Designated for Irene Helfrich Expenditures	17,809	0	0	17,809
Designated for Millie Jones Expenditures	29,866	0	0	29,866
Designated for Athletic Activities	0	0	626	626
Unreserved, Undesignated (Deficit)	875,833	0	(9,034)	866,799
<b>Total Fund Balances</b>	<b>924,508</b>	<b>5,225</b>	<b>330,290</b>	<b>1,260,023</b>
<b>TOTAL LIABILITIES</b> <b>AND FUND BALANCES</b>	<b>\$2,526,633</b>	<b>\$ 5,225</b>	<b>\$ 349,863</b>	<b>\$ 2,881,721</b>

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 NET ASSETS

JUNE 30, 2009

Total Governmental Fund Balances		\$ 1,260,023
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	\$ 10,220,744	
Accumulated depreciation is	<u>(3,616,099)</u>	6,604,645
Long-term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds Payable	(5,300,282)	
Water Connection Loan	(69,330)	
Compensated Absences	(114,860)	
Bond Discount	35,780	
Bond Deferred Loss on Refunding	83,691	
Amortization of Bond Deferred Loss on Refunding	(22,316)	
Bond Issuance Cost on Refunding	60,829	
Amortization of Bond Issuance Cost on Refunding	<u>(22,176)</u>	(5,348,664)
Accrued interest is not included as a liability in government funds, it is recorded when paid		<u>(38,534)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>		<u><u>\$ 2,477,470</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, 2009

	GENERAL FUND	2006 CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$ 1,364,545	\$ 291	\$ 594,539	\$ 1,959,375
State Sources	3,176,203	0	21,336	3,197,539
Federal Sources	1,843,113	0	163,154	2,006,267
Other Transactions	81,568	0	0	81,568
Total Revenues	<u>6,465,429</u>	<u>291</u>	<u>779,029</u>	<u>7,244,749</u>
<u>EXPENDITURES</u>				
Instruction				
Basic Programs	4,008,853	0	0	4,008,853
Added Needs	592,460	0	0	592,460
Supporting Services				
Pupil	104,439	0	0	104,439
Instructional Staff	43,050	0	0	43,050
General Administration	295,571	0	0	295,571
School Administration	431,520	0	0	431,520
Business	77,865	0	0	77,865
Operation and Maintenance	420,444	0	0	420,444
Pupil Transportation Services	390,895	0	0	390,895
Support Services - Central	222,713	0	0	222,713
Community Activities	5,064	0	0	5,064
Food Service Activities	0	0	293,660	293,660
Athletic Activities	0	0	168,445	168,445
Debt Service				
Principal	1,976	0	233,367	235,343
Interest	1,770	0	236,378	238,148
Capital Projects	0	32,691	0	32,691
Other Transactions	15,743	0	2,812	18,555
Total Expenditures	<u>6,612,363</u>	<u>32,691</u>	<u>934,662</u>	<u>7,579,716</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(146,934)</u>	<u>(32,400)</u>	<u>(155,633)</u>	<u>(334,967)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of Capital Assets	2,696	0	0	2,696
Transfers In	0	0	202,850	202,850
Transfers Out	(202,850)	0	0	(202,850)
Total Other Financing Sources (Uses)	<u>(200,154)</u>	<u>0</u>	<u>202,850</u>	<u>2,696</u>
Net Change in Fund Balance	<u>(347,088)</u>	<u>(32,400)</u>	<u>47,217</u>	<u>(332,271)</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>1,271,596</u>	<u>37,625</u>	<u>283,073</u>	<u>1,592,294</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 924,508</u>	<u>\$ 5,225</u>	<u>\$ 330,290</u>	<u>\$ 1,260,023</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, 2009

Net Change in Fund Balances Total Governmental Funds \$ (332,271)

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	(412,368)
Capital Outlay	140,692

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	42,512
Accrued Interest Payable - End of Year	(38,534)

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 Issuance Cost on Refunding	(5,544)
Amortization of Bond Deferred Loss on Refunding	(5,579)
Repayment of Bond Principal	233,367
Repayment of Principal on Long-Term Debt	1,976

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	120,034
Compensated Absences - End of Year	(114,860)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (370,575)</u>
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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, 2009

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUND</u>
<u>ASSETS</u>		
Cash	\$ 124,022	\$ 14,067
Interest Receivable	6,802	0
Scholarship Loans	35,708	0
Investments	162,230	12,677
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 328,762</u>	<u>\$ 26,744</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Due to Groups and Organizations	<u>\$ 0</u>	<u>\$ 26,744</u>
<u>NET ASSETS</u>		
Reserved for		
Endowments	31,243	0
Student Loans	296,568	0
Student Scholarships	951	0
	<hr/>	<hr/>
Total Net Assets	<u>328,762</u>	<u>0</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 328,762</u>	<u>\$ 26,744</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, 2009

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Earnings on Investments and Deposits	\$ 6,927
<u>DEDUCTIONS</u>	
Scholarships	12,400
Bank Charges	12
Total Deductions	<u>12,412</u>
Changes in Net Assets	(5,485)
<u>NET ASSETS - Beginning of Year</u>	<u>334,247</u>
<u>NET ASSETS - End of Year</u>	<u>\$ 328,762</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, 2009

**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 its administrative offices located in Marion, Michigan. The District operates under an elected 7-member board of education and provides services to its 617 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. The government-wide financial statements categorize primary activities as either governmental or business type. 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 are 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 is presented on a consolidated basis, 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.

The District first utilizes restricted resources to finance qualifying activities.

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

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

The District does not allocate indirect costs.

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.

The *2006 CAPITAL PROJECTS FUND* accounts for financial resources to be used for the acquisition or construction of major capital facilities.

**Other Non-Major Funds**

The *SPECIAL REVENUE FUNDS* account 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 and athletic activities in the special revenue funds.

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, 2009

**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.

**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.

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.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**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, 2009, the foundation allowance was based on pupil membership counts taken in February and September of 2008, and blended with the previous two years counts. For fiscal year ended June 30, 2009, 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 and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2008 to August 2009. 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.

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.

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

- (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 School's 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.

For the year ended June 30, 2009, the District levied the following amounts per \$1,000 of taxable valuation:

<u>Fund</u>	<u>Mills</u>
General Fund – Non-homestead	18.0000
2000 Debt Retirement Fund – Homestead and non-homestead	0.5000
2000 Refunding Debt Retirement Fund – Homestead and non-homestead	1.5000
2006 Debt Retirement Fund – Homestead and non-homestead	1.0000
2006 Refunding Debt Retirement Fund – Homestead and non-homestead	0.6000

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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.

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. For bonds issued after the implementation of GASB 34, the following apply: Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

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.
6. Budgeted amounts are as originally adopted on June 23, 2008, or as amended by the School Board of Education on June 22, 2009.

**B. Excess of Expenditures Over Appropriations**

Excess of expenditures over appropriations occurred in the following funds as follows:

General Fund:

Instruction – Elementary expenditures of \$1,248,973 exceeded appropriations of \$1,244,553.

Supporting Services – Educational Media Services expenditures of \$15,020 exceeded appropriations of \$12,075.

Supporting Services – Academic Student Assessment expenditures of \$1,000 exceeded appropriations of \$0.

Supporting Services – Other Instructional Staff Services expenditures of \$4,200 exceeded appropriations of \$0.

Business – Fiscal Services expenditures of \$45,256 exceeded appropriations of \$44,401.

Community Activities expenditures of \$5,064 exceeded appropriations of \$4,415.

Other Transactions expenditures of \$15,743 exceeded appropriations of \$0.

Food Service:

Food Service Fund expenditures of \$293,660 exceeded appropriations of \$291,875.

Athletic Fund:

Athletic Fund expenditures of \$168,445 exceeded appropriations of \$163,901.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**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 and Michigan School District Liquid Asset Fund Plus.

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 \$862,130. The bank balance was \$922,573 of which \$648,853 was covered by federal depository insurance and \$273,720 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>1,029,629</u>
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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, 2009, 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, 2009

Balance sheet classifications:

	Statement of Net Assets	Statement of Fiduciary Net Assets	Total
Cash	\$ 724,041	\$ 138,089	\$ 862,130
Investments	854,722	174,907	1,029,629
	<u>\$ 1,578,763</u>	<u>\$ 312,996</u>	<u>\$ 1,891,759</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			
Accounts	\$ 13,524	\$ 2,003	\$ 15,527
Interest	0	6,802	6,802
Taxes	1,164	760	1,924
Due from Other Governmental Units	1,201,713	0	1,201,713
Total Receivables	<u>\$1,216,401</u>	<u>\$ 9,565</u>	<u>\$1,225,966</u>

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	\$ 125,442

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

**C. Capital Assets**

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

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	\$ 56,817	\$ 0	\$ 0	\$ 56,817
Total Capital assets, not being depreciated	<u>56,817</u>	<u>0</u>	<u>0</u>	<u>56,817</u>
Capital assets, being depreciated:				
Books	244,331	19,278	57,723	205,886
Buildings	3,436,495	0	0	3,436,495
Buses	629,755	0	54,331	575,424
Equipment and Furniture	2,018,779	89,658	150,152	1,958,285
Improvements	3,946,398	31,756	28,263	3,949,891
Other Vehicles	54,746	0	16,800	37,946
Total Capital assets, being depreciated	<u>10,330,504</u>	<u>140,692</u>	<u>307,269</u>	<u>10,163,927</u>
Less accumulated depreciation for:				
Books	116,938	26,199	57,723	85,414
Buildings	1,284,008	42,548	0	1,326,556
Buses	442,371	42,688	54,331	430,728
Equipment and Furniture	1,074,870	100,019	150,152	1,024,737
Improvements	559,731	197,209	28,263	728,677
Other Vehicles	33,082	3,705	16,800	19,987
Total Accumulated depreciation	<u>3,511,000</u>	<u>412,368</u>	<u>307,269</u>	<u>3,616,099</u>
Total Capital assets, being depreciated, net	<u>6,819,504</u>	<u>(271,676)</u>	<u>0</u>	<u>6,547,828</u>
Governmental activities capital assets, net	<u>\$ 6,876,321</u>	<u>\$ (271,676)</u>	<u>\$ 0</u>	<u>\$ 6,604,645</u>

Depreciation for the fiscal year ended June 30, 2009 amounted to \$412,368. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

**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.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2009:

	General Obligation Serial Bonds	Self Liquidating Bonds	Water Connection Loan	Compensated Absences Payable	Total
Balance July 1, 2008	\$ 5,495,000	\$ 38,649	\$ 71,306	\$ 120,034	\$ 5,724,989
Increase (Decrease)	(230,000)	(3,367)	(1,976)	(5,174)	(240,517)
Balance June 30, 2009	5,265,000	35,282	69,330	114,860	5,484,472
Less current portion	(240,000)	(23,661)	(2,025)	0	(265,686)
Total due after one year	\$ 5,025,000	\$ 11,621	\$ 67,305	\$ 114,860	\$ 5,218,786

At June 30, 2009, the School's Long-Term Debt consisted of the following:

General Obligation Serial Bonds

2000 refunding bonds due in annual installments of \$100,000 to \$105,000 through May 1, 2021, interest at 4.75% to 5.50%. \$ 1,230,000

2000 school building and site bonds due in annual installments of \$70,000 through May 1, 2010, interest at 5.100%. 70,000

2005 energy conservation improvement bonds due in annual installments of \$20,000 to \$35,000 through May 1, 2020, interest at 4.10% to 4.95%. 305,000

2006 refunding bonds due in annual installments of \$15,000 to \$170,000 through May 1, 2020, interest at 3.40% to 4.00%. 1,370,000

2006 school building and site bonds due in annual installments of \$30,000 to \$400,000 through May 1, 2025, interest at 3.90% to 4.10%. 2,290,000

Self-Liquidating Bonds

1998 Durant Settlement Bonds due in annual principal payments of \$3,695 to \$23,661 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. 35,282

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

69,330

Compensated Absences Payable

Accumulated Sick and Vacation Pay

114,860

TOTAL LONG-TERM DEBT

\$ 5,484,472

The annual requirements to amortize debt outstanding as of June 30, 2009, including interest payments of \$2,084,914 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2010	\$ 265,686	\$ 231,878	\$ 497,564
2011	255,771	216,440	472,211
2012	271,000	205,770	476,770
2013	281,237	194,307	475,544
2014	287,237	182,312	469,549
2015-2019	1,672,058	711,458	2,383,516
2020-2024	1,903,654	321,858	2,225,512
2025-2029	415,459	19,671	435,130
2030-2034	17,510	1,220	18,730
	<u>5,369,612</u>	<u>2,084,914</u>	<u>7,454,526</u>
Compensated absences	114,860	0	114,860
	<u>\$ 5,484,472</u>	<u>\$ 2,084,914</u>	<u>\$ 7,569,386</u>

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

**E. Short-Term Debt**

On August 20, 2008, the District issued a State Aid Anticipation Note in the amount of \$900,000. At June 30, 2009, the balance outstanding on this note was \$913,299, including accrued interest.

**F. Interfund Receivables, Payables, and Transfers**

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2009 were:

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 9,680	\$ 56,873
School Service Fund - Food Service Fund	0	9,680
2000 Debt Retirement Fund	15,924	0
2000 Refunding Debt Retirement Fund	23,681	7,987
2006 Debt Retirement Fund	9,473	0
2006 Refunding Debt Retirement Fund	15,782	0
	<u>\$ 74,540</u>	<u>\$ 74,540</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.

Interfund transfers as shown in the individual fund financial statements at June 30, 2009, were:

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General Fund	\$ 0	\$ 202,850
School Service Fund - Athletic Activities	134,223	0
School Service Fund - Food Service Fund	34,000	0
2005 Energy Debt Fund	34,627	0
	<u>\$ 202,850</u>	<u>\$ 202,850</u>

Transfers are used to move unrestricted General Fund revenues to finance various programs that the School must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies.

**G. Designated and Reserved Fund Balance**

The School has designated the General Fund balance as follows:

1. Irene Helfrich Expenditures

The District formed a Citizens Committee for determining how best to utilize the Irene Helfrich Donations. The Committee recommendations were approved by the board, and the unspent amount at June 30, 2009, of \$17,809 has been designated for those future uses.

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

2. Millie Jones Expenditures

The District formed a Citizens Committee for determining how best to utilize the Millie Jones Donations. The Committee recommendations were approved by the board, and the unspent amount at June 30, 2009, of \$29,866 has been designated for those future uses.

The School has reserved \$1,000 for prepaid expenditures in accordance with GAAP.

**H. Sale of Future Revenues**

For several years, the District has sold its rights to delinquent real property tax revenues and related late payment penalties to the Osceola and Clare County treasurers. For the 2008 tax roll the District received a lump sum payment of \$122,096 for general operating tax revenues and \$56,774 for debt service tax revenues. These amounts represent 100% of the present value of the delinquent real property tax revenues. In exchange for these payments, the counties are allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the counties are ultimately unable to collect any of these delinquent taxes, the District will have to repay the counties.

**NOTE 4 – OTHER INFORMATION**

**A. Employee Retirement System**

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. 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.

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 MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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. The rate for the first quarter of the year ended June 30, 2009, was 16.72%, and for the last three quarters it was 16.54%. 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, 2009, 2008 and 2007 were \$505,817, \$582,116 and \$571,110, respectively, and were equal to the required contribution for those years.

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, 2009 or any of the prior three years.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**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, 2009 and June 30, 2008, was \$13,194 and \$12,204 respectively. The future minimum payments are summarized below:

<u>YEAR-ENDING</u>	<u>AMOUNTS</u>
2010	\$ 12,208
2011	9,769
2012	7,683
2013	3,434
2014	<u>841</u>
	<u><u>\$ 33,935</u></u>

**E. Commitments**

The District has no commitments as of June 30, 2009.

**F. 2006 Refunding Bonds**

On January 26, 2006, the District issued \$1,410,000 in General Obligation Bonds with interest rates of 3.25% to 4.00% to advance refund \$1,325,000 of outstanding 2000 Series Bonds with interest rates of 5.00% to 5.375%. As a result, \$1,325,000 of the 2000 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the non current liabilities of the District.

The District advance refunded a portion of the 2000 bond issue to reduce its total future debt service payments by \$62,373 and resulted in an economic gain of \$45,344.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED JUNE 30, 2009

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS BUDGETARY BASIS
<u>REVENUES</u>			
Local Sources	\$ 1,329,815	\$ 1,350,957	\$ 1,364,545
State Sources	3,521,757	3,405,519	3,176,203
Federal Sources	2,060,560	2,151,607	1,843,113
Other Transactions	0	0	81,568
Total Revenues	<u>6,912,132</u>	<u>6,908,083</u>	<u>6,465,429</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs			
Elementary	1,275,482	1,244,553	1,248,973
High School	1,468,890	1,496,870	1,486,936
Pre-Kindergarten	1,715,132	1,723,576	1,272,944
Added Needs			
Special Education	349,454	347,380	342,095
Compensatory Education	255,877	267,224	250,365
Supporting Services			
Pupil			
Guidance	41,621	41,791	41,200
Health Services	0	2,768	0
Other Pupil Services	94,643	103,027	63,239
Instructional Staff			
Improvement of Instruction	91,584	29,820	20,198
Educational Media Services	6,575	12,075	15,020
Computer-Assisted Instruction	0	4,478	2,632
Academic Student Assessment	0	0	1,000
Other Instructional Staff Services	0	0	4,200
General Administration			
Board of Education	81,625	79,900	75,706
Executive Administration	226,803	236,918	219,865
School Administration			
Office of the Principal	479,037	473,613	431,520

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED JUNE 30, 2009

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL AMOUNTS BUDGETARY BASIS</u>
Business			
Fiscal Services	85,367	44,401	45,256
Other Business Services	14,000	33,840	32,609
Operation and Maintenance	512,252	438,531	420,444
Pupil Transportation Services	446,634	420,921	390,895
Support Services - Central			
Non-Instructional Technology	125,254	216,047	206,145
Pupil Accounting	0	20,710	16,568
Community Activities	0	4,415	5,064
Debt Service			
Principal	2,946	2,946	1,976
Interest	2,674	2,674	1,770
Other Transactions	0	0	15,743
	<u>7,275,850</u>	<u>7,248,478</u>	<u>6,612,363</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(363,718)</u>	<u>(340,395)</u>	<u>(146,934)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Sale of Capital Assets	0	0	2,696
Transfers Out	(200,264)	(204,264)	(202,850)
Total Other Financing Sources (Uses)	<u>(200,264)</u>	<u>(204,264)</u>	<u>(200,154)</u>
Net Change in Fund Balance	(563,982)	(544,659)	(347,088)
<u>FUND BALANCE</u> - Beginning of Year	<u>986,628</u>	<u>1,270,596</u>	<u>1,271,596</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 422,646</u>	<u>\$ 725,937</u>	<u>\$ 924,508</u>

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

JUNE 30, 2009

	<u>SPECIAL REVENUE FUNDS</u>		<u>DEBT RETIREMENT FUNDS</u>						<u>TOTAL</u>	
	<u>FOOD</u>	<u>ATHLETIC</u>	<u>1998 DEBT</u>	<u>2000 DEBT</u>	<u>2000 REFUNDING</u>	<u>2005 ENERGY</u>	<u>2006 DEBT</u>	<u>2006 REFUNDING</u>	<u>NONMAJOR</u>	
	<u>SERVICE</u>	<u>ACTIVITIES</u>	<u>RETIREMENT</u>	<u>RETIREMENT</u>	<u>DEBT RETIREMENT</u>	<u>DEBT RETIREMENT</u>	<u>RETIREMENT</u>	<u>DEBT RETIREMENT</u>	<u>GOVERNMENTAL</u>	
	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUNDS</u>	
<u>ASSETS</u>										
Cash	\$ 191	\$ 898	\$ 0	\$ 36,186	\$ 121,764	\$ 66	\$ 68,030	\$ 46,765	\$ 273,900	
Accounts Receivable	2,003	0	0	0	0	0	0	0	2,003	
Taxes Receivable	0	0	0	106	320	0	205	129	760	
Due from Other Funds	0	0	0	15,924	23,681	0	15,782	9,473	64,860	
Inventory	8,254	0	0	0	0	0	0	0	8,254	
Investments	86	0	0	0	0	0	0	0	86	
<b>TOTAL ASSETS</b>	<b>\$ 10,534</b>	<b>\$ 898</b>	<b>\$ 0</b>	<b>\$ 52,216</b>	<b>\$ 145,765</b>	<b>\$ 66</b>	<b>\$ 84,017</b>	<b>\$ 56,367</b>	<b>\$ 349,863</b>	
<u>LIABILITIES AND FUND BALANCES</u>										
<u>LIABILITIES</u>										
Accounts Payable	\$ 1,634	\$ 272	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,906	
Due to Other Funds	9,680	0	0	0	7,987	0	0	0	17,667	
<b>Total Liabilities</b>	<b>11,314</b>	<b>272</b>	<b>0</b>	<b>0</b>	<b>7,987</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,573</b>	
<u>FUND BALANCE</u>										
Reserved for Inventory	8,254	0	0	0	0	0	0	0	8,254	
Reserved for Debt Retirement	0	0	0	52,216	137,778	66	84,017	56,367	330,444	
Unreserved; Designated for										
Athletic Activities	0	626	0	0	0	0	0	0	626	
Unreserved; Undesignated (Deficit)	(9,034)	0	0	0	0	0	0	0	(9,034)	
<b>Total Fund Balances (Deficit)</b>	<b>(780)</b>	<b>626</b>	<b>0</b>	<b>52,216</b>	<b>137,778</b>	<b>66</b>	<b>84,017</b>	<b>56,367</b>	<b>330,290</b>	
<b>TOTAL LIABILITIES</b>										
<b>AND FUND BALANCES</b>	<b>\$ 10,534</b>	<b>\$ 898</b>	<b>\$ 0</b>	<b>\$ 52,216</b>	<b>\$ 145,765</b>	<b>\$ 66</b>	<b>\$ 84,017</b>	<b>\$ 56,367</b>	<b>\$ 349,863</b>	

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

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

YEAR ENDED JUNE 30, 2009

	<u>SPECIAL REVENUE FUNDS</u>		<u>DEBT RETIREMENT FUNDS</u>						<u>TOTAL</u>
	<u>FOOD</u>	<u>ATHLETIC</u>	<u>1998 DEBT</u>	<u>2000 DEBT</u>	<u>2000 REFUNDING</u>	<u>2005 ENERGY</u>	<u>2006 DEBT</u>	<u>2006 REFUNDING</u>	<u>NONMAJOR</u>
	<u>SERVICE</u>	<u>ACTIVITIES</u>	<u>RETIREMENT</u>	<u>RETIREMENT</u>	<u>DEBT RETIREMENT</u>	<u>DEBT RETIREMENT</u>	<u>RETIREMENT</u>	<u>DEBT RETIREMENT</u>	<u>GOVERNMENTAL</u>
	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUNDS</u>
<u>REVENUES</u>									
Local Sources	\$ 71,332	\$ 32,993	\$ 0	\$ 68,206	\$ 204,322	\$ 0	\$ 136,028	\$ 81,658	\$ 594,539
State Sources	17,088	0	4,248	0	0	0	0	0	21,336
Federal Sources	163,154	0	0	0	0	0	0	0	163,154
Total Revenues	251,574	32,993	4,248	68,206	204,322	0	136,028	81,658	779,029
<u>EXPENDITURES</u>									
Food Service Activities	293,660	0	0	0	0	0	0	0	293,660
Athletic Activities	0	168,445	0	0	0	0	0	0	168,445
Debt Service									
Principal	0	0	3,367	60,000	105,000	20,000	30,000	15,000	233,367
Interest	0	0	881	6,596	69,004	15,054	92,726	52,117	236,378
Other Transactions	0	0	0	552	1,075	0	738	447	2,812
Total Expenditures	293,660	168,445	4,248	67,148	175,079	35,054	123,464	67,564	934,662
Excess (Deficiency) of Revenues Over Expenditures	(42,086)	(135,452)	0	1,058	29,243	(35,054)	12,564	14,094	(155,633)
<u>OTHER FINANCING SOURCES</u>									
Transfers In	34,000	134,223	0	0	0	34,627	0	0	202,850
Excess of Revenues and Other Sources Over (Under) Expenditures	(8,086)	(1,229)	0	1,058	29,243	(427)	12,564	14,094	47,217
<u>FUND BALANCE</u> - Beginning of Year	7,306	1,855	0	51,158	108,535	493	71,453	42,273	283,073
<u>FUND BALANCE</u> - End of Year (Deficit)	\$ (780)	\$ 626	\$ 0	\$ 52,216	\$ 137,778	\$ 66	\$ 84,017	\$ 56,367	\$ 330,290

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MARION PUBLIC SCHOOLS

MARION, MICHIGAN

FIDUCIARY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

WITH COMPARATIVE TOTALS FOR JUNE 30, 2008

PRIVATE PURPOSE TRUST FUNDS

	B. DEE DEE		DORALD L.		MILLIE		JENNIE P.		TOTALS	
	MANCHA-HAMMAR	WHITE-HELFRICH	SCHOLARSHIP	SCHOLARSHIP	SCHOLARSHIP	OPPER	2009	2008		
	MEMORIAL	LOAN FUND	TRUST	TRUST	TRUST	LOAN FUND				
<u>ASSETS</u>										
Cash	\$ 10	\$ 101,140	\$ 586	\$ 20,772	\$ 1,514	\$ 124,022	\$ 117,422			
Interest Receivable	0	5,070	0	0	1,732	6,802	7,453			
Scholarship Loans	0	22,282	0	0	13,426	35,708	45,567			
Investments	941	61,995	9,885	0	89,409	162,230	163,805			
<b>TOTAL ASSETS</b>	<b>\$ 951</b>	<b>\$ 190,487</b>	<b>\$ 10,471</b>	<b>\$ 20,772</b>	<b>\$ 106,081</b>	<b>\$ 328,762</b>	<b>\$ 334,247</b>			
<u>LIABILITIES AND NET ASSETS</u>										
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		
<u>NET ASSETS</u>										
Reserved for										
Endowments	0	0	10,471	20,772	0	31,243	30,883			
Student Loans	0	190,487	0	0	106,081	296,568	301,441			
Student Scholarships	951	0	0	0	0	951	1,923			
<b>Total Net Assets</b>	<b>951</b>	<b>190,487</b>	<b>10,471</b>	<b>20,772</b>	<b>106,081</b>	<b>328,762</b>	<b>334,247</b>			
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 951</b>	<b>\$ 190,487</b>	<b>\$ 10,471</b>	<b>\$ 20,772</b>	<b>\$ 106,081</b>	<b>\$ 328,762</b>	<b>\$ 334,247</b>			

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

YEAR ENDED JUNE 30, 2009

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2008

	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	2009	2008
<u>ADDITIONS</u>							
Earnings on Investments and Deposits	\$ 28	\$ 5,474	\$ 145	\$ 215	\$ 1,065	\$ 6,927	\$ 12,655
<u>DEDUCTIONS</u>							
Scholarships	1,000	6,000	0	0	5,400	12,400	1,200
Bank Charges	0	0	0	0	12	12	189
Total Deductions	1,000	6,000	0	0	5,412	12,412	1,389
Changes in Net Assets	(972)	(526)	145	215	(4,347)	(5,485)	11,266
<u>NET ASSETS - Beginning of Year</u>	1,923	191,013	10,326	20,557	110,428	334,247	322,981
<u>NET ASSETS - End of Year</u>	\$ 951	\$ 190,487	\$ 10,471	\$ 20,772	\$ 106,081	\$ 328,762	\$ 334,247

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2009

	BALANCE 7/1/2008	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2009
<u>Elementary and Administrative</u>				
Band Resale-Elementary	\$ 10	\$ 104	\$ 100	\$ 14
Book Store	1,660	0	859	801
Elementary Book Fair	187	2,295	2,286	196
Elementary Paper and Administrative	10,520	8,159	8,544	10,135
Elementary Pop Account	690	314	265	739
Girls on the Run	397	590	0	987
Field Trips	670	2,200	1,940	930
Interest Account	6,395	1,791	6,610	1,576
Interest and Service Charges	264	0	264	0
Osceola Community Foundation	3,808	2,544	3,399	2,953
Pencil and Paper	414	0	0	414
Total Elementary and Administrative	25,015	17,997	24,267	18,745
<u>High School</u>				
Art	21	0	0	21
Band and Choir	344	10	296	58
Band Resale-High School	86	82	130	38
Choir	0	578	608	(30)
Class of 2007	64	0	64	0
Class of 2008	529	268	1,114	(317)
Class of 2009	3,776	5,237	8,528	485
Class of 2010	2,994	6,458	1,754	7,698
Class of 2011	1,053	2,526	1,168	2,411
Class of 2012	0	2,378	1,753	625
Class of 2013	0	321	0	321
Lowe's Grant	486	12	58	440
Middle School Student Council	0	196	0	196
Miscellaneous Account	50	229	85	194
Shop	(351)	2,277	2,355	(429)
Spanish Club	(564)	0	355	(919)
Stuco	255	4,290	5,438	(893)
Student Activities	81	6,523	5,647	957
Students Against Drunk Driving	91	8	0	99
Varsity and Junior Varsity Boy's Basketball	343	516	1,099	(240)

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2009

	BALANCE 7/1/2008	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2009
Varsity and Junior Varsity Football	94	1,957	2,050	1
Varsity and Junior Varsity Girls' Basketball	191	0	0	191
Varsity and Junior Varsity Baseball	17	395	0	412
Varsity and Junior Varsity Softball	0	1,237	1,160	77
Varsity and Junior Varsity Track	129	148	278	(1)
Varsity and Junior Varsity Volleyball	37	0	0	37
Varsity Cheerleaders	555	7,718	6,561	1,712
Yearbook	(3,027)	405	2,523	(5,145)
Donations	22	0	22	0
Total High School	7,276	43,769	43,046	7,999
Total Elementary, Administrative and High School	\$ 32,291	\$ 61,766	\$ 67,313	\$ 26,744
Represented By				
Assets				
Elementary and Administrative				
Cash	\$ 12,524			\$ 6,068
Investments	12,491			12,677
Total Elementary and Administrative	25,015			18,745
High School				
Cash	7,276			7,999
TOTAL ASSETS	\$ 32,291			\$ 26,744
Liabilities				
Due to Groups and Organizations	\$ 32,291			\$ 26,744

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
1998 BOND ISSUE - DURANT SETTLEMENT

JUNE 30, 2009

<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	\$ 21,848	
During Current Year	<u>3,367</u>	<u>25,215</u>
<u>BALANCE OUTSTANDING - June 30, 2009</u>		<u>\$ 35,282</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 15, 2010	4.761 %	\$ 23,661	\$ 4,883	\$ 28,544
May 15, 2011	4.761 %	3,695	553	4,248
May 15, 2012	4.761 %	3,871	377	4,248
May 15, 2013	4.761 %	4,055	193	4,248
		<u>\$ 35,282</u>	<u>\$ 6,006</u>	<u>\$ 41,288</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  
2000 SCHOOL BUILDING AND SITE BONDS

JUNE 30, 2009

<u>TITLE OF ISSUE</u>	2000 School Building and Site Bond		
<u>PURPOSE</u>	Defray the cost of erecting, furnishing and equipping outdoor athletic/physical education fields and facilities for, and a weight/exercise room addition to, the Middle School/High School and development and improving the site.		
<u>DATE OF ISSUE</u>	August 1, 2000		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>		\$	1,675,000
<u>AMOUNT OF CURRENT ADVANCED</u>			
<u>REFUNDING OF DEBT ON JANUARY 9, 2006</u>			(1,325,000)
<u>AMOUNT REDEEMED</u>			
Prior to Current Year		\$	220,000
During Current Year		60,000	280,000
<u>BALANCE OUTSTANDING - June 30, 2009</u>		\$	70,000

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2009			\$ 1,785	\$ 1,785
May 1, 2010	5.100 %	\$ 70,000	1,785	71,785
		\$ 70,000	\$ 3,570	\$ 73,570

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

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2000 SCHOOL BUILDING AND SITE BONDS

JUNE 30, 2009

REDEMPTION PRIOR TO MATURITY

The Bonds or portions of Bonds in multiples of \$5,000, maturing on or after May 1, 2011 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, 2010, at part 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  
2000 REFUNDING BONDS

JUNE 30, 2009

<u>TITLE OF ISSUE</u>	2000 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>	August 1, 2000		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 1,915,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year		\$ 580,000	
During Current Year		105,000	685,000
<u>BALANCE OUTSTANDING - June 30, 2009</u>			<u>\$ 1,230,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2009			\$ 32,066	\$ 32,066
May 1, 2010	4.750 %	\$ 105,000	32,066	137,066
November 1, 2010			29,572	29,572
May 1, 2011	4.850 %	105,000	29,573	134,573
November 1, 2011			27,026	27,026
May 1, 2012	5.000 %	105,000	27,026	132,026
November 1, 2012			24,401	24,401
May 1, 2013	5.100 %	105,000	24,401	129,401
November 1, 2013			21,724	21,724
May 1, 2014	5.200 %	105,000	21,724	126,724
November 1, 2014			18,994	18,994
May 1, 2015	5.250 %	105,000	18,994	123,994
November 1, 2015			16,237	16,237
May 1, 2016	5.300 %	100,000	16,238	116,238
November 1, 2016			13,587	13,587
May 1, 2017	5.375 %	100,000	13,588	113,588
November 1, 2017			10,900	10,900

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2000 REFUNDING BONDS

JUNE 30, 2009

<u>DUE DATES</u>	<u>RATE</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 1, 2018	5.400 %	100,000	10,900	110,900
November 1, 2018			8,200	8,200
May 1, 2019	5.400 %	100,000	8,200	108,200
November 1, 2019			5,500	5,500
May 1, 2020	5.500 %	100,000	5,500	105,500
November 1, 2020			2,750	2,750
May 1, 2021	5.500 %	100,000	2,750	102,750
		<u>\$ 1,230,000</u>	<u>\$ 421,917</u>	<u>\$ 1,651,917</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, 2011 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, 2010, 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  
2005 ENERGY CONSERVATION IMPROVEMENT BONDS

JUNE 30, 2009

<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		\$ 50,000	
During Current Year		<u>20,000</u>	<u>70,000</u>
<u>BALANCE OUTSTANDING - June 30, 2009</u>			<u><u>\$ 305,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2009			\$ 7,127	\$ 7,127
May 1, 2010	4.100 %	\$ 20,000	7,127	27,127
November 1, 2010			6,717	6,717
May 1, 2011	4.375 %	20,000	6,717	26,717
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

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2005 ENERGY CONSERVATION IMPROVEMENT BONDS

JUNE 30, 2009

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
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>\$ 305,000</u>	<u>\$ 96,174</u>	<u>\$ 401,174</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, 2009

<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		\$ 45,000	
Amount Redeemed During Current Year		30,000	75,000
<u>BALANCE OUTSTANDING - June 30, 2009</u>			<u>\$ 2,290,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2009			\$ 45,825	\$ 45,825
May 1, 2010	3.900 %	\$ 30,000	45,825	75,825
November 1, 2010			45,240	45,240
May 1, 2011	3.900 %	35,000	45,240	80,240
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

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

JUNE 30, 2009

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
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>\$ 2,290,000</u>	<u>\$ 1,163,231</u>	<u>\$ 3,453,231</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, 2009

<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	\$	25,000	
Amount Redeemed During Current Year		<u>15,000</u>	<u>40,000</u>
<u>BALANCE OUTSTANDING - June 30, 2009</u>		<u>\$</u>	<u>1,370,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2009			\$ 25,834	\$ 25,834
May 1, 2010	3.400 %	\$ 15,000	25,834	40,834
November 1, 2010			25,579	25,579
May 1, 2011	3.450 %	90,000	25,579	115,579
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

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2006 REFUNDING BONDS

JUNE 30, 2009

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
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>\$ 1,370,000</u>	<u>\$ 369,696</u>	<u>\$ 1,739,696</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.





