



Mary Taylor, CPA
Auditor of State

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Marion Local School District
Mercer County
7956 State Route 119
Maria Stein, Ohio 45860

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Local School District, Mercer County, (the School District), as of and for the years ended June 30, 2007 and 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Local School District, Mercer County, as of June 30, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2008, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 11, 2008

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006
(UNAUDITED)**

The discussion and analysis of the Marion Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal years ended June 30, 2007 and 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal years 2007 and 2006 are as follows:

- Total program disbursements during 2007 were \$11,106,183. During 2006, total disbursements were \$8,083,079.
- In 2007, general Receipts accounted for \$9,646,430 or 87% of all receipts. Program specific receipts in the form of charges for services and sales, grants, contributions, and interest accounted for \$1,415,690 or 13% of total receipts of \$11,062,120. In 2006, General Receipts accounted for \$7,034,743 or 88% of all receipts. Program specific receipts in the form of charges for services and sales, grants, contributions, and interest accounted for \$988,527 or 12% of total receipts of \$8,023,270.
- In total, net assets decreased \$44,063 in 2007. During 2006, net assets decreased \$59,809.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Marion Local School District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the Marion Local School District, the general fund is by far the most significant fund.

Basis of Accounting

The School District has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and investments and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net assets will be equity in pooled cash and cash equivalents and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006
(UNAUDITED)
(Continued)**

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2007 and 2006?" The Statement of Net Assets and the Statement of Activities answer this question.

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 7 for fiscal years 2007 and 2006. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using a cash basis of accounting. Receipts are recognized when received in cash and disbursements are recognized when paid. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Reporting the District's Fiduciary Responsibilities

The School District acts in a trustee capacity as an agent for student organizations. These activities are reported in agency funds. The School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 16 for 2007 and on page 22 for 2006. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006
(UNAUDITED)
(Continued)**

The School District as a Whole

The financial statements for fiscal years 2007, 2006, and 2005 were prepared on the cash basis utilizing the GASB Statement No. 34 format.

Table 1 provides a summary of the School District's net assets for fiscal years 2007, 2006, and 2005. Due to business type activities being reclassified to governmental type activities in fiscal year 2006 and presenting the restriction for set asides in 2007 and 2006, the 2005 amounts were restated to be comparative.

**(Table 1)
Net Assets –Cash basis**

	Governmental Activities		
	2007	2006	2005 (Restated)
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,634,137	\$2,678,200	\$2,738,008
Total Assets	<u>2,634,137</u>	<u>2,678,200</u>	<u>2,738,008</u>
Net Assets			
Restricted for:			
Debt Service	259,773	174,981	215,758
Capital Outlay	248,048	252,157	314,043
Other Purposes	608,104	445,602	508,930
Set Asides	318,961	241,493	203,727
Unrestricted	<u>1,199,251</u>	<u>1,563,967</u>	<u>1,495,550</u>
Total Net Assets	<u>\$2,634,137</u>	<u>\$2,678,200</u>	<u>\$2,738,008</u>

Table 2 shows the changes in net assets for fiscal years 2007, 2006, and 2005, comparatively. This comparison enables the reader to draw further conclusion about the School District's financial status and possibly project future problems. The fiscal year 2005 amounts are restated to be comparative as the food services and non-instructional services were classified as business type activities in 2005 and classified as governmental type activities in 2006.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006
(UNAUDITED)
(Continued)**

(Table 2)
Change in Net Assets

	Governmental Activities		
	2007	2006	2005 (Restated)
Receipts			
Program Receipts			
Charges for Services	\$ 758,203	\$ 633,386	\$ 659,950
Operating Grants	634,764	355,141	584,943
Capital Grants	22,723		7,773
General Receipts			
Property Taxes	2,298,598	2,322,193	2,313,121
Grants and Entitlements	4,351,250	4,600,096	4,194,131
Proceeds from Refunding Bonds Issued	2,853,396	0	
Interest	135,916	101,334	54,851
Miscellaneous	7,270	11,120	22,170
Total Receipts	11,062,120	8,023,270	7,836,939
Disbursements			
Program Disbursements			
Instruction	4,998,618	4,762,219	4,667,590
Support Services	2,109,841	2,220,692	2,055,591
Operation of Non-Instruction Services	300,839	251,647	285,008
Extracurricular	316,997	284,095	263,028
Capital Outlay	283,590	162,676	64,301
Debt Service	3,096,298	401,750	391,113
Total Disbursements	11,106,183	8,083,079	7,726,631
Decrease in Net Assets	(\$44,063)	\$ (59,809)	\$ 110,308

Governmental Activities

Several sources fund the School District's governmental activities with the grants and entitlements being the largest contributor. The School District received approximately \$4.4 million in foundation settlement payments in fiscal year 2007 and \$4.6 million in 2006. Property tax levies generated approximately \$2.3 million in both 2007 and 2006. The School District's operations are reliant upon its tax levies and the state's foundation program. Thus, the School District monitors both of these receipt sources closely.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2007, 2006, and 2005 comparatively. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements. Due to the reclassification of food services revenues and non-instructional services expenses in fiscal year 2006 from business type to governmental type, the fiscal year 2005 amounts for those items have been restated to make the statement comparative.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006
(UNAUDITED)
(Continued)**

(Table 3)
Governmental Activities

	2007		2006		2005	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 4,998,618	\$4,218,592	\$4,762,219	\$4,240,062	\$4,667,590	\$3,925,628
Support Services:						
Pupil and Instructional Staff	395,133	385,003	452,680	438,781	448,719	439,359
Board of Education, Fiscal, Business & Administration	782,790	751,107	836,834	836,834	796,697	786,960
Operation and Maintenance Of Plant	589,035	585,178	564,495	551,710	549,248	545,743
Pupil Transportation	334,471	300,193	361,112	346,948	245,899	235,423
Central	8,412	3,412	5,571	571	15,028	10,154
Operation of Food Services	300,839	(28,879)	251,647	(14,870)	285,008	21,326
Extracurricular Activities	316,997	148,628	284,095	130,090	263,028	132,321
Capital Outlay	283,590	266,900	162,676	162,676	64,301	29,363
Debt Service	3,096,298	3,059,430	401,750	401,750	391,113	347,688
Total	\$11,106,183	\$9,689,564	\$8,083,079	\$7,094,552	\$7,726,631	\$6,463,965

Instruction and student support services comprise approximately 49% of governmental program disbursements in fiscal year 2007 and approximately 65% in fiscal year 2006. Board of Education, administration, fiscal and business charges are approximately 7% of total disbursements for 2007 and approximately 10% for 2006. Pupil transportation and the operation/maintenance of facilities accounts for 8% of all governmental program disbursements in 2007 and for 11% in 2006.

The dependence upon school foundation and tax receipts for governmental activities is apparent. The State funding, as a whole, is by far the primary support for Marion Local School District students.

The School District's Funds

The School District has one major governmental fund: the General Fund. For fiscal year 2007, receipts and other financing sources of the General Fund comprise \$6,914,072 (61.9 percent) of the total \$11,175,086 governmental funds receipts and other financing sources, and General Fund disbursements are 63.9 percent of the total disbursements and other financing uses for the governmental funds. For fiscal year 2006, receipts and other financing sources of the General Fund comprise \$7,089,580 (84.8 percent) of the total \$8,357,097 governmental fund receipts and other financing courses, and General Fund disbursements were 84.2 percent of the total disbursements and other financing uses for the governmental funds.

General Fund – The General Fund cash balance at June 30, 2007, was \$1,518,210 which represents 57.6 percent of total governmental fund cash balances. General fund receipts and other financing sources were less than disbursements and other financing uses in 2007 by \$250,354 mostly due to a large increase in capital outlay disbursements as well as increases in operation and maintenance of plant, pupil transportation, and central activities. The cash balance at June 30, 2006 was \$1,768,564 which represents 66 percent of the total governmental cash balances. General fund receipts and other financing sources were greater than disbursements and other financing uses by \$48, 600.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006
(UNAUDITED)
(Continued)**

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2007 or 2006, the School District did not modify its general fund budget significantly. The School District uses site-based budgeting, and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the fiscal year 2007, general fund budget basis receipts were \$174,526, over the final budget of \$6,739,546. This increase was mostly attributable to increases in tax receipts, intergovernmental receipts and interest. For the fiscal year 2006, general fund budget basis receipts were \$62,419 under the final budget of \$6,866,440. This decrease was mostly attributed to less intergovernmental receipts.

Debt Administration

At June 30, 2007, the School District's outstanding debt included \$2,540,000 in Serial and Term Bonds and \$472,667 in Capital Appreciation Bonds issued for improvements to school building and structures. The School District also has \$37,287 outstanding in an interest-free Environmental Protection Loan for asbestos removal projects. For further information regarding the District's debt, refer to Note 11 of the basic financial statements.

Current Issues

The Marion Local School District, while relying on the State of Ohio to furnish almost two thirds of their financial support, also continues to receive strong support from the residents of the School District. The Board of Education submitted a replacement emergency levy which was approved by the residents in November 2003. The School District also passed a ½ mill maintenance levy which will run for 23 years to help maintain facilities renovated by the project.

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall income generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, the School District's dependence upon property taxes is hampered by a lack of revenue growth and the School District must regularly return to the voters to maintain a constant level of service. Property taxes made up 21% of total receipts for governmental activities for the Marion Local School District in fiscal year 2007 and 29% in fiscal year 2006.

The School District has also been affected by increased delinquency rates and changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned disbursements so that the last levy has stretched for longer than it was planned. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006
(UNAUDITED)
(Continued)**

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable." It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

The Marion Local School District has not seen any meaningful growth in State funding for a couple of years. How the legislature plans to fund education programs during a weakened economy remains a concern.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Paul Gagel, Treasurer, Marion Local School District, 7956 SR 119, Maria Stein, OH 45860.

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**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2007**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,634,137
Total Assets	<u>2,634,137</u>
Net Assets	
Restricted for:	
Debt Service	259,773
Capital Outlay	248,048
Other Purposes	608,106
Set Asides	318,961
Unrestricted	1,199,249
Total Net Assets	<u>\$2,634,137</u>

See accompanying notes to the financial statements.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest
Governmental Activities:				
Instruction				
Regular	\$3,961,331	\$287,535	\$28,525	(\$3,645,271)
Special	899,380		394,417	(504,963)
Vocational	110,967		69,549	(41,418)
Other	26,940			(26,940)
Support Services				
Pupil	183,789			(183,789)
Instructional Staff	211,344		10,130	(201,214)
Board of Education	30,092			(30,092)
Administration	546,076	25,366	422	(520,288)
Fiscal	203,526	5,895		(197,631)
Business	3,096			(3,096)
Operation and Maintenance of Plant	589,035		3,857	(585,178)
Pupil Transportation	334,471	13,838	13,478	(301,122)
Central	8,412		5,000	(3,412)
Operation of Food Services	300,839	258,435	71,283	28,879
Extracurricular Activities	316,997	167,134	1,235	(148,628)
Capital Outlay	283,590			(266,900)
Repayment of Debt	3,096,298		36,868	(3,059,430)
Total Governmental Activities	\$11,106,183	\$758,203	\$634,764	\$22,723
				(9,690,493)
General Receipts				
Property Taxes Levied for:				
General Purposes				1,902,164
Debt Service				285,108
Capital Improvement				81,960
Classroom Facilities & Maintenance				29,366
Grants and Entitlements not Restricted to Specific Programs				4,351,250
Proceeds from Refunding Bonds Issued				2,853,396
Interest				135,916
Miscellaneous				7,270
Total General Receipts				<u>9,646,430</u>
Change in Net Assets				(44,063)
Net Assets Beginning of Year				<u>2,678,200</u>
Net Assets End of Year				<u><u>\$2,634,137</u></u>

See accompanying notes to the financial statements.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,192,287	\$1,115,927	\$2,308,214
Restricted Cash and Cash Equivalents	325,923		325,923
Total Assets	<u>1,518,210</u>	<u>1,115,927</u>	<u>2,634,137</u>
Fund Balances			
Reserved for:			
Encumbrances	72,014	40,994	113,008
Textbooks and Instructional Materials	318,961		318,961
Bus Purchase	6,962		6,962
Severance and Termination		104,221	104,221
Unreserved, Undesignated, Reported in:			
General Fund	1,120,273		1,120,273
Special Revenue Funds		487,569	487,569
Debt Service		259,773	259,773
Capital Projects Funds		223,370	223,370
Total Fund Balances	<u>\$1,518,210</u>	<u>\$1,115,927</u>	<u>\$2,634,137</u>

See accompanying notes to the financial statements.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	General Fund	Other Governmental Funds	Total Governmental Funds
Receipts			
Taxes	\$1,902,164	\$396,434	\$2,298,598
Intergovernmental	4,630,708	366,469	4,997,177
Interest	130,471	11,488	141,959
Tuition and Fees	236,386	64,987	301,373
Rent	5,895		5,895
Extracurricular Activities		185,924	185,924
Gifts and Donations		1,000	1,000
Customer Sales and Services		258,437	258,437
Miscellaneous	8,448	6,576	15,024
Total Receipts	<u>6,914,072</u>	<u>1,291,315</u>	<u>8,205,387</u>
Disbursements			
Current:			
Instruction			
Regular	3,848,046	113,288	3,961,334
Special	694,433	204,947	899,380
Vocational Education	110,967		110,967
Other	26,940		26,940
Support Services			
Pupil	183,789		183,789
Instructional Staff	204,224	7,120	211,344
Board of Education	30,092		30,092
Administration	500,257	45,819	546,076
Fiscal	195,838	7,688	203,526
Business	3,096		3,096
Operation and Maintenance of Plant	573,067	15,968	589,035
Pupil Transportation	332,384	2,087	334,471
Central	4,077	4,335	8,412
Operation of Food Services		300,839	300,839
Extracurricular Activities	188,116	128,881	316,997
Capital Outlay	163,006	120,584	283,590
Debt Service			
Principal		140,994	140,994
Interest		92,667	92,667
Issuance Costs		59,443	59,443
Total Disbursements	<u>7,058,332</u>	<u>1,244,660</u>	<u>8,302,992</u>
Excess of Receipts Over (Under) Disbursements	<u>(144,260)</u>	<u>46,655</u>	<u>(97,605)</u>
Other Financing Sources (Uses)			
Refunding Bonds Issued		2,664,996	2,664,996
Premium on Refunding Bonds Issued		199,494	199,494
Operating Transfers-In		105,209	105,209
Operating Transfers-Out	(105,209)		(105,209)
Refund of Prior Year Receipts	(885)	(6,869)	(7,754)
Payment to Refunded Bond Escrow Agent		(2,803,194)	(2,803,194)
Total Other Financing Sources (Uses)	<u>(106,094)</u>	<u>159,636</u>	<u>53,542</u>
Net Change in Fund Balances	(250,354)	206,291	(44,063)
Fund Balances - Beginning of Year	<u>1,768,564</u>	<u>909,636</u>	<u>2,678,200</u>
Fund Balances - End of Year	<u>\$1,518,210</u>	<u>\$1,115,927</u>	<u>\$2,634,137</u>

See accompanying notes to the financial statements.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Taxes	\$1,864,126	\$1,864,126	\$1,902,164	\$38,038
Intergovernmental	4,536,320	4,568,320	4,630,708	62,388
Interest	85,600	85,600	130,471	44,871
Tuition and Fees	210,000	210,000	236,386	26,386
Rent	7,500	7,500	5,895	(1,605)
Miscellaneous	4,000	4,000	8,448	4,448
Total Receipts	<u>6,707,546</u>	<u>6,739,546</u>	<u>6,914,072</u>	<u>174,526</u>
Disbursements				
Current:				
Instruction				
Regular	4,048,710	4,084,010	3,911,095	172,915
Special	724,718	745,998	694,886	51,112
Vocational Education	111,533	119,533	110,967	8,566
Other	28,500	28,500	26,940	1,560
Support Services				
Pupil	209,522	209,797	184,029	25,768
Instructional Staff	235,050	236,350	204,758	31,592
Board of Education	41,750	41,750	30,092	11,658
Administration	546,310	548,190	500,257	47,933
Fiscal	224,680	224,680	196,349	28,331
Business	5,000	5,000	3,116	1,884
Operation and Maintenance of Plant	609,400	651,900	575,642	76,258
Pupil Transportation	396,142	405,767	332,664	73,103
Central	1,800	9,800	4,077	5,723
Extracurricular Activities	209,069	209,069	188,116	20,953
Capital Outlay				
Site Improvement	35,000	35,000	145,213	(110,213)
Architecture and Engineering	1,500	1,500	1,086	414
Facilities Acquisition and Construction	35,000	35,000	21,057	13,943
Total Disbursements	<u>7,463,684</u>	<u>7,591,844</u>	<u>7,130,344</u>	<u>461,500</u>
Excess of Receipts Over (Under) Disbursements	<u>(756,138)</u>	<u>(852,298)</u>	<u>(216,272)</u>	<u>636,026</u>
Other Financing Sources (Uses)				
Operating Transfers-In	5,310	5,310		(5,310)
Advances-In	30,200	30,200		(30,200)
Refund of Prior Year Receipts	(5,000)	(5,000)	(885)	4,115
Operating Transfers-Out	(55,310)	(115,310)	(105,209)	10,101
Advances-Out	(20,200)	(20,200)		20,200
Other Financing Uses	(10,000)	(10,000)		10,000
Total Other Financing Sources (Uses)	<u>(55,000)</u>	<u>(115,000)</u>	<u>(106,094)</u>	<u>8,906</u>
Net Change in Fund Balances	(811,138)	(967,298)	(322,366)	644,932
Fund Balances Beginning of Year	1,559,263	1,559,263	1,559,263	
Prior Year Encumbrances Appropriated	209,299	209,299	209,299	
Fund Balances End of Year	<u>\$957,424</u>	<u>\$801,264</u>	<u>\$1,446,196</u>	<u>\$644,932</u>

See accompanying notes to the financial statements.

MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2007

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$74,427
Total Assets	<u>74,427</u>
Net Assets	
Held for Student Activities	74,427
Total Net Assets	<u>\$74,427</u>

See accompanying notes to the financial statements.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2006**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,678,200</u>
Total Assets	<u><u>2,678,200</u></u>
Net Assets	
Restricted for:	
Debt Service	174,981
Capital Outlay	252,157
Other Purposes	445,602
Set Asides	241,493
Unrestricted	<u>1,563,967</u>
Total Net Assets	<u><u>\$2,678,200</u></u>

See accompanying notes to the financial statements.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities:				
Instruction				
Regular	\$3,878,455	\$201,802	\$87,270	(\$3,589,383)
Special	729,921		191,189	(538,732)
Vocational	121,662	41,896		(79,766)
Other	32,181			(32,181)
Support Services				
Pupil	185,632			(185,632)
Instructional Staff	267,048		13,899	(253,149)
Board of Education	23,879			(23,879)
Administration	585,502			(585,502)
Fiscal	222,994			(222,994)
Business	4,459			(4,459)
Operation and Maintenance of Plant	564,495	6,785	6,000	(551,710)
Pupil Transportation	361,112		14,164	(346,948)
Central	5,571		5,000	(571)
Extracurricular Activities	284,095	154,005		(130,090)
Operation of Non-Instructional Services	251,647	228,898	37,619	14,870
Capital Outlay	162,676			(162,676)
Repayment of Debt				
Principal	210,994			(210,994)
Interest	190,756			(190,756)
Total Governmental Activities	<u>\$8,083,079</u>	<u>\$633,386</u>	<u>\$355,141</u>	<u>(7,094,552)</u>
General Receipts				
Property Taxes Levied for:				
General Purposes				1,896,138
Debt Service				328,692
Capital Improvement				68,224
Classroom Facilities & Maintenance				29,139
Grants and Entitlements not Restricted to Specific Programs				4,600,096
Interest				101,334
Miscellaneous				11,120
Total General Receipts				<u>7,034,743</u>
Change in Net Assets				(59,809)
Net Assets Beginning of Year (Restated)				<u>2,738,009</u>
Net Assets End of Year				<u>\$2,678,200</u>

See accompanying notes to the financial statements.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,523,529	\$909,636	\$2,433,165
Restricted Cash and Cash Equivalents	245,035		245,035
Total Assets	1,768,564	909,636	2,678,200
Fund Balances			
Reserved for Encumbrances	209,300	80,875	290,175
Reserved for Textbooks	241,493		241,493
Reserved for Bus Purchase	3,542		3,542
Unreserved:			
Undesignated, Reported in:			
General Fund	1,314,229		1,314,229
Special Revenue Funds		474,013	474,013
Debt Service		174,981	174,981
Capital Projects Funds		179,767	179,767
Total Fund Balances	\$1,768,564	\$909,636	\$2,678,200

See accompanying notes to the financial statements.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	General Fund	Other Governmental Funds	Total Governmental Funds
Receipts			
Taxes	\$1,896,138	\$426,055	\$2,322,193
Intergovernmental	4,593,690	328,954	4,922,644
Interest	92,769	8,565	101,334
Tuition and Fees	211,708	64,584	276,292
Rent	6,785		6,785
Extracurricular Activities		154,005	154,005
Customer Sales and Services		228,897	228,897
Miscellaneous	5,559	5,561	11,120
Total Receipts	6,806,649	1,216,621	8,023,270
Disbursements			
Current:			
Instruction			
Regular	3,701,060	177,395	3,878,455
Special	541,335	188,586	729,921
Vocational Education	121,662		121,662
Other	32,181		32,181
Support Services			
Pupil	185,632		185,632
Instructional Staff	254,891	12,157	267,048
Board of Education	23,879		23,879
Administration	564,505	20,997	585,502
Fiscal	214,131	8,863	222,994
Business	4,459		4,459
Operation and Maintenance of Plant	540,416	24,079	564,495
Pupil Transportation	361,112		361,112
Central	6	5,565	5,571
Operation of Non-Instructional Services		251,647	251,647
Extracurricular Activities	158,549	125,546	284,095
Capital Outlay	6,290	156,386	162,676
Debt Service			
Repayment of Principal		210,994	210,994
Interest		190,756	190,756
Total Disbursements	6,710,108	1,372,971	8,083,079
Excess of Receipts Over (Under) Disbursements	96,541	(156,350)	(59,809)
Other Financing Sources (Uses)			
Operating Transfers-In	279,976	47,941	327,917
Advances-In	2,955	2,955	5,910
Operating Transfers-Out	(327,917)	0	(327,917)
Advances-Out	(2,955)	(2,955)	(5,910)
Total Other Financing Sources (Uses)	(47,941)	47,941	
Net Change in Fund Balances	48,600	(108,409)	(59,809)
Fund Balances - Beginning of Year (Restated)	1,719,964	1,018,045	2,738,009
Fund Balances - End of Year	\$1,768,564	\$909,636	\$2,678,200

See accompanying notes to the financial statements.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Taxes	\$1,788,593	\$1,875,593	\$1,896,138	\$20,545
Intergovernmental	4,571,714	4,681,610	4,593,690	(87,920)
Interest	50,600	85,600	92,769	7,169
Tuition and Fees	208,637	208,637	211,708	3,071
Rent	10,000	10,000	6,785	(3,215)
Miscellaneous	5,000	5,000	2,931	(2,069)
Total Receipts	<u>6,634,544</u>	<u>6,866,440</u>	<u>6,804,021</u>	<u>(62,419)</u>
Disbursements				
Current:				
Instruction				
Regular	3,993,426	4,020,896	3,742,793	278,103
Special	623,154	632,414	544,243	88,171
Vocational Education	169,055	169,165	121,662	47,503
Other	10,699	35,379	32,181	3,198
Support Services				
Pupil	208,608	212,608	185,708	26,900
Instructional Staff	283,069	283,679	255,231	28,448
Board of Education	35,500	35,500	25,059	10,441
Administration	619,079	620,349	564,505	55,844
Fiscal	239,995	244,995	214,353	30,642
Business	4,000	4,500	4,459	41
Operation and Maintenance of Plant	612,848	614,098	541,333	72,765
Pupil Transportation	400,935	413,335	361,262	52,073
Central	1,800	1,800	6	1,794
Extracurricular Activities	173,125	173,850	158,549	15,301
Capital Outlay				
Site Improvement	150,000	150,000	147,475	2,525
Architecture and Engineering	1,500	1,500		1,500
Facilities Acquisition and Construction	40,000	55,000	20,590	34,410
Total Disbursements	<u>7,566,793</u>	<u>7,669,068</u>	<u>6,919,409</u>	<u>749,659</u>
Excess of Receipts Over (Under) Disbursements	<u>(932,249)</u>	<u>(802,628)</u>	<u>(115,388)</u>	<u>687,240</u>
Other Financing Sources (Uses)				
Operating Transfers-In	290,000	290,000	279,976	(10,024)
Advances-In	65,000	65,000	2,955	(62,045)
Refund of Prior Year Expenditures			2,628	2,628
Operating Transfers-Out	(330,000)	(330,000)	(327,917)	2,083
Advances-Out	(30,000)	(30,000)	(2,955)	27,045
Other Financing Uses	(10,000)	(10,000)		10,000
Total Other Financing Sources (Uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(45,313)</u>	<u>(30,313)</u>
Net Change in Fund Balances	(947,249)	(817,628)	(160,701)	656,927
Fund Balances Beginning of Year	1,703,428	1,703,428	1,703,428	
Prior Year Encumbrances Appropriated	16,536	16,536	16,536	
Fund Balances End of Year	<u>\$772,715</u>	<u>\$902,336</u>	<u>\$1,559,263</u>	<u>\$656,927</u>

See accompanying notes to the financial statements.

MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$78,636
Total Assets	<u>78,636</u>
Net Assets	
Held for Student Activities	78,636
Total Net Assets	<u>\$78,636</u>

See accompanying notes to the financial statements.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Marion Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District was established in 1955. The School District serves an area of approximately ninety-one square miles. It is located in Auglaize, Darke, and Mercer Counties. The School District is the 502nd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by forty-three classified employees, sixty-five certified teaching personnel, and six administrative employees who provide services to approximately nine hundred nine students and other community members. The School District currently operates two instructional buildings.

The reporting entity is comprised of the primary government and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Marion Local School District, this includes general operations, food services, and student related activities of the School District. There are no component units of the Marion Local School District.

The School District participates in four jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, the Mercer County Local Professional Development Committee, the West Central Regional Professional Development Center, the West Central Ohio Special Education Regional Resource Center, the OASBO/Sheakley Workers' Compensation Group Rating Plan, and the Mercer Auglaize Employee Benefit Trust. These organizations are presented in Notes 13 and 14 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

A. Basis of Accounting

Although required by Ohio Administrative Code Sections 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the modified cash accounting basis. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Difference between disbursements reported in the fund and entity wide statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the fiscal year.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Basis of Presentation - Fund Accounting

1. Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. The statements include all funds of the School District except for fiduciary funds.

The Statement of Net Assets presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between disbursements and program receipts for each program or function of the School District's governmental activities of the School District. Disbursements are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the School District with certain limited exceptions. The comparison of disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general resources of the School District. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts.

2. Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The focus of the governmental activity financial statement is on major funds. Each major fund is presented in a single column. Fiduciary funds are reported by type.

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts and disbursements. Funds are organized into two major categories: governmental and fiduciary.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The focus of the governmental activity financial statement is on major funds. Each major fund is presented in a single column. Fiduciary funds are reported by type.

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts and disbursements. Funds are organized into two major categories: governmental and fiduciary.

An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

- a. Total assets, receipts, or disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, receipts, or disbursements of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

3. Governmental Funds / Governmental Activities

Governmental funds are those through which most governmental functions of the School District are financed. The following is the School District's major governmental fund for fiscal years 2007 and 2006:

General Fund - The General Fund is the primary operating fund of the School District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

4. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds include various student managed activities.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the two digit function level for the General Fund, and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Standard County Budget Commission for rate determination.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected receipts of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipts are identified by the School District Treasurer.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary disbursements of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the years, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal years 2007 and 2006, the School District's investments included nonnegotiable certificates of deposit, STAR Ohio, and federal agency securities. Investments are reported at cost, except for STAR Ohio. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2007 or June 30, 2006. Investment earnings are allocated as authorized by State statute based upon School District policy.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 was \$130,471, which included \$73,064 assigned from other School District funds. Interest credited to the General Fund during fiscal year 2006 was \$92,769, which included \$52,878 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

E. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributions, grantors, law of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund include unexpended revenues for bus purchase and textbook & instructional materials.

F. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets or depreciation expense.

G. Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

H. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities on the cash basis financial statements. The debt proceeds are reported as cash is received and payment of principal and interest are reported as disbursements when paid.

I. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the student lunches served provided by proprietary funds are recorded as receipts when the grant is received.

J. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

K. Interfund Activity

During the course of normal operations, the School District has numerous transactions between funds. The most significant include:

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Transfers of resources from one fund to another fund through which resources are to be expended are recording as transfers.
2. Reimbursements from one fund to another are treated as disbursements in the reimbursing fund and a reduction in disbursements in the reimbursed fund.

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities on the accompanying financial statements. At fiscal years ending June 30, 2007 and June 30, 2006 there were no unpaid interfund cash advances.

L. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, adult education programs, vocational programs, and federal and state grants restricted to expenditure for specified purposes. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The School District did not have any net assets restricted by enabling legislation at June 30, 2007 or 2006.

N. Fund Balance Reserves and Designations

The School District reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, textbook and instructional materials, bus purchases, and severance and termination.

O. Receipts and Disbursements

1. Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, operating grants and contributions and capital grants and contributions.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements result from providing services. They also include all receipts and disbursements not related to capital and related financing, non-capital financing, or investing activities.

3. Capital Receipts and Disbursements

Capital receipts and disbursements result from receipts and disbursements related to capital and related capital financing or investing activities.

3. COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

4. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal years 2007 and 2006, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 46, "Net Assets Restricted by Enabling Legislation". GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

5. RESTATEMENT OF FUND BALANCES

In fiscal year 2006, the School District changed the fund type classification for certain funds which eliminated the Business-type activity designation. This change had the following effect on fund balances as previously reported:

	Fund Balances At June 30, 2005	Adjustment	Restated Fund Balances At June 30, 2005
Governmental Activities	\$2,591,333	\$146,676	\$2,738,009
Business Type Activities	146,676	(146,676)	0

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

6. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by Surety Company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio);

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School district, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

As of June 30, 2007 and 2006, the District had \$1,100 in undeposited cash on hand which is included in the fund balance.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2007, \$1,352,190 of the School District's bank balance of \$1,699,375 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging institution's trust department not in the School District's name. At June 30, 2006, \$1,354,949 of the School District's bank balance of \$2,003,678 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging institution's trust department not in the School District's name. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

B. Investments

Investments other than STAR Ohio are reported at cost basis. STAR Ohio is reported at the current fair market value. As of June 30, 2007, the School District had the following investments.

	Value as of 6/30/07	Maturities		% of Invested Balance
		0 < 1 Year	1 – 5 Years	
Federal Home Loan Bank	\$ 443,569	\$ 98,569	\$ 345,000	40.18
Federal National Mortgage Assn.	99,185	0	99,185	8.99
STAR Ohio	561,095	561,095	0	50.83
	<u>\$ 1,103,849</u>	<u>\$ 659,664</u>	<u>\$ 444,185</u>	<u>100.00%</u>

As of June 30, 2006, the School District had the following investments.

	Value as of 6/30/06	Maturities		% of Invested Balance
		0 < 1 Year	1 – 5 Years	
Federal Home Loan Bank	\$ 348,569	\$ 0	\$ 348,569	39.55
STAR Ohio	532,863	532,863	0	60.45
	<u>\$ 881,432</u>	<u>\$ 532,863</u>	<u>\$ 348,569</u>	<u>100.00%</u>

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

C. Interest Rate Risk

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchases of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy addresses interest rate risk by requiring that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations.

D. Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement of ORC 135.14(M)(2) which states, "Payments for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from custodian by the treasurer, governing board, or qualified trustee."

The School District has no investment policy dealing with investment credit risk beyond the requirements of State statute. The School District's investments in Federal Home Loan Bank, Federal National Mortgage Association, and STAR Ohio are rated AAA by Standard & Poor's at June 30, 2007 and June 30, 2006.

E. Concentration Risk

The School District places no limit on the amount the district may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. With the exception of STAR Ohio all investments are less than 50 percent of the School District's total investment portfolio as noted in the table above.

7. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property tax receipts received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

7. PROPERTY TAXES (Continued)

Public utility property tax receipts received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Auglaize, Darke, and Mercer Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collection	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$65,690,865	93.74%	\$66,571,630	94.65%
Public Utility	1,956,000	2.79	1,894,510	2.69
Tangible Personal Property	2,428,040	3.47	1,870,808	2.66
Total Assessed Value	\$70,074,905	100.00%	\$70,336,948	100.00%
Tax rate per \$1,000 of assessed valuation	\$37.45		\$37.45	

The assessed values upon which fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collection	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$60,274,440	93.18%	\$65,690,865	93.74%
Public Utility	2,067,670	3.20	1,956,000	2.79
Tangible Personal Property	2,341,762	3.62	2,428,040	3.47
Total Assessed Value	\$64,683,872	100.00%	\$70,074,905	100.00%
Tax rate per \$1,000 of assessed valuation	\$40.52		\$37.45	

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

8. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal years 2007 and the 2006, the School District contracted with Indiana Insurance for the following insurance coverage:

	2007	2006
Coverage provided by Indiana Insurance is as follows:		
Buildings and Contents – replacement cost	\$23,984,300	\$23,285,750
Coverage provided by Indiana Insurance is as follows:		
General Liability		
Per Occurrence	1,000,000	1,000,000
Aggregate	2,000,000	3,000,000
Coverage provided by Indiana Insurance is as follows:		
Automobile Liability	1,000,000	1,000,000
Uninsured Motorists	1,000,000	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years

B. Workers' Compensation

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan ("Plan"), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participant's claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

C. Health Care Benefits

The School District participates in the Mercer Auglaize Employee Benefit Trust ("Trust"), a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The School District pays monthly premiums to the Trust for employee medical and dental insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

9. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal years ended June 30, 2007 and 2006, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the for the fiscal years ended June 30, 2007, 2006, and 2005 was \$451,954, \$449,253 and \$437,946, respectively; 84 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions for the DCP and CP for the fiscal year ended June 30, 2007, were \$8,357 made by the School District and \$14,517 made by plan members. Contributions for the DCP an CP for the fiscal year ended June 30, 2006, were \$8,019 made by the District and \$12,051 made by plan members.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (800) 878-5853, or on their website at www.ohsers.org.

For the fiscal year ended June 30, 2007 and 2006, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2007 and 2006 was 14 percent of annual covered payroll; 10.68 percent was the portion used to fund pension obligations for 2007 and 10.58 percent was the portion used in 2006. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 was \$79,490, \$75,424 and \$75,077, respectively; 51 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2007, one of the Board of Education members has elected Social Security and as of June 30, 2006 all the Board of Education members had elected Social Security. The Board's liability is 6.2 percent of wages paid.

10. POST-EMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by STRS based on authority granted by State statute. STRS is funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal years 2007 and 2006 the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$34,766 for 2007 and \$34,558 for 2006.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$4.1 billion at June 30, 2007. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000, and STRS Ohio had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll and 3.42 for the fiscal year ended June 30, 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal years 2007 and 2006 the minimum pay was established at \$35,800. However, the surcharge amount is capped at 2 percent of the School District's salaries. For the School District, the amount to fund health care benefits, including the surcharge, was \$39,095 for fiscal year 2007 and \$38,639 for 2006

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006 (the latest available information), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million and 59,492 participants currently receiving health care benefits.

11. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

General Long-Term Obligations	Interest Rate	Outstanding 6/30/06	Additions	Deductions	Outstanding 6/30/07	Due Within 1 Year
General Obligation Bonds						
2006 Refunding Bonds						
Serial and Term Bonds	4.0-4.13%		\$2,315,000		\$2,315,000	\$155,000
Capital Appreciation Bonds	4.3-4.35%		377,427		377,427	
2000 School Improvement						
Serial and Term Bonds	4.4-5.75%	\$1,005,000		\$ 780,000	225,000	50,000
Capital Appreciation Bonds	12.20%	84,604	10,636		95,240	
1997 Construction						
Serial and Term Bonds	3.4-5.37%	2,015,000		2,015,000		
1993 Asbestos Removal Loan	0.00%	48,281		10,994	37,287	10,994
Total General Obligation Debt		\$3,152,885	\$2,703,063	\$2,805,994	\$3,049,954	\$215,994

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

<u>General Long-Term Obligations</u>	<u>Interest Rate</u>	<u>Outstanding 6/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding 6/30/06</u>	<u>Due Within 1 Year</u>
General Obligation Bonds						
2000 School Improvement						
Serial and Term Bonds	4.4-5.75%	\$1,055,000		\$ 50,000	\$1,005,000	\$ 50,000
Capital Appreciation Bonds	12.20%	75,155	\$9,449		84,604	
1997 Construction						
Serial and Term Bonds	3.4-5.37%	2,165,000		150,000	2,015,000	80,000
1993 Asbestos Removal Loan	0.00%	59,275		10,994	48,281	10,994
Total General Obligation Debt		<u>\$3,354,430</u>	<u>\$9,449</u>	<u>\$210,994</u>	<u>\$3,152,885</u>	<u>\$140,994</u>

2006 Refunding Bonds - On August 29, 2006, the School District refinanced \$2,664,996 in prior bond issues; \$730,000 of the 2000 issue was refinanced and \$1,934,996 of the 1997 issue was refinanced. The bond issue includes serial, term, and capital appreciation bonds in the amount of \$1,695,000, \$620,000 and \$349,996, respectively. The bonds are being retired from the Bond Retirement debt service fund. The economic gain from refunding the bonds totaled \$127,430.

The term bonds maturing on December 1, 2010 are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption on December 1, 2009. Unless previously redeemed, the remaining principal amount of the bonds (\$165,000) is to be paid at stated maturity on December 1, 2010.

The term bonds maturing on December 1, 2022 are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption on December 1, 2020 and each December 1 thereafter. Unless previously redeemed, the remaining principal amount of the bonds (\$100,000) is to be paid at stated maturity on December 1, 2022.

The term bonds maturing on or after December 1, 2017, are subject to optional redemption, in whole or in part on any date or any order of maturity at the option of the School District on or after December 1, 2016, at the redemption price of 100%.

The capital appreciation bonds will mature in fiscal years 2015 through 2017 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$800,000. For fiscal year 2007, \$27,431 was accreted for a total capital appreciation bond value of \$377,427.

2000 School Improvement General Obligation Bonds - On April 7, 2000, the School District issued \$1,265,589 in voted general obligation bonds for improvements to buildings and structures. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$495,000, \$730,000 and \$40,589, respectively. The bonds are being retired from the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

Year	Amount
2014	\$65,000
2015	70,000
2016	70,000
2017	75,000
2018	80,000
2019	85,000
2020	90,000
2021	95,000

Unless previously redeemed, the remaining principal amount of \$100,000 will mature at stated maturity on December 1, 2022.

The term bonds maturing on or after December 1, 2010, are subject to optional redemption, in whole or in part on any date, in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000, at the option of the School District on or after December 1, 2008, at the redemption prices (expressed as percentages of the principal amount to be redeemed) plus accrued interest to the redemption date.

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2010 through November 30, 2011	101%
December 1, 2011 and thereafter	100%

The capital appreciation bonds will mature in fiscal years 2011 through 2013 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$180,000. For fiscal year 2006, \$9,449 was accreted and for fiscal year 2007, \$10,636 was accreted for total bond value of \$95,240.

1997 Construction General Obligation Bonds - On March 17, 1997, the School District issued \$2,940,000 in voted general obligation bonds for building construction. The bonds were issued for a twenty-two year period with final maturity on December 1, 2019. These bonds were refunded by the 2006 refunding bonds.

1993 Asbestos Removal Loan - On January 7, 1993, the School District obtained an interest free loan for asbestos removal. The loan was issued for a seventeen year period, with final maturity during fiscal year 2010. The loan is being retired from the Bond Retirement debt service fund.

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

The School District's overall debt margin was \$3,604,863 with an unvoted debt margin of \$70,337 at June 30, 2007.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2007, were as follows:

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending June 30,	2000 General Obligation Bonds			2006 Refunding Bonds			
	Serial and Term Bonds	Capital Appreciation Bonds	Serial and Term Bonds	Capital Appreciation Bonds	1993 Asbestos Removal Loan	Interest / Accretion	Total
2008	\$ 50,000		\$ 155,000		\$10,994	\$ 100,134	\$ 316,128
2009	55,000		165,000		10,994	91,068	322,062
2010	60,000		170,000		10,994	81,421	322,415
2011	60,000		165,000		4,305	71,617	300,922
2012		\$36,287	175,000			78,510	289,797
2013-2017		58,953	375,000	\$377,427		727,006	1,538,436
2018-2022			1,010,000			101,154	1,111,154
2023			100,000			2,062	102,062
	<u>\$225,000</u>	<u>\$95,240</u>	<u>\$2,315,000</u>	<u>\$377,427</u>	<u>\$37,287</u>	<u>\$1,252,972</u>	<u>\$4,302,976</u>

12. STATUTORY RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal years 2006 and 2007.

	Textbook Reserve	Capital Maintenance Reserve
FISCAL 2006		
Carry Over Balance, 6/30/2005	\$203,727	(\$1,140,150)
Required Set-Aside	139,988	139,988
Offsets	0	(97,363)
Qualifying Expenditures	(102,222)	(42,625)
Balance as of 6/30/2006	<u>\$241,493</u>	<u>(\$1,140,150)</u>
Excess/Cash Available for Carry-over to Subsequent Year	<u>\$241,493</u>	<u>(\$1,140,150)</u>
FISCAL 2007		
Set-Aside Balance, 6/30/2006	\$241,493	(\$1,140,150)
Required Set-Aside	142,345	142,345
Offsets	0	(111,325)
Qualifying Disbursements	(64,877)	(31,020)
Balance as of 6/30/07	<u>\$318,961</u>	<u>(\$1,140,150)</u>
Excess/Cash Available for Carry-over to Subsequent Year	<u>\$318,961</u>	<u>(\$1,140,150)</u>

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

12. STATUTORY RESERVES (Continued)

The School District had authorized offsets and qualifying expenditures during the fiscal year that reduced the capital maintenance set aside amount below zero. For the capital maintenance reserve, only the extra amount, which was a result of capital expenditures from bond proceeds, can be used to reduce the set-aside requirements of future years.

13. JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Mary's and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. During fiscal year 2007 and 2006 the School District paid \$14,711 and \$11,427, respectively, to NOACSC for various services. Financial information can be obtained from Raymond Burden, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

Mercer County Local Professional Development Committee - The School District is a participant in the Mercer County Local Professional Development Committee (Committee), which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is governed by an eleven member board made up of six teachers, two principals, one superintendent, and two members employed by the Mercer County Educational Service Center. Board members serve terms of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Mercer County Educational Service Center, 441 East Market Street, Celina, Ohio 45822.

West Central Regional Professional Development Center - The West Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Brad Browne, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

West Central Ohio Special Education Regional Resource Center - The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents.

The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

14. GROUP PURCHASING POOL

OASBO/Sheakley Workers' Compensation Group Rating Plan - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The OASBO Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by a five member OASBO Board of Directors. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

Mercer Auglaize Employee Benefit Trust - The Mercer Auglaize Employee Benefit Trust (Trust) is a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, prescription drug, and dental benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust. Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Jim Mauntler; JM Consulting, 3547 Beechway Blvd., Toledo, Ohio 43614.

15. INTERFUND TRANSFERS

During fiscal years 2007 and 2006, the School District made transfers between funds as follows:

2007	Transfers In	Transfers Out
General Fund		\$105,209
Other Governmental Funds	\$105,209	
Total	105,209	105,209
2006		
General Fund	279,976	327,917
Other Governmental Funds	47,941	
Total	\$327,917	\$327,917

16. INTERFUND ADVANCES

During fiscal year 2006, the School District had the following advances between funds:

2006	Advances In	Advances Out
General Fund	\$2,955	\$2,955
Other Governmental Funds	2,955	2,955
Total	\$5,910	\$5,910

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006
(Continued)**

17. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007 or 2006.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

18. CONTRACTUAL COMMITMENTS

At June 30, 2007, the School District had the following outstanding contractual commitments:

<u>Contractor/Vendor</u>	<u>Description</u>	<u>Contractual Commitment</u>	<u>Remaining Balance</u>
Ohio Plumbing and Electrical, Inc.	Replace sanitary piping in elementary school.	\$18,797	\$18,797



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Marion Local School District
Mercer County
7956 State Route 119
Maria Stein, Ohio 45860

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Local School District, Mercer County, (the School District), as of and for the years ended June 30, 2007 and 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 11, 2008, wherein we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the School District's management in a separate letter dated February 11, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters that we reported to the School District's management in a separate letter dated February 11, 2008.

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

We intend this report solely for the information and use of the audit committee, management, and Board of Education. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 11, 2008

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

NONCOMPLIANCE CITATION

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Adm. Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for fiscal 2007 and 2006 in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare their annual financial reports in accordance with generally accepted accounting principles.

Officials Response:

The Board of Education and Treasurer feels the District meets the alternative requirements of financial reporting by the compilation and filing of the OCBOA statements. This method seems to be a Government Accounting Standards Board approved alternative to GAAP. While admitting that Ohio Administrative Code requires the District to file our financial reports on a GAAP basis, the District believes that the cost savings associated with compiling and auditing the OCBOA report far outweigh any benefit the District may obtain by filing the GAAP report. In prior years we prepared GAAP, no one has ever asked to see the report, nor has any financial institution ever asked us to forward the GAAP statement to them in order to complete any sort of bond or financial transaction.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	ORC 117.38 and OAC 117-2-03 (B) – Failure to prepare and file gaap basis annual financial report.	No	Repeated as finding 2007-001



Mary Taylor, CPA
Auditor of State

MARION LOCAL SCHOOL DISTRICT

MERCER COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 25, 2008**