

**MARION PUBLIC SCHOOLS**

**MARION, MICHIGAN**

**JUNE 30, 2007**

*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, 2007

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

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August 13, 2007

## 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, 2007, 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, the governmental activities, each major fund, and the aggregate remaining fund information of Marion Public Schools, Marion, Michigan, as of June 30, 2007, 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 August 13, 2007, on our consideration of Marion Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through ix and 25, 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 26 through 64 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, 2007

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, 2007.

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.

**C. Summary of Net Assets**

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

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Current Assets	\$ 2,716,157	\$ 5,363,267
Non Current Assets		
Capital Assets	10,112,709	8,802,603
Less Accumulated Depreciation	<u>(3,099,053)</u>	<u>(2,981,115)</u>
Total Non Current Assets	<u>7,013,656</u>	<u>5,821,488</u>
Total Assets	<u>\$ 9,729,813</u>	<u>\$ 11,184,755</u>
<b>Liabilities</b>		
Current Liabilities	\$ 807,163	\$ 1,855,879
Non Current Liabilities	<u>5,550,235</u>	<u>5,736,761</u>
Total Liabilities	<u>6,357,398</u>	<u>7,592,640</u>
<b>Net Assets</b>		
Invested in Capital Assets Net of Related Debt	1,388,477	15,552
Restricted for Debt Service	194,176	182,710
Restricted for Capital Projects	268,059	1,625,319
Unrestricted	<u>1,521,703</u>	<u>1,768,534</u>
Total Net Assets	<u>3,372,415</u>	<u>3,592,115</u>
Total Liabilities and Net Assets	<u>\$ 9,729,813</u>	<u>\$ 11,184,755</u>

**D. Analysis of Financial Position**

During the fiscal year ended June 30, 2007, the District's net assets decreased by \$219,700. A few of the more significant factors affecting net assets during the year are discussed below:

**1. Depreciation Expense**

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

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2007, \$317,675 was recorded for depreciation expense.

MARION PUBLIC SCHOOLS  
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

**2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2007, \$1,513,627 of expenditures was 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, 2007, the District decreased its long-term liabilities by \$189,032.

**E. Results of Operations**

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

	2007		2006	
	Amount	% of Total	Amount	% of Total
<b>General Revenues</b>				
Property Taxes	\$ 1,612,635	24.33%	\$ 1,384,561	20.25%
Investment Earnings	94,955	1.43%	97,918	1.43%
State Sources	3,449,134	52.04%	3,607,456	52.77%
Donations	2,966	0.04%	650	0.01%
Other	42,753	0.65%	27,576	0.41%
Total General Revenues	<u>5,202,443</u>	<u>78.49%</u>	<u>5,118,161</u>	<u>74.87%</u>
<b>Program Revenues</b>				
Charges for Services	102,982	1.56%	105,927	1.55%
Operating Grants	<u>1,322,386</u>	<u>19.95%</u>	<u>1,611,921</u>	<u>23.58%</u>
Total Program Revenues	<u>1,425,368</u>	<u>21.51%</u>	<u>1,717,848</u>	<u>25.13%</u>
Total Revenues	<u>6,627,811</u>	<u>100.00%</u>	<u>6,836,009</u>	<u>100.00%</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
<b>Expenses</b>				
Instruction	\$ 3,508,240	51.23%	\$ 3,168,374	51.23%
Supporting Services	2,309,949	33.73%	2,085,665	33.72%
Food Service	246,414	3.60%	219,542	3.54%
Athletic Activities	173,217	2.53%	158,924	2.57%
Interest on Long-Term Debt	275,706	4.03%	181,146	2.93%
Capital Projects	2,690	0.04%	40,242	0.65%
Other Transactions	13,620	0.20%	37,726	0.61%
Unallocated Depreciation	317,675	4.64%	293,864	4.75%
Total Expenses	<u>6,847,511</u>	<u>100.00%</u>	<u>6,185,483</u>	<u>100.00%</u>
Change in Net Assets	<u>\$ (219,700)</u>		<u>\$ 650,526</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 2006-2007 fiscal year, the District levied \$1,167,745 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>
2006-2007	\$ 1,167,745
2005-2006	\$ 1,083,000
2004-2005	\$ 1,002,659

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

**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 2006-2007 fiscal year, the District received \$7,085 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>
2006-2007	672
2005-2006	707
2004-2005	756

**4. Operating Grants**

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2007, federal, state, and other grants accounted for \$1,322,386.

**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:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
Total Revenues	\$ 5,916,716	\$ 5,870,732	\$ 5,882,155	\$ 11,423
<b><u>EXPENDITURES</u></b>				
Instruction	\$ 3,535,757	\$ 3,594,210	\$ 3,530,580	\$ (63,630)
Supporting Services	2,377,799	2,510,494	2,401,805	(108,689)
Other Transactions	3,746	3,746	3,746	0
Total Expenditures	<u>\$ 5,917,302</u>	<u>\$ 6,108,450</u>	<u>\$ 5,936,131</u>	<u>\$ (172,319)</u>

MARION PUBLIC SCHOOLS  
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

The total expenditures variance of \$(172,319) is 2.82% of total budgeted expenditures.

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

### **1. Capital Assets**

At June 30, 2007, the District has \$10,112,709 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of \$1,310,106 over the prior fiscal year. Depreciation expense for the year amounted to \$317,675, bringing the accumulated depreciation to \$3,099,053 as of June 30, 2007.

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

At June 30, 2007, the District had \$5,748,649 in bonded debt outstanding. This represents a decrease of \$190,000 from the amount outstanding at the close of the prior fiscal year.

## **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 2007-2008 school year. 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.

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 were 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.

The lowering of the retirement rate for the 2007-2008 school year is a welcome relief. However, we believe this was a temporary fix for a serious problem. In the past, the State of Michigan passed costs for retirement to the local districts, with very little additional funding increases in our foundation allowance. If this continues, it will be difficult to maintain our current staffing levels.

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.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

The district has seen slight increases in enrollment. We are striving to have excellent programs to keep these new students in 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 Marion Public Schools, 501 W. Main Street, Marion, Michigan 49665.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

ASSETS

CURRENT ASSETS

Cash	\$ 818,426
Accounts Receivable	27,985
Taxes Receivable	3,423
Inventories	5,113
Due from Other Governmental Units	808,027
Investments	1,019,943
Prepaid Expense	33,240
Total Current Assets	2,716,157

NON CURRENT ASSETS

Capital Assets	10,112,709
Less Accumulated Depreciation	(3,099,053)
Total Non Current Assets	7,013,656
TOTAL ASSETS	\$ 9,729,813

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 172,570
Retainage Payable	17,269
Accrued Interest Payable	41,133
Salaries Payable	348,674
Deferred Revenue	10,590
Current Portion of Non Current Liabilities	216,927
Total Current Liabilities	807,163

NON CURRENT LIABILITIES

Bonds Payable (Net of Deferred Charges of \$158,054)	5,590,595
Water Connection Loan	73,233
Compensated Absences	103,334
Less Current Portion of Non Current Liabilities	(216,927)
Total Non Current Liabilities	5,550,235
Total Liabilities	6,357,398

NET ASSETS

Invested in Capital Assets Net of Related Debt	1,388,477
Restricted for Debt Service	194,176
Restricted for Capital Projects	268,059
Unrestricted	1,521,703
Total Net Assets	3,372,415
TOTAL LIABILITIES AND NET ASSETS	\$ 9,729,813

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, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>GOVERNMENTAL</u>
		<u>CHARGES FOR</u>	<u>OPERATING</u>	<u>ACTIVITIES</u>
		<u>SERVICES</u>	<u>GRANTS</u>	<u>NET (EXPENSE)</u>
				<u>REVENUE AND</u>
				<u>CHANGES IN</u>
				<u>NET ASSETS</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction				
Basic Programs	\$ 2,897,270	\$ 9,050	\$ 447,496	\$ (2,440,724)
Added Needs	610,970	0	503,155	(107,815)
Supporting Services				
Pupil	132,767	0	35,368	(97,399)
Instructional Staff	477,595	0	110,496	(367,099)
General Administration	276,722	0	0	(276,722)
School Administration	390,442	0	0	(390,442)
Business	103,520	0	0	(103,520)
Operation and Maintenance of Plant	481,670	0	52,455	(429,215)
Pupil Transportation Services	440,143	0	2,493	(437,650)
Other Support Services	1,000	0	0	(1,000)
Community Activities	6,090	0	4,783	(1,307)
Food Service Activities	246,414	53,382	166,140	(26,892)
Athletic Activities	173,217	40,550	0	(132,667)
Interest on Long Term Debt	275,706	0	0	(275,706)
Capital Projects	2,690	0	0	(2,690)
Other Transactions	13,620	0	0	(13,620)
Unallocated Depreciation	317,675	0	0	(317,675)
Total Governmental Activities	<u>\$ 6,847,511</u>	<u>\$ 102,982</u>	<u>\$ 1,322,386</u>	<u>\$ (5,422,143)</u>
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				1,168,295
Property Taxes - Debt Service				444,340
Investment Earnings				94,955
State Sources				3,449,134
Other				45,719
Total General Revenues				<u>5,202,443</u>
Change in Net Assets				(219,700)
<u>NET ASSETS</u> - Beginning of Year				<u>3,592,115</u>
<u>NET ASSETS</u> - End of Year				<u>\$ 3,372,415</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, 2007

	GENERAL FUND	2006 CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash	\$ 585,030	\$ 0	\$ 233,396	\$ 818,426
Accounts Receivable	27,985	0	0	27,985
Taxes Receivable	1,701	0	1,722	3,423
Due from Other Funds	10,676	0	22,625	33,301
Inventories	0	0	5,113	5,113
Due from Other Governmental Units	808,027	0	0	808,027
Investments	729,780	290,082	81	1,019,943
Prepaid Expenditures	33,240	0	0	33,240
<b>TOTAL ASSETS</b>	<b>\$2,196,439</b>	<b>\$ 290,082</b>	<b>\$ 262,937</b>	<b>\$ 2,749,458</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 172,444	\$ 0	\$ 126	\$ 172,570
Retainage Payable	0	17,269	0	17,269
Due to Other Funds	14,638	4,754	13,909	33,301
Salaries Payable	348,674	0	0	348,674
Deferred Revenue	10,590	0	0	10,590
<b>Total Liabilities</b>	<b>546,346</b>	<b>22,023</b>	<b>14,035</b>	<b>582,404</b>
<u>FUND BALANCES</u>				
Reserved for Inventory	0	0	5,113	5,113
Reserved for Prepaid Expenditures	33,240	0	0	33,240
Reserved for Debt Retirement	0	0	235,309	235,309
Reserved for Capital Projects	0	268,059	0	268,059
Designated for Millie Jones Expenditures	40,499	0	0	40,499
Designated for Long-Term Liabilities	175,000	0	0	175,000
Designated for Food Service	0	0	1,717	1,717
Designated for Athletic Activities	0	0	6,763	6,763
Unreserved, Undesignated	1,401,354	0	0	1,401,354
<b>Total Fund Balances</b>	<b>1,650,093</b>	<b>268,059</b>	<b>248,902</b>	<b>2,167,054</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$2,196,439</b>	<b>\$ 290,082</b>	<b>\$ 262,937</b>	<b>\$ 2,749,458</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, 2007

Total Governmental Fund Balances		\$ 2,167,054
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	10,112,709	
Accumulated depreciation is	<u>(3,099,053)</u>	7,013,656
Long-term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds Payable	(5,748,649)	
Water Connection Loan	(73,233)	
Compensated Absences	(103,334)	
Bond Discount	35,780	
Bond Deferred Loss on Refunding	83,691	
Amortization of Bond Deferred Loss on Refunding	(11,158)	
Bond Issuance Cost on Refunding	60,829	
Amortization of Bond Issuance Cost on Refunding	<u>(11,088)</u>	(5,767,162)
Accrued interest is not included as a liability in government funds, it is recorded when paid		<u>(41,133)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 3,372,415</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, 2007

	GENERAL FUND	2006 CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$1,276,775	\$ 39,093	\$ 543,057	\$ 1,858,925
State Sources	3,834,577	0	14,295	3,848,872
Federal Sources	613,178	0	151,845	765,023
Other Transactions	157,625	0	0	157,625
Total Revenues	5,882,155	39,093	709,197	6,630,445
<u>EXPENDITURES</u>				
Instruction				
Basic Programs	2,920,182	0	0	2,920,182
Added Needs	610,398	0	0	610,398
Supporting Services				
Pupil	132,767	0	0	132,767
Instructional Staff	483,067	0	0	483,067
General Administration	276,722	0	0	276,722
School Administration	388,598	0	0	388,598
Business	103,520	0	0	103,520
Operation and Maintenance	481,397	0	0	481,397
Pupil Transportation Services	528,644	0	0	528,644
Other Support Services	1,000	0	0	1,000
Community Activities	6,090	0	0	6,090
Food Service Activities	0	0	246,644	246,644
Athletic Activities	0	0	173,217	173,217
Debt Service				
Principal	0	0	190,000	190,000
Interest	0	0	293,164	293,164
Capital Projects	0	1,396,353	0	1,396,353
Other Transactions	3,746	0	3,321	7,067
Total Expenditures	5,936,131	1,396,353	906,346	8,238,830
Excess (Deficiency) of Revenues Over (Under) Expenditures	(53,976)	(1,357,260)	(197,149)	(1,608,385)
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of Capital Assets	1,150	0	0	1,150
Transfers In	0	0	189,610	189,610
Transfers Out	(189,610)	0	0	(189,610)
Total Other Financing Sources (Uses)	(188,460)	0	189,610	1,150
Net Change in Fund Balance	(242,436)	(1,357,260)	(7,539)	(1,607,235)
<u>FUND BALANCE</u> - Beginning of Year	1,892,529	1,625,319	256,441	3,774,289
<u>FUND BALANCE</u> - End of Year	\$1,650,093	\$ 268,059	\$ 248,902	\$ 2,167,054

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, 2007

Net change in Fund Balances Total Governmental Funds \$ (1,607,235)

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	(317,675)
Capital Outlay	1,513,627

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. (3,784)

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	58,591
Accrued Interest Payable - End of Year	(41,133)

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	190,000
Repayment of Principal on Long-Term Debt	1,880

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	100,486
Compensated Absences - End of Year	<u>(103,334)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (219,700)

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

MARION PUBLIC SCHOOLS  
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STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

<u>ASSETS</u>	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUND</u>
Cash	\$ 91,581	\$ 35,952
Interest Receivable	8,816	0
Scholarship Loans	62,393	0
Investments	<u>160,191</u>	<u>11,994</u>
 TOTAL ASSETS	 <u><u>\$ 322,981</u></u>	 <u><u>\$ 47,946</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
 <u>LIABILITIES</u>		
Due to Groups and Organizations	\$ 0	\$ 47,946
 <u>NET ASSETS</u>		
Reserved for		
Endowments	29,724	0
Student Loans	291,410	0
Student Scholarships	<u>1,847</u>	<u>0</u>
 Total Net Assets	 <u>322,981</u>	 <u>0</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 322,981</u></u>	 <u><u>\$ 47,946</u></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, 2007

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Earnings on Investments and Deposits	<u>\$        13,035</u>
<u>DEDUCTIONS</u>	
Scholarships	1,000
Bank Charges	<u>516</u>
Total Deductions	<u>1,516</u>
Changes in Net Assets	11,519
<u>NET ASSETS</u> - Beginning of Year	<u>311,462</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$        322,981</u></u>

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

MARION PUBLIC SCHOOLS

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

**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 672 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.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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 of 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 *CAPITAL PROJECTS FUNDS* account for financial resources to be used for the acquisition or construction of major capital facilities.

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.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

**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 District currently accounts for three separate non-expendable trust funds and one expendable trust fund.

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 modified 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.

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JUNE 30, 2007

**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, 2007, the foundation allowance was based on pupil membership counts taken in February and September of 2006, and blended with the previous two years counts. For fiscal year ended June 30, 2007, the per pupil foundation allowance was \$7,085 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 2006 to August 2007. 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.

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- (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 Poll 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, 2007, 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

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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

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issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance and issuance costs, whether or not withheld from the actual debt proceeds received, 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

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JUNE 30, 2007

excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.

4. The superintendent is charged with general supervision of the budgets and shall hold the 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 22, 2006, or as amended by the School Board of Education on February 12, 2007 and June 11, 2007.

**B. Excess of Expenditures Over Appropriations**

Excess of expenditures over appropriations occurred in the following funds:

School Service Fund – Food Service Fund expenditures of \$246,644 exceeded appropriations by \$851.

Also, the School Service Fund – Athletic Activities Fund expenditures of \$173,217 exceeded appropriations by \$5,168.

**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 \$945,959. The bank balance was \$1,080,082 of which \$519,265 was covered by federal depository insurance and \$560,817 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

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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 \$ 1,383,184

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, 2007, the fair value of the District's investments is the same as the value of the pool shares.

Balance sheet classifications:

	Statement of Net Assets	Statement of Fiduciary Net Assets	Total
Cash	\$ 818,426	\$ 127,533	\$ 945,959
Investments	1,019,943	172,185	1,192,128
	<u>\$ 1,838,369</u>	<u>\$ 299,718</u>	<u>\$ 2,138,087</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	2007 Capital Projects Fund	Nonmajor and Other Funds	Total
Receivables				
Accounts	\$ 27,985	\$ 0	\$ 0	\$ 27,985
Taxes	1,701	0	1,722	3,423
Other Governmental Units	808,027	0	0	808,027
Total Receivables	<u>\$837,713</u>	<u>\$ 0</u>	<u>\$ 1,722</u>	<u>\$ 839,435</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

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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	\$ 10,590

**C. Capital Assets**

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

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	\$ 56,817	\$ 0	\$ 0	\$ 56,817
Construction in Progress	655,304	231,099	655,304	231,099
Total Capital assets, not being depreciated	<u>712,121</u>	<u>231,099</u>	<u>655,304</u>	<u>287,916</u>
Capital assets, being depreciated:				
Books	224,637	27,573	33,323	218,887
Buildings	3,436,495	0	0	3,436,495
Buses	701,928	67,346	139,519	629,755
Equipment and Furniture	2,007,891	1,260	14,168	1,994,983
Improvements	1,669,368	1,820,559	0	3,489,927
Other Vehicles	50,163	21,094	16,511	54,746
Total Capital assets, being depreciated	<u>8,090,482</u>	<u>1,937,832</u>	<u>203,521</u>	<u>9,824,793</u>
Less accumulated depreciation for:				
Books	89,857	27,323	33,323	83,857
Buildings	1,183,329	55,013	0	1,238,342
Buses	492,019	47,187	139,519	399,687
Equipment and Furniture	883,615	102,584	14,168	972,031
Improvements	293,705	82,055	0	375,760
Other Vehicles	38,590	3,513	12,727	29,376
Total Accumulated depreciation	<u>2,981,115</u>	<u>317,675</u>	<u>199,737</u>	<u>3,099,053</u>
Total Capital assets, being depreciated, net	<u>5,109,367</u>	<u>1,620,157</u>	<u>3,784</u>	<u>6,725,740</u>
Governmental activities capital assets, net	<u>\$5,821,488</u>	<u>\$1,851,256</u>	<u>\$659,088</u>	<u>\$ 7,013,656</u>

Depreciation for the fiscal year ended June 30, 2007 amounted to \$317,675. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

MARION PUBLIC SCHOOLS

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**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, 2007:

	General Obligation Serial Bonds	Self Liquidating Bonds	Water Connection Loan	Compensated Absences Payable	Total
Balance July 1, 2006	\$ 5,900,000	\$ 38,649	\$ 75,113	\$ 100,486	\$ 6,114,248
Increase (Decrease)	(190,000)	0	(1,880)	2,848	(189,032)
Balance June 30, 2007	5,710,000	38,649	73,233	103,334	5,925,216
Less current portion	(215,000)	0	(1,927)	0	(216,927)
Total due after one year	\$ 5,495,000	\$ 38,649	\$ 71,306	\$ 103,334	\$ 5,708,289

At June 30, 2007, 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%. \$ 1,440,000

2000 school building and site bonds due in annual installments of \$50,000 to \$70,000 through May 1, 2010, interest at 5.100%. 180,000

2005 energy conservation improvement bonds due in annual installments of \$20,000 to \$35,000 through May 1, 2020, interest at 3.875% to 4.95%. 345,000

2006 refunding bonds due in annual installments of \$15,000 to \$165,000 through May 1, 2020, interest at 3.3% to 4.00%. 1,400,000

2006 school building and site bonds due in annual installments of \$25,000 to \$400,000 through May 1, 2025, interest at 3.90% to 4.10%. 2,345,000

Self-Liquidating Bonds

1998 Durant Settlement Bonds due in annual principal payments of \$3,792 to \$26,828 through May 15, 2013, interest at 3.858%. The funding for this payment to be provided by the State of Michigan through restricted State Aid. 38,649

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

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

at 2.5% due March 1 and August 31 each year through March 1, 2034	73,233
<u>Compensated Absences Payable</u>	
Accumulated Sick and Vacation Pay	103,334
TOTAL LONG-TERM DEBT	<u>\$ 5,925,216</u>

The annual requirements to amortize debt outstanding as of June 30, 2007, including interest payments of \$2,570,752 are as follows:

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2008	\$ 216,927	\$ 247,393	\$ 464,320
2009	231,976	241,812	473,788
2010	268,853	228,710	497,563
2011	255,868	216,343	472,211
2012	271,067	205,703	476,770
2013-2017	1,520,564	846,622	2,367,186
2018-2022	1,842,992	481,272	2,324,264
2023-2027	1,189,710	100,600	1,290,310
2028-2032	16,656	2,074	18,730
2033-2035	7,269	223	7,492
	<u>5,821,882</u>	<u>2,570,752</u>	<u>8,392,634</u>
Compensated absences	103,334	0	103,334
	<u>\$5,925,216</u>	<u>\$2,570,752</u>	<u>\$8,495,968</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 18, 2006 the District repaid the prior year state aid borrowing of \$500,000. Interest expense on short-term debt for the year ended June 30, 2007, was \$1,807.

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

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2007 were:

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 10,676	\$ 14,638
2006 Capital Projects Fund	0	4,754
School Service Fund - Food Service Fund	0	5,922
2000 Debt Retirement Fund	10,020	0
2000 Refunding Debt Retirement Fund	6,100	7,987
2006 Debt Retirement Fund	4,065	0
2006 Refunding Debt Retirement Fund	2,440	0
	<u>\$ 33,301</u>	<u>\$ 33,301</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 are as shown in the individual fund financial statements at June 30, 2007, were:

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 0	\$ 189,610
School Service Fund - Athletic Activities	35,500	0
School Service Fund - Food Service Fund	122,726	0
2005 Energy Debt Fund	31,384	0
	<u>\$ 189,610</u>	<u>\$ 189,610</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. Long-Term Liabilities

The contracts with teachers and non-teaching personnel have various provisions for the accumulation of sick pay. Upon retirement, if the employee has met certain contract provisions, the employee may receive a cash payment for the accumulated benefits. At June 30, 2007, the liability to the employees for accumulated sick leave and related fringe benefits is estimated at

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

\$103,334. As of June 30, 2007, the School has designated \$175,000 of its General Fund balance towards paying this and other future long-term obligations.

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, 2007, of \$40,499 has been designated for those future uses.

The School has reserved \$33,240 for prepaid expenditures in accordance with GAAP.

**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 through 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.

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, 2007, was 16.34%, and for the last three quarters it was 17.74%. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

year ended June 30, 2007, 2006 and 2005 were \$571,110, \$479,816 and \$431,855, respectively, and were equal to the required contribution for those years.

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

Other Post-employment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

**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, 2007 or any of the prior three years.

**D. "Durant" Case Settlement**

The school district has accepted an offer made by the State of Michigan to all "non-plaintiff" school districts for a settlement of the "Durant" case which was a suit alleging underfunding by the State of Michigan for State mandated special education programs. Marion Public Schools will receive a total settlement from this case of \$120,994, and the State will pay it in the following manner:

- (a) 50% of the settlement (or \$60,497) will be paid to the District over a ten-year period beginning November 15, 1998. These funds are restricted and can be used only for school buses, electronic technology, instructional material and software, school security, textbooks, infrastructure or infrastructure improvement, training for technology, or to reduce or eliminate voter-approved debt that was issued prior to 11/19/97.

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

- (b) 50% of the settlement (or \$60,497) was received by the District on November 24, 1998, from the proceeds of a bond issue from a Michigan Bond Authority bond program. These funds are being accounted for in the 1998 Durant Capital Projects Fund. Proceeds from the bonds may be used for any purpose specified in Section 1351a of the Revised School Code.

Debt service amounts for these bonds will be allocated annually to the District through restricted State Aid. The School District does not actually receive these funds. Instead, the District has arranged for the State of Michigan to make these disbursements directly to the bond holders from the restricted State Aid allocated to the District for this specific purpose.

**E. Lease Information**

The School District leases copy machines and digital duplicators. The total rental expense for the fiscal years ended June 30, 2007 and June 30, 2006, was \$11,560 and \$9,793 respectively. The future minimum payments are summarized below:

<u>YEAR-ENDING</u>	<u>AMOUNTS</u>
2008	\$ 11,560
2009	7,244
2010	4,524
2011	<u>2,086</u>
	<u>\$ 25,414</u>

**F. Commitment**

The District has commitments for uncompleted architectural services and construction contracts totaling \$242,514 which will be paid from the 2006 Capital Projects Fund.

**G. 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, 2007

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>BUDGET</u>	<u>BUDGET</u>	<u>BUDGETARY</u>	<u>WITH FINAL</u>
			<u>AMOUNTS</u>	<u>BUDGET</u>
			<u>OVER</u>	<u>OVER</u>
			<u>BASIS</u>	<u>(UNDER)</u>
<u>REVENUES</u>				
Local Sources	\$ 1,160,039	\$ 1,263,350	\$ 1,276,775	\$ 13,425
State Sources	3,938,477	3,799,342	3,834,577	35,235
Federal Sources	637,200	655,627	613,178	(42,449)
Other Transactions	181,000	152,413	157,625	5,212
Total Revenues	<u>5,916,716</u>	<u>5,870,732</u>	<u>5,882,155</u>	<u>11,423</u>
<u>EXPENDITURES</u>				
Instruction				
Basic Programs	2,883,777	2,965,260	2,920,182	(45,078)
Added Needs	651,980	628,950	610,398	(18,552)
Supporting Services				
Pupil	114,118	140,518	132,767	(7,751)
Instructional Staff	454,364	525,146	483,067	(42,079)
General Administration	306,178	285,737	276,722	(9,015)
School Administration	385,928	399,195	388,598	(10,597)
Business	86,383	104,085	103,520	(565)
Operation and Maintenance	505,355	510,939	481,397	(29,542)
Pupil Transportation Services	525,473	535,319	528,644	(6,675)
Other Support Services	0	1,000	1,000	0
Community Activities	0	8,555	6,090	(2,465)
Other Transactions	3,746	3,746	3,746	0
Total Expenditures	<u>5,917,302</u>	<u>6,108,450</u>	<u>5,936,131</u>	<u>(172,319)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(586)</u>	<u>(237,718)</u>	<u>(53,976)</u>	<u>183,742</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of Capital Assets	0	1,000	1,150	150
Transfers Out	<u>(219,384)</u>	<u>(199,607)</u>	<u>(189,610)</u>	<u>9,997</u>
Total Other Financing Sources (Uses)	<u>(219,384)</u>	<u>(198,607)</u>	<u>(188,460)</u>	<u>10,147</u>
Net Change in Fund Balance	<u>(219,970)</u>	<u>(436,325)</u>	<u>(242,436)</u>	<u>193,889</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>1,892,529</u>	<u>1,892,529</u>	<u>1,892,529</u>	<u>0</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 1,672,559</u>	<u>\$ 1,456,204</u>	<u>\$ 1,650,093</u>	<u>\$ 193,889</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2007

	<u>SPECIAL</u>	<u>DEBT</u>	<u>TOTAL</u>
	<u>REVENUE</u>	<u>FUNDS</u>	<u>NONMAJOR</u>
	<u>FUNDS</u>	<u>FUNDS</u>	<u>GOVERNMENTAL</u>
	<u>FUNDS</u>	<u>FUNDS</u>	<u>FUNDS</u>
<u>ASSETS</u>			
Cash	\$ 14,447	\$ 218,949	\$ 233,396
Taxes Receivable	0	1,722	1,722
Due From Other Funds	0	22,625	22,625
Inventory	5,113	0	5,113
Investments	81	0	81
	<hr/>		
TOTAL ASSETS	\$ 19,641	\$ 243,296	\$ 262,937
	<hr/> <hr/>		
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 126	\$ 0	\$ 126
Due to Other Funds	5,922	7,987	13,909
	<hr/>		
Total Liabilities	6,048	7,987	14,035
	<hr/>		
<u>FUND BALANCE</u>			
Reserved for Inventory	5,113	0	5,113
Reserved for Debt Retirement	0	235,309	235,309
Unreserved; Designated for			
Food Service	1,717	0	1,717
Athletic Activities	6,763	0	6,763
	<hr/>		
Total Fund Balances	13,593	235,309	248,902
	<hr/>		
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,641	\$ 243,296	\$ 262,937
	<hr/> <hr/>		

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

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

YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE FUNDS	DEBT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 93,948	\$ 449,109	\$ 543,057
State Sources	14,295	0	14,295
Federal Sources	151,845	0	151,845
Total Revenues	260,088	449,109	709,197
<u>EXPENDITURES</u>			
Food Service Activities	246,644	0	246,644
Athletic Activities	173,217	0	173,217
Debt Service			
Principal	0	190,000	190,000
Interest	0	293,164	293,164
Paying Agent Dues and Fees	0	2,450	2,450
Taxes Abated and Written Off	0	871	871
Total Expenditures	419,861	486,485	906,346
Excess (Deficiency) of Revenues Over (Under) Expenditures	(159,773)	(37,376)	(197,149)
<u>OTHER FINANCING SOURCES</u>			
Transfers In	158,226	31,384	189,610
Excess of Revenues and Other Sources Over (Under) Expenditures	(1,547)	(5,992)	(7,539)
<u>FUND BALANCE</u> - Beginning of Year	15,140	241,301	256,441
<u>FUND BALANCE</u> - End of Year	\$ 13,593	\$ 235,309	\$ 248,902

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

GENERAL FUND  
COMPARATIVE BALANCE SHEET

JUNE 30,

	2007	2006
<u>ASSETS</u>		
Cash	\$ 585,030	\$ 675,290
Accounts Receivable	27,985	0
Taxes Receivable	1,701	492
Due from Other Funds	10,676	7,143
Due from Other Governmental Units	808,027	929,440
Investments	729,780	1,371,458
Prepaid Expenditures	33,240	0
	<u>\$ 2,196,439</u>	<u>\$ 2,983,823</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 172,444	\$ 241,275
Due to Other Funds	14,638	0
Due to Other Government	0	374
Note Payable	0	500,000
Salaries Payable	348,674	298,445
Deferred Revenue	10,590	51,200
	<u>546,346</u>	<u>1,091,294</u>
<u>FUND BALANCE</u>		
Reserved for Prepaid Expenditures	33,240	0
Unreserved		
Designated for Millie Jones Expenditures	40,499	61,906
Designated for Long Term Liabilities	175,000	175,000
Undesignated	1,401,354	1,655,623
	<u>1,650,093</u>	<u>1,892,529</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,196,439</b>	<b>\$ 2,983,823</b>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 1,263,350	\$ 1,276,775	\$ 1,169,235
State Sources	3,799,342	3,834,577	4,031,830
Federal Sources	655,627	613,178	702,726
Other Transactions	152,413	157,625	327,599
	<hr/>		<hr/>
Total Revenues	5,870,732	5,882,155	6,231,390
<hr/>			
<u>EXPENDITURES</u>			
Instruction			
Basic Programs			
Elementary	1,290,885	1,279,354	1,179,080
High School	1,537,580	1,522,518	1,381,977
Pre-Kindergarten	103,236	100,872	95,601
Summer School	33,559	17,438	0
Added Needs			
Special Education	378,123	372,864	324,354
Compensatory Education	250,827	237,534	270,803
Supporting Services			
Pupil			
Guidance	64,531	59,652	60,332
Other Pupil Services	75,987	73,115	55,263
Instructional Staff			
Improvement of Instruction	230,663	221,903	193,252
Educational Media Services	100,952	100,735	82,694
Academic Student Assessment	1,984	1,984	0
Other Instructional Staff Services	500	155	2,089
General Administration			
Board of Education	63,450	58,841	58,239
Executive Administration	222,287	217,881	199,506
School Administration			
Office of the Principal	399,195	388,598	345,097

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Business			
Fiscal Services	90,455	90,210	63,831
Other Business Services	13,630	13,310	25,439
Operations and Maintenance	510,939	481,397	465,991
Pupil Transportation Services	535,319	528,644	513,749
Support Services Technology	191,047	158,290	155,135
Other Support Services	1,000	1,000	0
Community Activities	8,555	6,090	1,522
Other Transactions	3,746	3,746	29,977
	<hr/>	<hr/>	<hr/>
Total Expenditures	6,108,450	5,936,131	5,503,931
	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under)			
Expenditures	(237,718)	(53,976)	727,459
	<hr/>	<hr/>	<hr/>
<u>OTHER FINANCING SOURCES (USES)</u>			
Sale of Capital Assets	1,000	1,150	2,565
Transfers Out	(199,607)	(189,610)	(180,103)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(198,607)	(188,460)	(177,538)
	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under)			
Expenditures and Other Uses	(436,325)	(242,436)	549,921
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> - Beginning of Year	1,892,529	1,892,529	1,342,608
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 1,456,204	\$ 1,650,093	\$ 1,892,529
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES  
YEAR ENDED JUNE 30,

	2007	2006
<u>LOCAL SOURCES</u>		
Property Tax	\$ 1,167,745	\$ 1,083,000
Other Taxes	550	0
Tuition	9,050	10,682
Earning on Investments and Deposits	51,077	54,140
Other Local Revenues		
Insurance Dividends/Refunds	37,408	13,733
Contributions	2,966	650
Miscellaneous	7,979	7,030
	1,276,775	1,169,235
 <u>STATE SOURCES</u>		
Grants-In-Aid Unrestricted		
State School Aid		
Foundation Allowance	3,494,875	3,698,807
Grants-In-Aid Restricted		
State School Aid		
At Risk Program	129,021	151,195
Special Education	131,378	96,578
Durant	6,050	6,050
Early Childhood	72,600	79,200
Drivers Education	653	0
	3,834,577	4,031,830

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES  
YEAR ENDED JUNE 30,

	2007	2006
<u>FEDERAL SOURCES</u>		
Grants-In-Aid Restricted		
Received Through the State		
Reading First Grant	133,000	124,285
Title I	247,838	300,036
Title VI B Rural Education Achievement Program	19,551	14,612
Title II A Improving Teacher Quality	47,524	75,722
Title V LEA Allocation	4,439	5,921
Title II D Technology Literacy Challenge Fund Grants	5,432	6,094
Comprehensive School Reform Demonstration	95,154	132,672
Drug Free Schools and Communities	14,959	4,261
Homeland Security	0	11,495
Received Through Intermediate School District		
Medicaid Outreach	3,971	3,128
Received Through Family Independence Agency		
Family Preservation and Support	24,485	24,500
Payments in Lieu of Taxes		
Bankhead-Jones Act	16,825	0
	613,178	702,726
Total Federal Sources		
<u>OTHER TRANSACTIONS</u>		
Transfers from Other School Districts		
Intermediate School Districts		
Special Education	94,287	299,258
Transition Grant	0	19,491
Medicaid Caseload Coordination	10,883	347
Other	52,455	8,503
	157,625	327,599
Total Other Transactions		
	5,882,155	6,231,390
Total Revenues		
<u>OTHER FINANCING SOURCES</u>		
Sale of Capital Assets	1,150	2,565
	\$ 5,883,305	\$ 6,233,955
TOTAL REVENUES AND OTHER FINANCING SOURCES		

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>INSTRUCTION</u>		
<u>Basic Programs</u>		
<u>Elementary</u>		
Salaries	\$ 803,708	\$ 683,889
Employee Benefits	400,967	371,468
Purchased Services	9,441	26,172
Supplies and Materials	62,577	97,551
Capital Outlay	2,661	0
Total Elementary	<u>1,279,354</u>	<u>1,179,080</u>
<u>High School</u>		
Salaries	912,351	815,583
Employee Benefits	484,308	441,292
Purchased Services	47,070	37,268
Supplies and Materials	63,804	81,965
Capital Outlay	12,066	3,475
Other Expenses	2,919	2,394
Total High School	<u>1,522,518</u>	<u>1,381,977</u>
<u>Pre-Kindergarten</u>		
Salaries	67,490	57,605
Employee Benefits	29,570	35,602
Purchased Services	1,890	827
Supplies and Materials	1,922	1,567
Total Pre-Kindergarten	<u>100,872</u>	<u>95,601</u>
<u>Summer School</u>		
Salaries	8,908	0
Employee Benefits	1,956	0
Supplies and Materials	6,574	0
Total Summer School	<u>17,438</u>	<u>0</u>
<u>Added Needs</u>		
<u>Special Education</u>		
Salaries	232,479	208,158
Employee Benefits	131,766	112,073
Purchased Services	5,500	1,667
Supplies and Materials	3,119	2,456
Total Special Education	<u>372,864</u>	<u>324,354</u>

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>Compensatory Education</u>		
Salaries	134,306	173,786
Employee Benefits	79,166	84,347
Purchased Services	21,613	11,241
Supplies and Materials	2,449	1,429
Total Compensatory Education	<u>237,534</u>	<u>270,803</u>
<u>SUPPORTING SERVICES</u>		
<u>Pupil</u>		
<u>Guidance Services</u>		
<u>Regular Program</u>		
Salaries	21,487	22,008
Employee Benefits	12,977	12,734
Purchased Services	99	0
Supplies and Materials	632	419
Total Guidance Services-Regular Program	<u>35,195</u>	<u>35,161</u>
<u>Family School</u>		
Salaries	19,200	19,426
Employee Benefits	4,832	4,660
Purchased Services	425	1,085
Total Guidance Services-Family School	<u>24,457</u>	<u>25,171</u>
<u>Other Pupil Services</u>		
Salaries	56,722	43,922
Employee Benefits	14,340	10,221
Supplies and Materials	2,053	1,120
Total Other Pupil Services	<u>73,115</u>	<u>55,263</u>
<u>Instructional Staff</u>		
<u>Improvement of Instruction</u>		
Salaries	83,727	69,073
Employee Benefits	26,585	23,978
Purchased Services	87,516	93,727
Supplies and Materials	8,367	6,474
Other Expenses	15,708	0
Total Improvement of Instruction	<u>221,903</u>	<u>193,252</u>
<u>Educational Media Services</u>		
Salaries	56,852	47,671
Employee Benefits	35,892	27,965
Purchased Services	91	0
Supplies and Materials	7,900	6,558
Capital Outlay	0	500
Total Educational Media Services	<u>100,735</u>	<u>82,694</u>

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>Academic Student Assessment</u>		
Purchased Services	425	0
Supplies and Materials	1,559	0
Total Academic Student Assessment	<u>1,984</u>	<u>0</u>
<u>Other Instructional Staff Services</u>		
Purchased Services	155	0
Supplies and Materials	0	2,089
Total Other Instructional Staff Services	<u>155</u>	<u>2,089</u>
<u>General Administration</u>		
<u>Board of Education</u>		
Purchased Services	54,475	54,457
Supplies and Materials	373	792
Other Expenses	3,993	2,990
Total Board of Education	<u>58,841</u>	<u>58,239</u>
<u>Executive Administration</u>		
Salaries	135,263	128,983
Employee Benefits	65,974	55,696
Purchased Services	4,587	5,810
Supplies and Materials	5,150	4,269
Other Expense	6,907	4,748
Total Executive Administration	<u>217,881</u>	<u>199,506</u>
<u>Office of the Principal</u>		
Salaries	236,263	219,847
Employee Benefits	139,073	117,249
Purchased Services	3,777	2,564
Supplies and Materials	5,321	2,572
Capital Outlay	1,675	550
Other Expenses	2,489	2,315
Total Office of the Principal	<u>388,598</u>	<u>345,097</u>
<u>Business</u>		
<u>Fiscal Services</u>		
Salaries	41,334	35,325
Employee Benefits	26,625	23,629
Purchased Services	4,070	0
Supplies and Materials	3,151	2,408
Capital Outlay	14,100	600
Other Expenses	930	1,869
Total Fiscal Services	<u>90,210</u>	<u>63,831</u>

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>Other Business Services</u>		
Purchased Services	10,863	9,976
Other Expenses	2,447	15,463
Total Other Business Services	<u>13,310</u>	<u>25,439</u>
<u>Operations and Maintenance</u>		
Salaries	124,583	125,530
Employee Benefits	82,733	83,432
Purchased Services	130,506	117,796
Supplies and Materials	143,575	138,684
Capital Outlay	0	549
Total Operation and Maintenance	<u>481,397</u>	<u>465,991</u>
<u>Pupil Transportation Services</u>		
Salaries	192,089	177,820
Employee Benefits	115,026	100,057
Purchased Services	29,794	19,011
Supplies and Materials	102,035	92,589
Capital Outlay	89,700	124,272
Total Pupil Transportation Services	<u>528,644</u>	<u>513,749</u>
<u>Support Services Technology</u>		
Salaries	55,545	43,000
Employee Benefits	29,134	21,294
Purchased Services	15,380	14,232
Supplies and Materials	57,851	43,034
Capital Outlay	380	33,575
Total Support Services Technology	<u>158,290</u>	<u>155,135</u>
<u>Other Support Services</u>		
Other Expense	1,000	0
<u>Community Activities</u>		
Supplies and Materials	6,090	1,522
<u>OTHER TRANSACTIONS</u>		
Prior Period Adjustments	0	24,726
Principal and Interest on Long Term Loans	3,746	5,251
Total Other Transactions	<u>3,746</u>	<u>29,977</u>
Total Expenditures	<u>5,936,131</u>	<u>5,503,931</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>OTHER FINANCING USES</u>		
Transfers Out		
School Service Funds		
Athletic Activities	122,726	124,945
Food Service	35,500	19,066
Capital Projects - 2005 Energy	0	3,438
Debt Fund - 2005 Energy	31,384	32,654
	<hr/>	<hr/>
Total Other Financing Uses	189,610	180,103
	<hr/>	<hr/>
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 6,125,741	\$ 5,684,034
	<hr/> <hr/>	<hr/> <hr/>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

SPECIAL REVENUE (SCHOOL SERVICE) FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2007  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2006

	FOOD SERVICE FUND	ATHLETIC ACTIVITIES FUND	<u>TOTAL</u>	
			2007	2006
<u>ASSETS</u>				
Cash	\$ 7,684	\$ 6,763	\$ 14,447	\$ 17,785
Inventory	5,113	0	5,113	3,897
Investments	81	0	81	78
	<hr/>		<hr/>	
TOTAL ASSETS	<u>\$ 12,878</u>	<u>\$ 6,763</u>	<u>\$ 19,641</u>	<u>\$ 21,760</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 126	\$ 0	\$ 126	\$ 42
Due to Other Funds	5,922	0	5,922	6,578
	<hr/>		<hr/>	
Total Liabilities	<u>6,048</u>	<u>0</u>	<u>6,048</u>	<u>6,620</u>
<u>FUND BALANCE</u>				
Reserved for Inventory	5,113	0	5,113	3,897
Unreserved				
Designated for:				
Food Service and Athletic Activities	1,717	6,763	8,480	11,243
	<hr/>		<hr/>	
Total Fund Balance	<u>6,830</u>	<u>6,763</u>	<u>13,593</u>	<u>15,140</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>				
	<u>\$ 12,878</u>	<u>\$ 6,763</u>	<u>\$ 19,641</u>	<u>\$ 21,760</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

SPECIAL REVENUE (SCHOOL SERVICE) FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2007  
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006

	<u>FOOD SERVICE FUND</u>	<u>ATHLETIC ACTIVITIES FUND</u>	<u>TOTAL</u>	
			<u>2007</u>	<u>2006</u>
<u>REVENUES</u>				
Local Sources	\$ 53,398	\$ 40,550	\$ 93,948	\$ 95,286
State Sources	14,295	0	14,295	11,580
Federal Sources	151,845	0	151,845	145,642
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	219,538	40,550	260,088	252,508
 <u>EXPENDITURES</u>				
Salaries	80,620	84,267	164,887	163,358
Employee Benefits	53,684	20,960	74,644	67,395
Purchased Services	4,005	22,463	26,468	22,363
Supplies and Materials	105,941	17,912	123,853	100,868
Capital Outlay	2,380	4,025	6,405	24,002
Other Expense	14	23,590	23,604	19,032
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	246,644	173,217	419,861	397,018
Excess of Revenues Over (Under) Expenditures	(27,106)	(132,667)	(159,773)	(144,510)
 <u>OTHER FINANCING SOURCES</u>				
Transfers In	35,500	122,726	158,226	144,011
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Revenues and Other Sources Over (Under) Expenditures	8,394	(9,941)	(1,547)	(499)
<u>FUND BALANCE</u> - Beginning of Year - (Deficit)	(1,564)	16,704	15,140	15,639
	<hr/>	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 6,830	\$ 6,763	\$ 13,593	\$ 15,140
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

FOOD SERVICE FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 7,684	\$ 1,081
Inventory		
Food	5,113	3,897
Investments	81	78
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 12,878</u>	<u>\$ 5,056</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 126	\$ 42
Due to Other Funds	5,922	6,578
	<hr/>	<hr/>
Total Liabilities	<u>6,048</u>	<u>6,620</u>
<u>FUND BALANCE</u>		
Reserved for Inventory	5,113	3,897
Unreserved		
Designated for Food Service - (Deficit)	1,717	(5,461)
	<hr/>	<hr/>
Total Fund Balance - (Deficit)	<u>6,830</u>	<u>(1,564)</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 12,878</u>	<u>\$ 5,056</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

FOOD SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources			
Earnings on Investments and Deposits	\$ 40	\$ 16	\$ 41
Food Sales	55,300	53,325	50,580
Miscellaneous	100	57	102
State Sources			
State Aid	8,366	14,295	11,580
Federal Sources			
Federal Aid	135,240	136,560	125,209
U.S.D.A. Commodities	15,285	15,285	20,433
Total Revenues	<u>214,331</u>	<u>219,538</u>	<u>207,945</u>
<u>EXPENDITURES</u>			
Salaries	80,000	80,620	76,506
Employee Benefits	53,273	53,684	46,776
Purchased Services	4,220	4,005	3,617
Supplies and Materials	105,650	105,941	91,435
Capital Outlay	2,550	2,380	18,805
Other Expenses	100	14	955
Total Expenditures	<u>245,793</u>	<u>246,644</u>	<u>238,094</u>
Excess of Revenues Over (Under) Expenditures	(31,462)	(27,106)	(30,149)
<u>OTHER FINANCING SOURCES</u>			
Transfers In - General Fund	34,000	35,500	19,066
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	2,538	8,394	(11,083)
<u>FUND BALANCE</u> - Beginning of Year - (Deficit)	<u>(1,564)</u>	<u>(1,564)</u>	<u>9,519</u>
<u>FUND BALANCE</u> - End of Year - (Deficit)	<u>\$ 974</u>	<u>\$ 6,830</u>	<u>\$ (1,564)</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
ATHLETIC ACTIVITIES FUND  
COMPARATIVE BALANCE SHEET  
JUNE 30,

	2007	2006
<u>ASSETS</u>		
Cash	\$ 6,763	\$ 16,704
	\$ 6,763	\$ 16,704
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unreserved		
Designated for Athletic Activities	6,763	16,704
	6,763	16,704
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 6,763</b>	<b>\$ 16,704</b>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

ATHLETIC ACTIVITIES FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	2007		2006
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Local Sources			
Admissions	\$ 25,000	\$ 24,483	\$ 20,511
Tournaments	8,500	13,163	6,964
Training Camps	0	0	1,633
Donations	50	70	428
Sales	1,400	1,393	3,025
Programs	0	0	37
Pay to Participate	0	0	6,700
Miscellaneous	680	1,441	5,265
Total Revenues	<u>35,630</u>	<u>40,550</u>	<u>44,563</u>
<u>EXPENDITURES</u>			
Salaries	84,412	84,267	86,852
Employee Benefits	21,433	20,960	20,619
Purchased Services	23,764	22,463	18,746
Supplies and Materials	17,890	17,912	9,433
Capital Outlay	5,000	4,025	5,197
Other Expense	15,550	23,590	18,077
Total Expenditures	<u>168,049</u>	<u>173,217</u>	<u>158,924</u>
Excess of Revenues Over (Under) Expenditures	(132,419)	(132,667)	(114,361)
<u>OTHER FINANCING SOURCES</u>			
Transfers In - General Fund	<u>134,223</u>	<u>122,726</u>	<u>124,945</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,804	(9,941)	10,584
<u>FUND BALANCE</u> - Beginning of Year	<u>16,704</u>	<u>16,704</u>	<u>6,120</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 18,508</u>	<u>\$ 6,763</u>	<u>\$ 16,704</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

DEBT RETIREMENT FUNDS

COMBINING BALANCE SHEET  
JUNE 30,

	<u>BOND ISSUE OF</u>					<u>TOTALS</u>	
	<u>2000</u>	<u>2000</u> <u>REFUNDING</u>	<u>2005</u> <u>ENERGY</u>	<u>2006</u>	<u>2006</u> <u>REFUNDING</u>	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>							
Cash	\$ 34,015	\$ 90,189	\$ 55	\$ 53,869	\$ 40,821	\$ 218,949	\$ 241,240
Taxes Receivable	234	703	0	513	272	1,722	626
Due from Other Funds	10,020	6,100	0	4,065	2,440	22,625	0
TOTAL ASSETS	<u>\$ 44,269</u>	<u>\$ 96,992</u>	<u>\$ 55</u>	<u>\$ 58,447</u>	<u>\$ 43,533</u>	<u>\$ 243,296</u>	<u>\$ 241,866</u>
 <u>LIABILITIES</u>							
Due to Other Funds	\$ 0	\$ 7,987	\$ 0	\$ 0	\$ 0	\$ 7,987	\$ 565
 <u>FUND BALANCE</u>							
Reserved for Debt Retirement	44,269	89,005	55	58,447	43,533	235,309	241,301
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 44,269</u>	<u>\$ 96,992</u>	<u>\$ 55</u>	<u>\$ 58,447</u>	<u>\$ 43,533</u>	<u>\$ 243,296</u>	<u>\$ 241,866</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

DEBT RETIREMENT FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2007  
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006

	<u>BOND ISSUE OF</u>					<u>TOTALS</u>	
	<u>2000</u>	<u>2000</u> <u>REFUNDING</u>	<u>2005</u> <u>ENERGY</u>	<u>2006</u>	<u>2006</u> <u>REFUNDING</u>	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>							
Local Sources							
Property Tax Levy	\$ 61,748	\$ 185,148	\$ 0	\$ 123,383	\$ 74,061	\$ 444,340	\$ 301,561
Earnings on Investments and Deposits	1,141	1,402	0	1,645	581	4,769	1,982
State Sources							
State Aid Restricted							
Nonplaintiff Durant Debt Service	0	0	0	0	0	0	4,248
 Total Revenues	 62,889	 186,550	 0	 125,028	 74,642	 449,109	 307,791
<u>EXPENDITURES</u>							
Redemption of Bonds	40,000	105,000	15,000	20,000	10,000	190,000	150,000
Interest on Debt	11,180	79,095	16,384	119,532	66,973	293,164	153,774
Paying Agent Dues and Fees	621	1,198	0	200	431	2,450	1,150
Bond Issuance Costs	0	0	0	0	0	0	28,709
Taxes Abated and Written Off	141	415	0	130	185	871	0
 Total Expenditures	 51,942	 185,708	 31,384	 139,862	 77,589	 486,485	 333,633
 Excess of Revenues Over (Under) Expenditures	 10,947	 842	 (31,384)	 (14,834)	 (2,947)	 (37,376)	 (25,842)

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

DEBT RETIREMENT FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2007  
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006

	BOND ISSUE OF					TOTALS	
	2000	2000 REFUNDING	2005 ENERGY	2006	2006 REFUNDING	2007	2006
<u>OTHER FINANCING SOURCES (USES)</u>							
Debt Issuance	0	0	0	0	0	0	1,410,000
Bond Discount	0	0	0	0	0	0	(14,100)
Payment to Bond Refunding Escrow Agent	0	0	0	0	0	0	(1,408,691)
Transfers In	0	0	31,384	0	0	31,384	104,899
Total Other Financing Sources (Uses)	0	0	31,384	0	0	31,384	92,108
Net Change in Fund Balance	10,947	842	0	(14,834)	(2,947)	(5,992)	66,266
<u>FUND BALANCE</u> - Beginning of Year	33,322	88,163	55	73,281	46,480	241,301	175,035
<u>FUND BALANCE</u> - End of Year	\$ 44,269	\$ 89,005	\$ 55	\$ 58,447	\$ 43,533	\$ 235,309	\$ 241,301

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

2006 CAPITAL PROJECTS FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Interest Receivable	\$ 0	\$ 28,688
Investment	290,082	2,094,273
TOTAL ASSETS	<u>\$ 290,082</u>	<u>\$ 2,122,961</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 456,127
Due to Other Funds	4,754	0
Retainage Payable	17,269	41,515
Total Liabilities	22,023	497,642
<u>FUND BALANCE</u>		
Reserved for Capital Projects	268,059	1,625,319
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 290,082</u>	<u>\$ 2,122,961</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

2006 CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2007

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2006

	2007	2006
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$ 39,093	\$ 41,755
<u>EXPENDITURES</u>		
Professional and Technical Services	1,396,353	224,138
Buildings and Improvements	0	468,718
Bond Issuance Costs	0	32,120
TOTAL EXPENDITURES	1,396,353	724,976
Excess of Revenues Over (Under) Expenditures	(1,357,260)	(683,221)
<u>OTHER FINANCING SOURCES (USES)</u>		
Bond Issuance	0	2,365,000
Bond Discount	0	(21,680)
Transfers In (Out)	0	(68,807)
Total Other Financing Sources (Uses)	0	2,274,513
Net Change in Fund Balance	(1,357,260)	1,591,292
<u>FUND BALANCE</u> - Beginning of Year	1,625,319	34,027
<u>FUND BALANCE</u> - End of Year	\$ 268,059	\$1,625,319

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

FIDUCIARY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

WITH COMPARATIVE TOTALS FOR JUNE 30, 2006

	PRIVATE PURPOSE TRUST FUNDS						TOTALS	
	B. DEE DEE		DORALD L.		MILLIE	JENNIE P.		
	MANCHA-HAMMAR	WHITE-HELFRICH	SCHOLARSHIP	SCHOLARSHIP	JONES	OPPER		
	MEMORIAL	LOAN FUND	TRUST	TRUST	TRUST	LOAN FUND	2007	2006
<u>ASSETS</u>								
Cash	\$ 10	\$ 70,920	\$ 586	\$ 19,786	\$ 279	\$ 91,581	\$ 56,845	
Interest Receivable	0	8,039	0	0	777	8,816	12,732	
Scholarship Loans	0	46,433	0	0	15,960	62,393	80,860	
Investments	1,837	58,656	9,352	0	90,346	160,191	161,025	
<b>TOTAL ASSETS</b>	<b>\$ 1,847</b>	<b>\$ 184,048</b>	<b>\$ 9,938</b>	<b>\$ 19,786</b>	<b>\$ 107,362</b>	<b>\$ 322,981</b>	<b>\$ 311,462</b>	
<u>LIABILITIES AND NET ASSETS</u>								
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
<u>NET ASSETS</u>								
Reserved for								
Endowments	0	0	9,938	19,786	0	29,724	28,589	
Student Loans	0	184,048	0	0	107,362	291,410	280,152	
Student Scholarships	1,847	0	0	0	0	1,847	2,721	
<b>Total Net Assets</b>	<b>1,847</b>	<b>184,048</b>	<b>9,938</b>	<b>19,786</b>	<b>107,362</b>	<b>322,981</b>	<b>311,462</b>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,847</b>	<b>\$ 184,048</b>	<b>\$ 9,938</b>	<b>\$ 19,786</b>	<b>\$ 107,362</b>	<b>\$ 322,981</b>	<b>\$ 311,462</b>	

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

YEAR ENDED JUNE 30, 2007

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006

	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	2007	2006
<u>ADDITIONS</u>							
Earnings on Investments and Deposits	\$ 126	\$ 6,790	\$ 457	\$ 678	\$ 4,984	\$ 13,035	\$ 11,127
<u>DEDUCTIONS</u>							
Scholarships	1,000	0	0	0	0	1,000	1,158
Bank Charges	0	324	0	0	192	516	380
Total Deductions	1,000	324	0	0	192	1,516	1,538
Changes in Net Assets	(874)	6,466	457	678	4,792	11,519	9,589
<u>NET ASSETS - Beginning of Year</u>	2,721	177,582	9,481	19,108	102,570	311,462	301,873
<u>NET ASSETS - End of Year</u>	\$ 1,847	\$ 184,048	\$ 9,938	\$ 19,786	\$ 107,362	\$ 322,981	\$ 311,462

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2007

	BALANCE 7/1/2006	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2007
<u>Elementary and Administrative</u>				
Band Resale-Elementary	\$ 58	\$ 82	\$ 137	\$ 3
Book Store	1,660	0	0	1,660
Elementary Book Fair	17	1,486	1,446	57
Elementary Paper and Administrative	10,006	21,205	22,854	8,357
Elementary Pop Account	759	907	1,192	474
Family School Coordinator	19	0	0	19
Interest Account	24,340	1,274	8,989	16,625
Interest and Service Charges	161	123	96	188
Osceola Community Foundation	39	6,517	3,344	3,212
Pencil and Paper	391	29	6	414
Ralph McCrimmon Library Donations	1,857	0	1,857	0
Total Elementary and Administrative	39,307	31,623	39,921	31,009
<u>High School</u>				
Art	0	21	0	21
Band and Choir	787	6,773	6,586	974
Band Resale-High School	0	233	233	0
Class of 2006	48	0	48	0
Class of 2007	12,262	18,440	30,638	64
Class of 2008	3,293	11,316	2,665	11,944
Class of 2009	979	4,895	5,301	573
Class of 2010	0	3,602	1,872	1,730
Energy Grant	200	0	200	0
Lowe's Grant	0	5,000	4,298	702
Miscellaneous Account	157	2,506	2,610	53
Shop	1,973	2,712	5,114	(429)
Spanish Club	181	3,954	4,055	80
Stuco	3,327	11,671	11,622	3,376
Student Activities	2,727	10,243	11,955	1,015
Students Against Drunk Driving	(184)	400	0	216
Varsity and Junior Varsity Boy's Basketball	(49)	404	12	343
Varsity and Junior Varsity Football	908	2,363	3,126	145
Varsity and Junior Varsity Girls' Basketball	179	628	807	0
Varsity and Junior Varsity Baseball	0	280	263	17

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2007

	BALANCE	RECEIPTS	DISBURSEMENTS	BALANCE
	7/1/2006	(Including Transfers)		6/30/2007
Varsity and Junior Varsity Softball	130	836	892	74
Varsity and Junior Varsity Volleyball	120	273	356	37
Varsity Cheerleaders	1,198	2,871	3,707	362
Yearbook	3,908	4,091	12,381	(4,382)
Donations	32	275	285	22
Total High School	32,176	93,787	109,026	16,937
Total Elementary, Administrative and High School	\$ 71,483	\$ 125,410	\$ 148,947	\$ 47,946
Represented By				
Assets				
Elementary and Administrative				
Cash	\$ 27,899			\$ 19,015
Investments	11,408			11,994
Total Elementary and Administrative	39,307			31,009
High School				
Cash	32,176			16,937
TOTAL ASSETS	\$ 71,483			\$ 47,946
Liabilities				
Due to Groups and Organizations	\$ 71,483			\$ 47,946

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
1998 BOND ISSUE - DURANT SETTLEMENT

JUNE 30, 2007

<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	0
	<u>21,848</u>
<u>BALANCE OUTSTANDING - June 30, 2007</u>	<u>\$ 38,649</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 15, 2008	3.858 %	\$ 0	\$ 0	\$ 0
May 15, 2009	3.858 %	0	4,248	4,248
May 15, 2010	3.858 %	26,828	1,715	28,543
May 15, 2011	3.858 %	3,792	456	4,248
May 15, 2012	3.858 %	3,938	310	4,248
May 15, 2013	3.858 %	4,091	158	4,249
		<u>\$ 38,649</u>	<u>\$ 6,887</u>	<u>\$ 45,536</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 BOND

JUNE 30, 2007

<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		\$ 130,000	
During Current Year		40,000	170,000
<u>BALANCE OUTSTANDING - June 30, 2007</u>			\$ 180,000

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2007			4,590	4,590
May 1, 2008	5.100 %	50,000	4,590	54,590
November 1, 2008			3,315	3,315
May 1, 2009	5.100 %	60,000	3,315	63,315
November 1, 2009			1,785	1,785
May 1, 2010	5.100 %	70,000	1,785	71,785
		\$ 180,000	\$ 19,380	\$ 199,380

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2000 SCHOOL BUILDING AND SITE BOND

JUNE 30, 2007

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 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, 2007

<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		\$ 370,000	
During Current Year		105,000	475,000
<u>BALANCE OUTSTANDING - June 30, 2007</u>			<u>\$ 1,440,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2007			37,054	37,054
May 1, 2008	4.750 %	105,000	37,054	142,054
November 1, 2008			34,560	34,560
May 1, 2009	4.750 %	105,000	34,560	139,560
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

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2000 REFUNDING BONDS

JUNE 30, 2007

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
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>\$1,440,000</u>	<u>\$ 565,145</u>	<u>\$ 2,005,145</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, 2007

<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		\$ 15,000	
During Current Year		<u>15,000</u>	<u>30,000</u>
<u>BALANCE OUTSTANDING - June 30, 2007</u>			<u><u>\$ 345,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2007			7,914	7,914
May 1, 2008	3.875 %	20,000	7,914	27,914
November 1, 2008			7,527	7,527
May 1, 2009	4.000 %	20,000	7,527	27,527
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

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2005 ENERGY CONSERVATION IMPROVEMENT BONDS

JUNE 30, 2007

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2014			4,592	4,592
May 1, 2015	4.600 %	25,000	4,592	29,592
November 1, 2015			4,017	4,017
May 1, 2016	4.750 %	30,000	4,017	34,017
November 1, 2016			3,304	3,304
May 1, 2017	4.850 %	30,000	3,304	33,304
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>\$ 345,000</u>	<u>\$ 127,056</u>	<u>\$ 472,056</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, 2007

<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	\$	0	
Amount Redeemed During Current Year		20,000	20,000
<u>BALANCE OUTSTANDING</u> - June 30, 2007		\$	2,345,000

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2007			46,897	46,897
May 1, 2008	3.900 %	25,000	46,897	71,897
November 1, 2008			46,410	46,410
May 1, 2009	3.900 %	30,000	46,410	76,410
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

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2006 SCHOOL BUILDING AND SITE BONDS

JUNE 30, 2007

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 1, 2015	3.900 %	35,000	42,510	77,510
November 1, 2015			41,828	41,828
May 1, 2016	3.900 %	40,000	41,828	81,828
November 1, 2016			41,048	41,048
May 1, 2017	3.900 %	45,000	41,048	86,048
November 1, 2017			40,170	40,170
May 1, 2018	3.900 %	50,000	40,170	90,170
November 1, 2018			39,195	39,195
May 1, 2019	3.900 %	60,000	39,195	99,195
November 1, 2019			38,025	38,025
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>\$ 2,345,000</u>	<u>\$ 1,349,845</u>	<u>\$ 3,694,845</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.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2006 SCHOOL BUILDING AND SITE BONDS

JUNE 30, 2007

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, 2007

<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	\$	0	
Amount Redeemed During Current Year		<u>10,000</u>	<u>10,000</u>
<u>BALANCE OUTSTANDING - June 30, 2007</u>			<u>\$ 1,400,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2007			26,332	26,332
May 1, 2008	3.300 %	15,000	26,332	41,332
November 1, 2008			26,085	26,085
May 1, 2009	3.350 %	15,000	26,085	41,085
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

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2006 REFUNDING BONDS

JUNE 30, 2007

<u>DUE DATES</u>	<u>INTEREST</u> <u>RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 1, 2016	3.800 %	145,000	15,700	160,700
November 1, 2016			12,945	12,945
May 1, 2017	3.800 %	155,000	12,945	167,945
November 1, 2017			10,000	10,000
May 1, 2018	4.000 %	165,000	10,000	175,000
November 1, 2018			6,700	6,700
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>\$ 1,400,000</u>	<u>\$ 474,530</u>	<u>\$ 1,874,530</u>

DENOMINATIONS

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

REDEMPTIONS PRIOR TO MATURITY

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

TAX LEVY FOR RETIREMENT OF BONDS

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

**MARION PUBLIC SCHOOLS**

**MARION, MICHIGAN**

**SINGLE AUDIT**

**JUNE 30, 2007**

*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

SINGLE AUDIT  
YEAR ENDED JUNE 30, 2007

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

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August 13, 2007

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education  
Marion Public Schools  
Marion, Michigan

### COMPLIANCE

We have audited the compliance of Marion Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Marion Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Marion Public Schools' management. Our responsibility is to express an opinion on Marion Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marion Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marion Public Schools' compliance with those requirements.

In our opinion, Marion Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

### INTERNAL CONTROL OVER COMPLIANCE

The management of Marion Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Marion Public Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that noncompliance with a type of compliance requirement of a federal program is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marion Public Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated August 13, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Marion Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is 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.

This report is intended solely for the information and use of the Board of Education, management, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

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

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2007	ADJUSTMENTS
<b>U.S. Department of Education</b>								
Passed Through Michigan Department of Education (M.D.E.)								
Title I Grants to Local Education Agencies								
Project No. 071530-0607	84.010	\$ 255,132	\$ 0	\$ 0	\$ 246,664	\$ 194,441	\$ 52,223	\$ 0
Project No. 061530-0607	84.010	1,174	0	0	1,174	0	1,174	0
Project No. 061530-0506	84.010	283,896	73,348	282,722	0	73,348	0	0
Total	84.010	\$ 540,202	\$ 73,348	\$ 282,722	\$ 247,838	\$ 267,789	\$ 53,397	\$ 0
Drug Free Schools and Communities								
Project No. 072860-0607	84.186	\$ 5,485	\$ 0	\$ 0	\$ 3,519	\$ 0	\$ 3,519	\$ 0
Project No. 062860-0607	84.186	11,440	0	0	11,440	0	11,440	0
Project No. 052860-0506	84.186	3,673	101	3,673	0	101	0	0
Project No. 062860-0506	84.186	588	588	588	0	588	0	0
Total	84.186	\$ 21,186	\$ 689	\$ 4,261	\$ 14,959	\$ 689	\$ 14,959	\$ 0
Title V LEA Allocation								
Project No. 070250-0607	84.298	\$ 2,344	\$ 0	\$ 0	\$ 1,307	\$ 0	\$ 1,307	\$ 0
Project No. 060250-0607	84.298	3,742	0	0	3,742	0	3,742	0
Project No. 050250-0506	84.298	4,720	2,105	3,720	(610)	1,495	0	0
Project No. 060250-0506	84.298	5,944	43	2,201	0	43	0	0
Total	84.298	\$ 16,750	\$ 2,148	\$ 5,921	\$ 4,439	\$ 1,538	\$ 5,049	\$ 0
Title II D Technology Literacy Challenge Grants								
Project No. 074290-0607	84.318	\$ 2,619	\$ 0	\$ 0	\$ 2,309	\$ 880	\$ 1,429	\$ 0
Project No. 064290-0607	84.318	3,123	0	0	3,123	0	3,123	0
Project No. 054290-0506	84.318	4,807	2,949	3,922	0	2,949	0	0
Project No. 064290-0506	84.318	5,296	1,446	2,172	0	1,446	0	0
Total	84.318	\$ 15,845	\$ 4,395	\$ 6,094	\$ 5,432	\$ 5,275	\$ 4,552	\$ 0
Comprehensive School Reform Demonstration								
Project No. 041880-0405	84.332	\$ 101,595	\$ (240)	\$ 101,355	\$ 240	\$ 0	\$ 0	\$ 0
Project No. 061870-0607	84.332	104,000	0	0	93,984	90,515	3,469	0
Project No. 051870-0506	84.332	68,687	957	58,705	930	1,887	0	0
Total	84.332	\$ 274,282	\$ 717	\$ 160,060	\$ 95,154	\$ 92,402	\$ 3,469	\$ 0
Reading First State Grants								
Project No. 052930-050601	84.357	\$ 124,500	\$ 28,957	\$ 124,285	\$ 0	\$ 28,957	\$ 0	\$ 0
Project No. 072930-0607	84.357	133,000	0	0	133,000	88,730	44,270	0
Total	84.357	\$ 257,500	\$ 28,957	\$ 124,285	\$ 133,000	\$ 117,687	\$ 44,270	\$ 0
Title VI B Rural and Low Income Schools								
Project No. 060660-0607	84.358B	\$ 4,240	\$ 0	\$ 0	\$ 4,206	\$ 0	\$ 4,206	\$ 0
Project No. 050660-0506	84.358B	11,846	5,853	11,846	0	5,853	0	0
Project No. 060660-0506	84.358B	22,351	165	2,766	15,345	15,510	0	0
Total	84.358B	\$ 38,437	\$ 6,018	\$ 14,612	\$ 19,551	\$ 21,363	\$ 4,206	\$ 0

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2007	ADJUSTMENTS
Title II A Improving Teacher Quality								
Project No. 070520-0607	84.367	\$ 59,554	\$ 0	\$ 0	\$ 47,524	\$ 35,521	\$ 12,003	\$ 0
Project No. 050520-0506	84.367	8,068	3,105	8,068	0	3,105	0	0
Project No. 060520-0506	84.367	67,654	19,101	67,654	0	19,101	0	0
Total	84.367	\$ 135,276	\$ 22,206	\$ 75,722	\$ 47,524	\$ 57,727	\$ 12,003	\$ 0
<b>Total U.S. Department of Education</b>		\$ 1,299,478	\$ 138,478	\$ 673,677	\$ 567,897	\$ 564,470	\$ 141,905	\$ 0
<b>U.S. Department of Health and Human Services</b>								
Passed Through Michigan Family Independence Agency								
Family Preservation and Support Services								
Project No. SFSC-04-67002-3	93.556	\$ 24,500	\$ 9,671	\$ 24,500	\$ 0	\$ 9,671	\$ 0	\$ 0
Project No. SFSC-04-67002-4	93.556	24,485	0	0	24,485	0	24,485	0
Total	93.556	\$ 48,985	\$ 9,671	\$ 24,500	\$ 24,485	\$ 9,671	\$ 24,485	\$ 0
Passed Through Wexford-Missaukee Intermediate School District (I.S.D.)								
Medicaid Outreach								
Project No. None	93.778	\$ 3,971	\$ 0	\$ 0	\$ 3,971	\$ 3,971	\$ 0	\$ 0
<b>Total U.S. Department of Health and Human Services</b>		\$ 52,956	\$ 9,671	\$ 24,500	\$ 28,456	\$ 13,642	\$ 24,485	\$ 0
<b>U.S. Department of Agriculture</b>								
Passed Through Michigan Department of Education (M.D.E.)								
Child Nutrition Cluster								
National School Lunch								
Section 4 - Total Servings - 061950 and 071950	10.555	\$ 17,066	\$ 0	\$ 0	\$ 17,066	\$ 17,066	\$ 0	\$ 0
Section 11 - Total Servings - 061960 and 071960	10.555	92,131	0	0	92,131	92,131	0	0
Total	10.555	\$ 109,197	\$ 0	\$ 0	\$ 109,197	\$ 109,197	\$ 0	\$ 0
National School Lunch Breakfast Program 061970 and 071970	10.553	\$ 27,363	\$ 0	\$ 0	\$ 27,363	\$ 27,363	\$ 0	\$ 0
Total Child Nutrition Cluster		\$ 136,560	\$ 0	\$ 0	\$ 136,560	\$ 136,560	\$ 0	\$ 0
Food Distribution								
Entitlement Commodities	10.550	\$ 15,124	\$ 0	\$ 0	\$ 15,124	\$ 15,124	\$ 0	\$ 0
Bonus Commodities	10.550	161	0	0	161	161	0	0
Total	10.550	\$ 15,285	\$ 0	\$ 0	\$ 15,285	\$ 15,285	\$ 0	\$ 0
Passed Through Clare County								
Schools and Roads								
National Forest Land	10.665	\$ 16,825	\$ 0	\$ 0	\$ 16,825	\$ 16,825	\$ 0	\$ 0
<b>Total U.S. Department of Agriculture</b>		\$ 168,670	\$ 0	\$ 0	\$ 168,670	\$ 168,670	\$ 0	\$ 0
Total Federal Financial Assistance		\$ 1,521,104	\$ 148,149	\$ 698,177	\$ 765,023	\$ 746,782	\$ 166,390	\$ 0
					(C)	(B)		

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(A) Significant Accounting Policies Used in Preparing Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting and presents transactions in the same manner as reflected in the basic financial statements of the school district. The significant accounting policies used are described in footnote (1) to the June 30, 2007 basic financial statements.

(B) Reconciliation of Grant Section Auditor's Report with Schedule of Expenditures of Federal Awards

Management has utilized the Cash Management System (CMS) Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

Current Cash Payments per Cash Management System (CMS)		\$783,538
Add Items Not on CMS Report:		
Amount Received as Pass Through from:		
Family Independence Agency		
Family Preservation and Support	\$ 9,671	
Clare County, Schools and Roads, National Forest Land	16,825	
Amounts Received Through Intermediate School District		
Medicaid Outreach	3,971	
Amounts Received as Payments in Kind		
Food Distribution Program		
Entitlement Commodities	15,124	
Bonus Commodities	161	45,752
Amounts reported on 06/30/07 R7120 Grant Section Auditors		
Report not recorded on CMS Grant Auditor Report		
Drug Free Schools and Communities	\$ 101	
Title V 050250-0506	1,494	
Title II D 054290-0506	2,949	
Comprehensive School Reform Demonstration	1,887	
Reading First State Grants	28,957	
Title VI 050660-0506	5,853	
Title II A 050520-0506	3,105	
Child Nutrition Cluster		
National School Lunch Program	109,197	
National School Breakfast Program	27,363	180,906

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Reconciliation of errors on new CMS Report		
Title I 061530-0506	\$ (209,374)	
Title V 060250-0506	(2,158)	
Title II D 064290-0506	(727)	
Title VI 060660-0506	(2,601)	
Title II A 060520-0506	<u>(48,554)</u>	<u>(263,414)</u>
 Current Year Receipts (Cash Basis) per Schedule of Expenditures of Federal Awards		 <u><u>\$ 746,782</u></u>

(C) Reconciliation of Revenues with Expenditures for Federal Financial Assistance Programs

Revenues from Federal Sources - Per Basic Financial Statements (Page 5)	\$ <u><u>765,023</u></u>
Federal Expenditures per Schedule of Expenditures of Federal Awards	\$ <u><u>765,023</u></u>

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

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August 13, 2007

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education  
Marion Public Schools  
Marion, Michigan

We have audited the financial statements of Marion Public Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated August 13, 2007. 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.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Marion Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marion Public School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Marion Public School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the district's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the district's financial statements that is more than inconsequential will not be prevented or detected by the district's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (Item B) to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the district's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described in Item B is a material weakness

#### COMPLIANCE AND OTHER MATTERS

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

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Marion Public School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, others within the district, and federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

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

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Finding 2006-1 (from the 2005/2006 fiscal year)

The District has a limited number of people involved in the accounting function due to financial constraints in allocating resources to this activity. This condition hampers the ability of the District to adequately segregate duties to enhance internal control.

The District is aware of this limitation and continues to explore cost effective measures to improve this internal control limitation.

This finding is repeated for the current fiscal year.

Finding 2006-2 (from the 2005/2006 fiscal year)

The District did not comply with OMB Circular A-87 regarding federal timekeeping requirements.

The District is aware of this noncompliance.

This finding is repeated for the current fiscal year.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**A. Summary of Auditor's Results**

*Financial Statements*

Type of auditors' report issued:	Unqualified	
Significant deficiencies identified:	<u>    X    </u> Yes	<u>        </u> No
Significant deficiencies identified as material weakness(es)?	<u>    X    </u> Yes	<u>        </u> No
Noncompliance material to financial statements noted?	<u>        </u> Yes	<u>    X    </u> No

*Federal Awards*

Internal control over major programs:		
Significant deficiencies identified:	<u>    X    </u> Yes	<u>        </u> No
Significant deficiencies identified as material weakness(es)?	<u>    X    </u> Yes	<u>        </u> No
Type of auditors' report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133?	<u>    X    </u> Yes	<u>        </u> No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I - Improving Basic Programs
84.357	Reading First State Grants
10.550	Food Distribution

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<u>        </u> Yes <u>    X    </u> No

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**B. Findings - Basic Financial Statements Audit**

The relatively small number of people involved in the accounting functions of the District make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not financially practical for the Board to establish a larger accounting staff in order to implement proper segregation of duties.

A material weakness is a significant deficiency in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. The significant deficiency noted above was also considered to be a material weakness.

**C. Findings and Questioned Costs – Major Federal Award Programs Audit**

QUESTIONED  
COSTS

N/A

2007-1 U.S. DEPARTMENT OF EDUCATION

Title I Program – CFDA No. 84.010  
Reading First State Grants – CFDA No. 84.357  
Passed Through Michigan Department of Education  
Project No. – All Projects  
Grant Period July 1, 2006 to June 30, 2007

Statement of Condition:

The relatively small number of people involved in the accounting functions of the District make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not financially practical for the Board to establish a larger accounting staff in order to implement proper segregation of duties. This significant deficiency was considered to be a material weakness.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

QUESTIONED  
COSTS

Criteria:

In an effort to utilize federal funds, expenditures to adequately segregate duties are not considered priority expenditure. Alternate means of internal control (budgets, grant reporting and management oversight) are considered to be an adequate substitute for segregation of duties in the overall internal control relative to federal program expenditures.

Effect:

Internal control limitation, but, as noted above, alternative procedures appear to provide an adequate replacement.

Cause:

Limited funds available.

Auditor Recommendation:

Additional staff assigned to the fiscal services department if funding for that position becomes available.

District Response:

Procedures for improvement will continue to be examined and, if practical, implemented.

2007-2 U.S. DEPARTMENT OF EDUCATION

N/A

Title 1 – CFDA No. 84.010  
Reading First State Grants – CFDA No. 84.357  
Passed Through Michigan Department of Education  
Project No. – All Projects  
Grant Period July 1, 2006 to June 30, 2007

Statement of Condition:

The District did not comply with OMB Circular A-87 regarding federal timekeeping requirements.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Criteria:

“Time/salaries spent working on federal programs must be documented for co-funded and 100% funded staff in compliance with OMB Circular A-87, Attachment B, Item 8h. Acceptable methods for co-funded staff include written schedules if they are documented by personnel activity reports (PARs) confirming that the schedules were followed (e.g., directors, secretaries, counselors). The PARs must be prepared at least monthly, be signed and dated by the employee, and account for the staff person’s total activity. Time sheets and other records should be completed after-the-fact. Employees should never guess the amount of hours they will spend on federal programs before work is actually performed.”

“Instructional staff may use their lesson plans to confirm that their written schedules were followed if: (1) after-the-fact notes are made on those plans to indicate the completion of each scheduled activity; (2) the lesson plans account for the total time the employee is compensated; (3) the lesson plans are prepared at least monthly and coincide with one or more pay periods; and (4) the completed lesson plans are signed by the employee. If a district elects to use this method, it must retain the lesson plans as timekeeping records.”

“Para professionals may use their regular time sheets as long as they; a) reflect an after the fact distribution of their actual activity, (b) account for the total activity for which they are compensated, showing the hours or percentages for the programs they worked on, (c) are prepared at least monthly and coincide with one or more pay periods, and (d) are signed by the employee.”

“OMB Circular A-87 requires that when employees are expected to work solely on a single federal award or cost objective, charges for their salaries will be supported by periodic certifications that the employees worked solely on that program for the semi-annual period covered by the certification. These certifications must be prepared at least semi-annually and be signed by the employee or a supervisor with first-hand knowledge of the work performed by the employee. If a supervisor has first-hand knowledge of work performed by several employees each working on a single cost objective, the supervisor can use a blanket certification that lists all of the employees, the program that they worked on and the period covered. One supervisory signature would be adequate.”

Effect:

Without the required certifications and timekeeping support, the District has increased the risk that federal funds may be expended on non-federal expenditures. We however, did not note any unallowable expenditures of this type occurring.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Cause:

The District was not persistent enough with employees to get timekeeping documentation. 100% certifications were not signed until the District's federal grants were approved which was after the second semester had started.

Auditor Recommendation:

The District should obtain the required certifications set forth by OMB Circular A-87.

District Response:

The District will immediately begin to comply with this requirement.

# Marion Public Schools

## ADMINISTRATION

**Charles H. Chase**  
Superintendent

**Diana Salisbury**  
Personnel Director

**Katrina Bontekoe**  
Finance Director

**Larry Johnson**  
High School Principal

**Danyel Prielipp**  
Athletic Director

**Greg Mikulich**  
Elementary Principal

**Mike Hodges**  
Technology Director

**Brad Sikkema**  
Transportation Director

## BOARD OF EDUCATION

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Trustee

Corrective Action Plan

For findings related to the June 30, 2007 year end.

2007-1

Inadequate segregation of duties.

In an effort to utilize federal funds, expenditures to adequately segregate duties are not considered a priority expenditure. Alternative means of internal control (budgets, grant reporting and management oversight) are considered to be an adequate substitute for segregation of duties in the overall internal control relative to federal program expenditures. Procedures for improvement will continue to be examined and, if practical, implemented.

2007-2

Lack of timekeeping documentation and certification for federally co-funded and 100% federally funded employees.

The district's federal grants were approved late in the school year. The district is working to get approval earlier in the year so that semi-annual certifications are possible. Also, the district will be more persistent with the employees to get this information in a timely manner.

Contact Information:



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Marion, MI 49665

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

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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

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August 13, 2007

LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Education  
Marion Public Schools  
Marion, Michigan

Dear Members of the Board of Education:

We have completed our audit of the basic financial statements of the Marion Public Schools for the fiscal year ended June 30, 2007, and would like to comment on the following items relative to the management and accounting records/procedures of the School District:

Computer Accounting Program

We recommend fully integrating the internal and athletic funds into the District's computerized accounting system. This would reduce posting errors and save time.

We sincerely thank the Board for awarding this firm the audit assignment. If you have any questions relative to the preceding comments and recommendations or other areas of your annual audit, please feel free to contact us.

BAIRD, COTTER AND BISHOP, P.C.

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