



Mary Taylor, CPA
Auditor of State

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

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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, 2009 and 2008, 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, 2009 and 2008, and the respective changes in cash financial position and the 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 October 9, 2009, 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

October 9, 2009

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008
(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, 2009 and 2008. 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 2009 and 2008 are as follows:

- Total program disbursements during 2009 were \$8,568,709. During 2008, total program disbursements were \$8,294,788.
- In 2009, General Receipts accounted for \$7,409,647 or 84 percent of all receipts. Program specific receipts in the form of charges for services and sales, grants, contributions, and interest accounted for \$1,437,336 or 16 percent of total receipts of \$8,846,983. In 2008, General Receipts accounted for \$6,836,609 or 83 percent of all receipts. Program specific receipts in the form of charges for services and sales, grants, contributions, and interest accounted for \$1,430,101 or 17 percent of total receipts of \$8,266,710.
- In total, net assets increased \$278,274 in fiscal year 2009, and decreased \$28,078 in fiscal year 2008.

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. 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 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. 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, 2009 AND 2008
(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 2009 and 2008?" 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 2009 and 2008. 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. For fiscal year 2009, the School District's major governmental funds are the General Fund and the HB264 Energy Project Fund. For fiscal year 2008, the School District's major governmental funds are the General Fund and the Debt Service 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 2009 and on page 22 for 2008. 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, 2009 AND 2008
(UNAUDITED)
(Continued)**

The School District as a Whole

The financial statements for fiscal years 2009, 2008, and 2007 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 2009, 2008, and 2007.

(Table 1)
Net Assets –Cash basis

Assets	Governmental Activities		
	2009	2008	2007
Equity in Pooled Cash and Cash Equivalents	\$2,884,333	\$2,606,059	\$2,634,137
Total Assets	<u>2,884,333</u>	<u>2,606,059</u>	<u>2,634,137</u>
Net Assets:			
Restricted for:			
Debt Service	280,966	271,598	259,773
Capital Outlay	697,117	322,496	248,048
Other Purposes	572,691	551,373	608,106
Set Asides	248,502	289,623	318,961
Bus Purchase	7,151		
Unrestricted	1,077,906	1,170,969	1,199,249
Total Net Assets	<u>\$2,884,333</u>	<u>\$2,606,059</u>	<u>\$2,634,137</u>

Table 2 shows the changes in net assets for fiscal years 2009, 2008, and 2007, comparatively. This comparison enables the reader to draw further conclusion about the School District's financial status and possibly project future problems.

(Table 2)
Change in Net Assets

	Governmental Activities		
	2009	2008	2007
Receipts:			
Program Receipts:			
Charges for Services	\$ 741,380	\$ 737,589	\$ 758,203
Operating Grants	674,447	671,014	634,764
Capital Grants	21,509	21,498	22,723
General Receipts:			
Property Taxes	2,487,522	2,338,116	2,298,598
Grants and Entitlements	4,400,736	4,339,642	4,351,250
Proceeds from Sale of Notes	398,830		2,853,396
Interest	82,365	126,860	135,916
Other	40,194	31,991	7,270
Total Receipts	<u>8,846,983</u>	<u>8,266,710</u>	<u>11,062,120</u>
Disbursements:			
Program Disbursements;			
Instruction	5,031,091	5,053,150	4,998,618
Support Services	2,323,686	2,089,121	2,109,841
Operation of Non-Instruction Services	48,076	71,972	
Operation of Food Services	319,149	318,825	300,839
Extracurricular	384,447	397,006	316,997
Capital Outlay	140,197	48,586	283,590
Debt Service	322,063	316,128	3,096,298
Total Disbursements	<u>8,568,709</u>	<u>8,294,788</u>	<u>11,106,183</u>
Increase (Decrease) in Net Assets	<u>\$ 278,274</u>	<u>(\$ 28,078)</u>	<u>(\$ 44,063)</u>

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008
(UNAUDITED)
(Continued)**

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 2009 and \$4.3 million in fiscal year 2008. Property tax levies generated approximately \$2.5 million in fiscal year 2009 and \$2.3 million in fiscal year 2008. 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 2009, 2008, and 2007 comparatively. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements.

**(Table 3)
Governmental Activities**

	2009		2008		2007	
	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	\$5,031,091	\$4,291,252	\$5,053,150	\$4,339,316	\$ 4,998,618	\$4,218,592
Support Services:						
Pupil and Instructional Staff	459,002	451,900	416,373	407,608	395,133	385,003
Board of Education, Fiscal, Business & Administration	886,528	850,144	804,608	770,745	782,790	751,107
Operation and Maintenance Of Plant	651,533	616,263	592,580	558,102	589,035	585,178
Pupil Transportation	320,891	290,847	270,605	241,351	334,471	300,193
Central	5,732	732	4,955	(45)	8,412	3,412
Operation of Non Instructional Services	48,076	(7,951)	71,972	7,823		
Operation of Food Services	319,149	18,277	318,825	2,337	300,839	(28,879)
Extracurricular Activities	384,447	221,598	397,006	255,294	316,997	148,628
Capital Outlay	140,197	123,727	48,586	14,523	283,590	266,900
Debt Service	322,063	274,584	316,128	267,633	3,096,298	3,059,430
Total	\$8,568,709	\$7,131,373	\$8,294,788	\$6,864,687	\$11,106,183	\$9,689,564

Instruction and student support services comprise approximately 64 percent of governmental program disbursements in fiscal year 2009 and approximately 66 percent in fiscal year 2008. Board of Education, administration, fiscal and business charges are approximately 10 percent of total disbursements for fiscal years 2009 and 2008. Pupil transportation and the operation and maintenance of facilities accounts for 11 percent of all governmental program disbursements in fiscal year 2009 and 10 percent in fiscal year 2008.

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

For fiscal year 2009, the School District has two major governmental funds: the General Fund and the HB264 Energy Project Fund. For fiscal year 2008, the School District has two major governmental funds: the General Fund and the Debt Service Fund.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008
(UNAUDITED)
(Continued)**

For fiscal year 2009, receipts and other financing sources of the General Fund comprise \$7,166,905 (81 percent) of the total \$8,876,075 governmental funds receipts and other financing sources, and General Fund disbursements are \$7,271,297 (85 percent) of the total disbursements and other financing uses for the governmental funds. The HB264 Energy Project Fund received \$398,830 in proceeds from the sale of notes in fiscal year 2009, none of which were disbursed during fiscal year 2009.

For fiscal year 2008, receipts and other financing sources of the General Fund comprise \$6,937,464 (83 percent) of the total \$8,329,012 governmental fund receipts and other financing sources, and General Fund disbursements are \$7,084,324 (85 percent) of the total disbursements and other financing uses for the governmental funds. Receipts of the Debt Service Fund in fiscal year 2008 generated \$334,604 (4 percent) in receipts and utilized \$322,779 (4 percent) of the total governmental disbursements.

General Fund – The General Fund cash balance at June 30, 2009, was \$1,266,958 which represents 44 percent of total governmental fund cash balances. General fund receipts and other financing sources were less than disbursements and other financing uses in 2009 by \$104,392 mostly due to an increase in pupil transportation and operation and maintenance of plant. The cash balance at June 30, 2008 was \$1,371,350 which represents 53 percent of the total governmental cash balances. General fund receipts and other financing sources were less than disbursements and other financing uses by \$146,860 mostly due to an increase in regular instruction and extracurricular activity disbursements.

HB264 Energy Project Fund - The HB264 Energy Project Fund cash balance at June 30, 2009 was \$398,830 which represents 14 percent of total governmental fund cash balances for fiscal year 2009.

Debt Service Fund - The Debt Service Fund cash balance at June 30, 2008 was \$271,598 which represents 10 percent of total governmental fund cash balances for fiscal year 2008. Debt Service Fund receipts and other financing sources were more than disbursements and other financing uses by \$11,825.

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 years 2009 and 2008, 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 2009, general fund budget basis receipts were \$237,576 over the final budget of \$6,889,829. This increase was mostly attributable to increases in tax receipts, intergovernmental receipts and tuition and fees. General fund budget basis disbursements were \$731,664 under the final budget of \$8,037,750. This decrease was largely due to decreases in instruction, pupil transportation and operation and maintenance of plant.

For the fiscal year 2008, general fund budget basis receipts were \$184,971 over the final budget of \$6,738,678. This increase was mostly attributable to increase in tax receipts, intergovernmental receipts and interest. General fund budget basis disbursements were \$585,113 under the final budget of \$7,763,198. This decrease was largely due to decreases in maintenance of plant and administration.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008
(UNAUDITED)
(Continued)**

Debt Administration

At June 30, 2009, the School District's outstanding debt included \$2,115,000 in Serial and Term Bonds and \$571,996 in accreted Capital Appreciation Bonds issued for improvements to school building and structures. The School District also has \$15,301 outstanding in an interest-free Environmental Protection Loan for asbestos removal projects. In addition, an Energy Conservation Loan was issued during fiscal year 2009, in the amount of \$398,830 for the purpose of providing Energy Conservation measures for the School District under H.B. 264. For further information regarding the District's debt, refer to Note 10 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 renewal with increase emergency levy of 11.6 mills which was approved by the residents in March 2008. The School District also passed a ½ mill maintenance levy in 1999 which will run for 23 years to help maintain facilities renovated by the project. The School District passed a 2.2 mill new emergency levy in the November 2008 election also.

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 28 percent of total receipts for governmental activities for the Marion Local School District in fiscal years 2009 and 2008.

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.

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. In 2008, Marion Local Schools was chosen as one of ten districts by the Ohio Department of Education to participate in a comparison audit of a district in eastern Ohio who is on fiscal watch. Even though finances are stable at the present time, all of the School District's financial abilities will be needed to meet the challenges of the future.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008
(UNAUDITED)
(Continued)**

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, 2009**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,884,333
Total Assets	<u><u>2,884,333</u></u>
Net Assets	
Restricted for:	
Debt Service	280,966
Capital Outlay	697,117
Other Purposes	572,691
Set Asides	248,502
Bus Purchase	7,151
Unrestricted	1,077,906
Total Net Assets	<u><u>\$2,884,333</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, 2009**

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities
Governmental Activities:					
Instruction					
Regular	\$4,030,942	\$233,169	\$27,643		(\$3,770,130)
Special	881,676		420,775		(460,901)
Vocational	108,226		58,252		(49,974)
Other	10,247				(10,247)
Support Services					
Pupil	206,604		2,445		(204,159)
Instructional Staff	252,398		4,657		(247,741)
Board of Education	30,528				(30,528)
Administration	610,968	24,224	4,260		(582,484)
Fiscal	240,848	7,180	720		(232,948)
Business	4,184				(4,184)
Operation and Maintenance of Plant	651,533		35,270		(616,263)
Pupil Transportation	320,891	12,081	12,924	\$5,039	(290,847)
Central	5,732		5,000		(732)
Operation of Non-Instructional Services	48,076	56,027			7,951
Operation of Food Services	319,149	245,850	55,022		(18,277)
Extracurricular Activities	384,447	162,849			(221,598)
Capital Outlay	140,197			16,470	(123,727)
Repayment of Debt	322,063		47,479		(274,584)
Total Governmental Activities	\$8,568,709	\$741,380	\$674,447	\$21,509	(7,131,373)
General Receipts					
Property Taxes Levied for:					
					2,086,495
General Purposes					290,598
Debt Service					81,479
Capital Improvement					28,950
Classroom Facilities & Maintenance					4,400,736
Grants and Entitlements not Restricted to Specific Programs					398,830
Proceeds from Sale of Notes					82,365
Interest					19,500
Proceeds of Sale of Capital Assets					20,694
Miscellaneous					7,409,647
Total General Receipts					7,409,647
Change in Net Assets					278,274
Net Assets Beginning of Year					2,606,059
Net Assets End of Year					\$2,884,333

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, 2009**

	<u>General Fund</u>	<u>HB 264 Energy Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,011,305	\$398,830	\$1,218,545	\$2,628,680
Restricted Cash and Cash Equivalents	255,653			255,653
Total Assets	<u>1,266,958</u>	<u>398,830</u>	<u>1,218,545</u>	<u>2,884,333</u>
Fund Balances				
Reserved for:				
Encumbrances	63,881	398,830	9,295	472,006
Textbooks and Instructional Materials	248,502			248,502
Bus Purchase	7,151			7,151
Unreserved, Designated For:				
Severance and Termination			66,601	66,601
Unreserved, Undesignated, Reported in:				
General Fund	947,424			947,424
Special Revenue Funds			567,635	567,635
Debt Service			280,966	280,966
Capital Projects Funds			294,048	294,048
Total Fund Balances	<u>\$1,266,958</u>	<u>\$398,830</u>	<u>\$1,218,545</u>	<u>\$2,884,333</u>

See accompanying notes to the financial statements.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>General Fund</u>	<u>HB 264 Energy Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Taxes	\$2,086,495		\$401,027	\$2,487,522
Intergovernmental	4,705,422		384,971	5,090,393
Interest	82,365		2,385	84,750
Tuition and Fees	245,250		56,028	301,278
Rent	7,180			7,180
Extracurricular Activities			187,073	187,073
Customer Sales and Services			245,850	245,850
Miscellaneous	693		3,914	4,607
Total Receipts	<u>7,127,405</u>		<u>1,281,248</u>	<u>8,408,653</u>
Disbursements				
Current:				
Instruction				
Regular	3,962,418		68,524	4,030,942
Special	689,372		192,304	881,676
Vocational Education	108,226			108,226
Other	10,247			10,247
Support Services				
Pupil	203,905		2,699	206,604
Instructional Staff	239,288		13,110	252,398
Board of Education	30,528			30,528
Administration	583,361		27,607	610,968
Fiscal	231,486		9,362	240,848
Business	4,184			4,184
Operation and Maintenance of Plant	619,471		32,062	651,533
Pupil Transportation	318,040		2,851	320,891
Central	370		5,362	5,732
Operation of Non-Instructional Services			48,076	48,076
Operation of Food Services			319,149	319,149
Extracurricular Activities	241,089		143,358	384,447
Capital Outlay	220		139,977	140,197
Debt Service:				
Principal			230,994	230,994
Interest			91,069	91,069
Total Disbursements	<u>7,242,205</u>		<u>1,326,504</u>	<u>8,568,709</u>
Excess of Receipts Over (Under) Disbursements	<u>(114,800)</u>		<u>(45,256)</u>	<u>(160,056)</u>
Other Financing Sources (Uses)				
Operating Transfers-In			29,092	29,092
Proceeds from Sale of Notes		\$398,830		398,830
Proceeds from Sale of Capital Assets	19,500			19,500
Refund of Prior Year Disbursements	20,000			20,000
Operating Transfers-Out	(29,092)			(29,092)
Total Other Financing Sources (Uses)	<u>10,408</u>	<u>398,830</u>	<u>29,092</u>	<u>438,330</u>
Net Change in Fund Balances	(104,392)	398,830	(16,164)	278,274
Fund Balances - Beginning of Year	<u>1,371,350</u>		<u>1,234,709</u>	<u>2,606,059</u>
Fund Balances - End of Year	<u>\$1,266,958</u>	<u>\$398,830</u>	<u>\$1,218,545</u>	<u>\$2,884,333</u>

See accompanying notes to the financial statements.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Taxes	\$1,877,155	\$2,072,155	\$2,086,495	\$14,340
Intergovernmental	4,490,974	4,490,974	4,705,422	214,448
Interest	86,000	86,000	82,365	(3,635)
Tuition and Fees	224,200	224,200	245,250	21,050
Rent	6,500	6,500	7,180	680
Miscellaneous	10,000	10,000	693	(9,307)
Total Receipts	<u>6,694,829</u>	<u>6,889,829</u>	<u>7,127,405</u>	<u>237,576</u>
Disbursements				
Current:				
Instruction:				
Regular	4,249,301	4,266,501	4,007,853	258,648
Special	683,298	721,698	689,621	32,077
Vocational Education	135,210	135,310	108,226	27,084
Other	18,400	18,400	10,247	8,153
Support Services:				
Pupil	227,504	227,504	204,008	23,496
Instructional Staff	270,232	281,232	239,369	41,863
Board of Education	44,312	47,812	37,602	10,210
Administration	637,826	640,666	583,361	57,305
Fiscal	254,690	274,590	231,943	42,647
Business	5,000	5,000	4,184	816
Operation and Maintenance of Plant	680,919	693,019	625,350	67,669
Pupil Transportation	464,198	465,398	322,643	142,755
Central	2,400	2,400	370	2,030
Extracurricular Activities	247,720	251,720	241,089	10,631
Capital Outlay				
Site Improvement	5,000	5,000	220	4,780
Architecture and Engineering	1,500	1,500		1,500
Total Disbursements	<u>7,927,510</u>	<u>8,037,750</u>	<u>7,306,086</u>	<u>731,664</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,232,681)</u>	<u>(1,147,921)</u>	<u>(178,681)</u>	<u>969,240</u>
Other Financing Sources (Uses)				
Advances-In	40,000	40,000	13,097	(26,903)
Proceeds from Sale of Capital Assets		19,500	19,500	
Refund of Prior Year Disbursements			20,000	20,000
Operating Transfers-Out	(55,000)	(55,000)	(29,092)	25,908
Advances-Out	(30,000)	(30,000)	(13,097)	16,903
Refund of Prior Year Receipts	(5,000)	(5,000)		5,000
Other Financing Uses	(10,000)	(10,000)		10,000
Total Other Financing Sources (Uses)	<u>(60,000)</u>	<u>(40,500)</u>	<u>10,408</u>	<u>50,908</u>
Net Change in Fund Balances	(1,292,681)	(1,188,421)	(168,273)	1,020,148
Fund Balances Beginning of Year	1,217,735	1,217,735	1,217,735	
Prior Year Encumbrances Appropriated	<u>153,615</u>	<u>153,615</u>	<u>153,615</u>	
Fund Balances End of Year	<u>\$78,669</u>	<u>\$182,929</u>	<u>\$1,203,077</u>	<u>\$1,020,148</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, 2009

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$82,668
Total Assets	<u>82,668</u>
Net Assets	
Held for Student Activities	82,668
Total Net Assets	<u>\$82,668</u>

See accompanying notes to the financial statements.

MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2008

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,606,059
Total Assets	<u>2,606,059</u>
Net Assets	
Restricted for:	
Debt Service	271,598
Capital Outlay	322,496
Other Purposes	551,373
Set Asides	289,623
Unrestricted	1,170,969
Total Net Assets	<u>\$2,606,059</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, 2008**

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Capital Grants, Contributions and Interest</u>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$4,082,458	\$217,884	\$26,195		(\$3,838,379)
Special	836,986		420,370		(416,616)
Vocational	117,448		49,385		(68,063)
Other	16,258				(16,258)
Support Services:					
Pupil	190,194		2,437		(187,757)
Instructional Staff	226,179		6,328		(219,851)
Board of Education	23,134		476		(22,658)
Administration	536,313	24,631	846		(510,836)
Fiscal	241,553	7,910			(233,643)
Business	3,608				(3,608)
Operation and Maintenance of Plant	592,580		34,478		(558,102)
Pupil Transportation	270,605	11,473	14,309	\$3,472	(241,351)
Central	4,955		5,000		45
Operation of NonInstructional Services	71,972	64,149			(7,823)
Operation of Food Services	318,825	253,793	62,695		(2,337)
Extracurricular Activities	397,006	141,712			(255,294)
Capital Outlay	48,586	16,037		18,026	(14,523)
Repayment of Debt	316,128		48,495		(267,633)
Total Governmental Activities	<u>\$8,294,788</u>	<u>\$737,589</u>	<u>\$671,014</u>	<u>\$21,498</u>	<u>(6,864,687)</u>
General Receipts					
Property Taxes Levied for:					
General Purposes					1,936,817
Debt Service					286,108
Capital Improvement					85,273
Classroom Facilities & Maintenance					29,918
Grants and Entitlements not Restricted to Specific Programs					4,339,642
Interest					126,860
Miscellaneous					31,991
Total General Receipts					<u>6,836,609</u>
Change in Net Assets					(28,078)
Net Assets Beginning of Year					<u>2,634,137</u>
Net Assets End of Year					<u><u>\$2,606,059</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, 2008**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,071,293	\$271,598	\$963,111	\$2,306,002
Restricted Cash and Cash Equivalents	300,057			300,057
Total Assets	<u>1,371,350</u>	<u>271,598</u>	<u>963,111</u>	<u>2,606,059</u>
Fund Balances:				
Reserved for Encumbrances	153,615		25,323	178,938
Reserved for Textbooks	289,623			289,623
Reserved for Bus Purchase	10,434			10,434
Unreserved, Designated For:				
Severance and Termination			89,242	89,242
Unreserved, Undesignated, Reported in:				
General Fund	917,678			917,678
Special Revenue Funds			543,510	543,510
Debt Service		271,598		271,598
Capital Projects Funds			305,036	305,036
Total Fund Balances	<u>\$1,371,350</u>	<u>\$271,598</u>	<u>\$963,111</u>	<u>\$2,606,059</u>

See accompanying notes to the financial statements.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Taxes	\$1,936,817	\$286,108	\$115,191	\$2,338,116
Intergovernmental	4,603,849	41,927	375,532	5,021,308
Interest	126,860		10,507	137,367
Tuition and Fees	229,357		64,149	293,506
Rent	7,910			7,910
Extracurricular Activities			168,945	168,945
Customer Sales and Services			249,332	249,332
Miscellaneous	18,856	6,569	13,434	38,859
Total Receipts	<u>6,923,649</u>	<u>334,604</u>	<u>997,090</u>	<u>8,255,343</u>
Disbursements				
Current:				
Instruction:				
Regular	4,014,212		68,246	4,082,458
Special	613,657		223,329	836,986
Vocational Education	117,448			117,448
Other	16,258			16,258
Support Services				
Pupil	188,011		2,183	190,194
Instructional Staff	220,082		6,097	226,179
Board of Education	23,134			23,134
Administration	511,953		24,360	536,313
Fiscal	232,034	6,651	2,868	241,553
Business	3,608			3,608
Operation and Maintenance of Plant	573,567		19,013	592,580
Pupil Transportation	266,253		4,352	270,605
Central	245		4,710	4,955
Operation of Non-Instructional Services			71,972	71,972
Operation of Food Services			318,825	318,825
Extracurricular Activities	238,158		158,848	397,006
Capital Outlay	5,850		42,736	48,586
Debt Service:				
Principal		215,992		215,992
Interest		100,136		100,136
Total Disbursements	<u>7,024,470</u>	<u>322,779</u>	<u>947,539</u>	<u>8,294,788</u>
Excess of Receipts Over (Under) Disbursements	<u>(100,821)</u>	<u>11,825</u>	<u>49,551</u>	<u>(39,445)</u>
Other Financing Sources (Uses)				
Operating Transfers-In			29,008	29,008
Refund of Prior Year Disbursements	13,815		30,846	44,661
Operating Transfers-Out	(29,008)			(29,008)
Refund of Prior Year Receipts	(30,846)		(2,448)	(33,294)
Total Other Financing Sources (Uses)	<u>(46,039)</u>		<u>57,406</u>	<u>11,367</u>
Net Change in Fund Balances	(146,860)	11,825	106,957	(28,078)
Fund Balances - Beginning of Year	<u>1,518,210</u>	<u>259,773</u>	<u>856,154</u>	<u>2,634,137</u>
Fund Balances - End of Year	<u>\$1,371,350</u>	<u>\$271,598</u>	<u>\$963,111</u>	<u>\$2,606,059</u>

See accompanying notes to the financial statements.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Taxes	\$1,871,060	\$1,871,060	\$1,936,817	\$65,757
Intergovernmental	4,568,733	4,558,118	4,603,849	45,731
Interest	86,500	86,500	126,860	40,360
Tuition and Fees	212,500	212,500	229,357	16,857
Rent	6,500	6,500	7,910	1,410
Miscellaneous	4,000	4,000	18,856	14,856
Total Receipts	<u>6,749,293</u>	<u>6,738,678</u>	<u>6,923,649</u>	<u>184,971</u>
Disbursements:				
Current:				
Instruction:				
Regular	4,280,999	4,283,501	4,070,236	213,265
Special	606,103	623,053	613,686	9,367
Vocational Education	127,950	131,050	117,448	13,602
Other	24,500	24,500	16,258	8,242
Support Services:				
Pupil	206,725	216,925	188,940	27,985
Instructional Staff	254,599	263,464	220,604	42,860
Board of Education	39,500	39,500	27,996	11,504
Administration	558,360	559,410	512,168	47,242
Fiscal	248,776	254,661	232,034	22,627
Business	5,020	5,020	3,608	1,412
Operation and Maintenance of Plant	663,325	668,780	586,011	82,769
Pupil Transportation	363,842	387,864	344,842	43,022
Central	9,800	9,800	245	9,555
Extracurricular Activities	253,125	253,820	238,159	15,661
Capital Outlay				
Site Improvement	40,350	40,350	5,850	34,500
Architecture and Engineering				0
Architecture and Engineering	1,500	1,500		1,500
Total Disbursements	<u>7,684,474</u>	<u>7,763,198</u>	<u>7,178,085</u>	<u>585,113</u>
Excess of Receipts Over (Under) Disbursements	<u>(935,181)</u>	<u>(1,024,520)</u>	<u>(254,436)</u>	<u>770,084</u>
Other Financing Sources (Uses)				
Advances-In	40,000	40,000	16,884	(23,116)
Refund of Prior Year Receipts	(35,000)	(35,000)	(30,846)	4,154
Refund of Prior Year Disbursements			13,815	13,815
Operating Transfers-Out	(110,000)	(110,000)	(29,008)	80,992
Advances-Out	(30,000)	(30,000)	(16,884)	13,116
Other Financing Uses	(10,000)	(10,000)		10,000
Total Other Financing Sources (Uses)	<u>(145,000)</u>	<u>(145,000)</u>	<u>(46,039)</u>	<u>98,961</u>
Net Change in Fund Balances	(1,080,181)	(1,169,520)	(300,475)	869,045
Fund Balances Beginning of Year	1,446,196	1,446,196	1,446,196	
Prior Year Encumbrances Appropriated	<u>72,014</u>	<u>72,014</u>	<u>72,014</u>	
Fund Balances End of Year	<u>\$438,029</u>	<u>\$348,690</u>	<u>\$1,217,735</u>	<u>\$869,045</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, 2008

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$83,843
Total Assets	<u>83,843</u>
Net Assets:	
Held for Student Activities	83,843
Total Net Assets	<u>\$83,843</u>

See accompanying notes to the financial statements.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008**

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 fifty-four square miles. It is located in Auglaize, Darke, and Mercer Counties. It is staffed by thirty-eight non-certified employees, sixty-three certified teaching personnel, and six administrative employees who provide services to approximately eight hundred eighty two students and other community members. The School District currently operates two instructional buildings.

The reporting entity is comprised of the primary government, component units, 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.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Marion Local School District.

The School District participates in two 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 OASBO/Sheakley Workers' Compensation Group Rating Plan, and the Mercer Auglaize Employee Benefit Trust. These organizations are presented in Notes 12 and 13 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.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 are the School District's major governmental funds for fiscal year 2009:

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.

HB 264 Energy Project Fund – The HB 264 Energy Project Fund is used to account for the specific resources to be used for the Energy Conservation project.

The following are the School District's major governmental funds for fiscal year 2008:

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.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term and short-term debt principal and interest.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(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.

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 pooled accounts or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

For purposes of financial reporting, 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.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal years 2009 and 2008, the School District's investments included nonnegotiable certificates of deposit, Federal agency securities, and STAR Ohio. 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 of the fiscal year. Investment earnings are allocated as authorized by State statute based upon School District policy.

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 2009 was \$82,365, which included \$46,186 assigned from other School District funds. While interest credited to the General Fund during fiscal year 2008 was \$126,860, which included \$60,107 assigned from other School District funds.

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 amounts set-aside for textbook and 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 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.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Activity

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

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded 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, 2009 and June 30, 2008 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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

M. Net Assets

Equity is classified as net assets in the government-wide statements, and displayed in separate components:

1. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted”.

Net assets restricted for other purposes include resources restricted for food service operations, public school support programs, athletic programs, classroom facilities and maintenance tax levy, 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, 2009 or 2008.

N. Fund Balance Reserves and Designations

Governmental fund equity is classified as fund balance. Fiduciary fund equity is classified the same as in the government-wide statements. The School District records reservations for portions of fund equity which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, set-asides for textbook and instructional materials, and bus purchases. The designation for severance and termination benefits represent receipts set aside for severance and termination benefit payments to eligible employees.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations.

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. IMPLEMENTATION OF NEW ACCOUNTING POLICIES

During 2008, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions"*, GASB Statement No. 48, *"Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues"*, GASB Statement No. 49, *"Accounting and Financial Reporting for Pollution Remediation Obligations"*, and GASB Statement No. 50, *"Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27"*.

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local government employers.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

4. IMPLEMENTATION OF NEW ACCOUNTING POLICIES (Continued)

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, *“Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans”*, and GASB Statement No. 27, *“Accounting for Pensions by State and Local Governmental Employers”*, to conform with requirements of GASB Statement No. 43, *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”*, and GASB Statement No. 45, *“Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”*.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

5. 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;

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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);
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, 2009 and 2008, the School District had \$1,100 in undeposited cash on hand which is included in the fund balance.

A. Deposits - Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At June 30, 2009, the carrying amount of the School District's deposits was \$2,350,059 and the bank balance was \$2,428,868. Of the bank balance, \$781,484 was covered by federal depository insurance and \$1,647,384 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department not in the School District's name.

**MARION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2008, the carrying amount of the School District's deposits was \$1,755,161 and the bank balance was \$1,811,657. Of the bank balance, \$382,276 was covered by federal depository insurance and \$1,429,381 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department not in the School District's name.

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, 2009, the School District had the following investments:

	Value as of	Maturities		% of Invested
	6/30/09	0 < 1 Year	1 – 5 Years	Balance
Federal Home Loan Bank	\$125,000		\$125,000	20.30%
STAR Ohio	490,842	\$490,842		79.70%
	<u>\$615,842</u>	<u>\$490,842</u>	<u>\$125,000</u>	<u>100.00%</u>

As of June 30, 2008, the School District had the following investments:

	Value as of	Maturities		% of Invested
	6/30/08	0 < 1 Year	1 – 5 Years	Balance
Federal Home Loan Bank	\$225,000	\$125,000	\$100,000	24.10%
Federal National Mortgage Assn.	125,000		125,000	13.39%
STAR Ohio	583,641	583,641		62.51%
	<u>\$933,641</u>	<u>\$708,641</u>	<u>\$225,000</u>	<u>100.00%</u>

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 held at fiscal year-end in Federal Home Loan Bank and Federal National Mortgage Association securities were rated Aaa by Moody's and STAR Ohio is rated AAA by Standard & Poor's.

**MARION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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 percent of the interim monies available for investment at any one time. At June 30, 2009, more than five percent of the School District's total investment portfolio is invested in Federal Home Loan Bank and STAR Ohio. These investments were 20.30 percent and 79.70 percent respectively, of the School District's total investments as of June 30, 2009. While at June 30, 2008, more than 5 percent of the School District's total investment portfolio was invested in Federal Home Loan Bank and Federal National Mortgage Association bonds and STAR Ohio. These investments are 24.10 percent, 13.39 percent, and 62.51 percent respectively, of the School District's total investments as of June 30, 2008.

6. PROPERTY TAXES

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to phasing out of the tax. In calendar years through 2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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 years 2009 and 2008 represent the collection of calendar year 2008 and 2007 taxes. Real property taxes received in calendar year 2009 and 2008 were levied after April 1, 2008 and 2007, respectively, on the assessed values as of January 1, 2008 and 2007, the lien dates. 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.

Public utility property tax receipts received in calendar years 2009 and 2008 represent the collection of calendar year 2008 and 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 and 2008 became a lien on December 31, 2007 and 2006 respectively, and were levied after April 1, 2008 and 2007, 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.

**MARION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

6. PROPERTY TAXES (Continued)

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008.

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, 2009, are available to finance fiscal year 2009 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 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collection	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$67,570,840	95.77%	\$75,685,560	97.86%
Public Utility	1,518,720	2.15%	1,661,210	2.14%
Tangible Personal Property	1,468,000	2.08%		
Total Assessed Value	<u>\$70,557,560</u>	<u>100.00%</u>	<u>\$77,346,770</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$37.45		 \$40.25	

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collection	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$66,571,630	94.65%	\$67,570,840	95.77%
Public Utility	1,894,510	2.69	1,518,720	2.15
Tangible Personal Property	1,870,808	2.66	1,468,000	2.08
Total Assessed Value	<u>\$70,336,948</u>	<u>100.00%</u>	<u>\$70,557,560</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$37.45		 \$37.45	

The millage for 2009 increased over 2008 due to an increased renewal levy approved by the voters in May of 2008 with an increase of .6 mills and an emergency levy was approved by the voters in November of 2008 for 2.2 mills.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

7. 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 2009 and the 2008, the School District contracted with Ohio Casualty, Indiana Insurance and Mid-American Fire & Casualty for the following insurance coverage:

	2009	2008
Coverage provided by Ohio Casualty is as follows:		
Buildings and Contents – replacement cost	\$23,924,690	
General Liability		
Per Occurrence	1,000,000	
Aggregate	2,000,000	
Automobile Liability	1,000,000	
Uninsured Motorists	1,000,000	
Coverage provided by Indiana Insurance is as follows:		\$23,984,300
Buildings and Contents – replacement cost		
General Liability		
Per Occurrence		1,000,000
Aggregate		2,000,000
Automobile Liability		1,000,000
Uninsured Motorists		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
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

8. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio Web site 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The CP offers features of both the DBP and the DCP plans. 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. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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 of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal years ended June 30, 2009 and 2008, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for fiscal years ended June 30, 2009, 2008, and 2007 was \$475,310, \$467,254 and \$443,597, respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions for the DCP and CP for the fiscal year ended June 30, 2009, were \$4,676 made by the School District and \$9,924 made by plan members. Contributions for the DCP and CP for the fiscal year ended June 30, 2008, were \$4,451 made by the District and \$9,130 made by plan members.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that 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.

Funding Policy - For the fiscal year ended June 30, 2009 and 2008, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate for both fiscal year 2009 and 2008 was 14 percent of annual covered payroll. A portion of the School District contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent and for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 was \$63,613, \$67,219 and \$74,429, respectively; 45 percent has been contributed for fiscal year 2009 and 100 percent has been contributed for fiscal years 2008 and 2007.

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, 2009 and June 30, 2008 all the Board of Education members had elected Social Security. The Board's liability is 6.2 percent of wages paid.

9. POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System of Ohio

Plan Description - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employees do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium.

Under Ohio law, funding for post employment health care may be deducted from employer contributions. For fiscal years 2009 and 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

The School District's contributions for post employment health care for fiscal years ended June 30, 2009, 2008 and 2007 were \$36,922, \$36,285, and \$34,766, respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. School Employees Retirement System

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2009 and 2008, 4.16 percent and 4.18 percent respectively, of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For the School District, the surcharge amount was \$11,591 for fiscal year 2009 and \$10,547 for fiscal year 2008.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$29,112, \$30,674, and \$24,710, respectively; 45 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2009 and 2008, this actuarially required allocation was .75 percent and .66 percent, respectively of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 was \$5,249, \$4,843, and \$5,061 respectively; 45 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

10. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

<u>General Long-term Obligations</u>	<u>Interest Rate</u>	<u>Outstanding 6/30/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding 6/30/2009</u>	<u>Due in One Year</u>
2006 Refunding Bonds						
Term Bonds	4.00%	\$1,540,000		\$165,000	\$1,375,000	\$170,000
Serial Bonds	4.0-4.125	620,000			620,000	
Capital Appreciations Bonds	4.25-4.35	349,995			349,995	
Capital Bonds Accretion		62,705	\$ 38,604		101,309	
2000 School Improvement						
Serial Bonds	4.4-5.2	175,000		55,000	120,000	60,000
Capital Appreciation Bonds		40,589			40,589	
Capital Bonds Accretion		66,624	13,479		80,103	
1993 Asbestos Removal Loan		26,295		10,994	15,301	10,994
HB264 Energy Project Note	4.21		398,830		398,830	26,590
Total General Obligation Debt		<u>\$2,881,208</u>	<u>\$450,913</u>	<u>\$230,994</u>	<u>\$3,101,127</u>	<u>\$267,584</u>

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

<u>General Long-term Obligations</u>	<u>Interest Rate</u>	<u>Outstanding 6/30/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding 6/30/2008</u>	<u>Due in One Year</u>
2006 Refunding Bonds						
Term Bonds	4.00%	\$1,695,000		\$155,000	\$1,540,000	\$165,000
Serial Bonds	4.0-4.125	620,000			620,000	
Capital Appreciations Bonds	4.25-4.35	349,995			349,995	
Capital Bonds Accretion		27,432	\$ 35,273		62,705	
2000 School Improvement						
Serial Bonds	4.4-5.2	225,000		50,000	175,000	55,000
Capital Appreciation Bonds		40,589			40,589	
Capital Bonds Accretion		54,651	11,973		66,624	
1993 Asbestos Removal Loan		37,287		10,992	26,295	10,994
Total General Obligation Debt		<u>\$3,049,954</u>	<u>\$47,246</u>	<u>\$215,992</u>	<u>\$2,881,208</u>	<u>\$230,994</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.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

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 percent.

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 2009, \$38,604 was accreted for a total capital appreciation bond value of \$451,304, and for fiscal year 2008, \$35,273 was accreted for total bond value of \$412,700.

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 Term bonds in the amount of \$730,000 were refunded with the 2006 bond issue. The bonds are being retired from the Bond Retirement debt service fund.

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 2009, \$13,479 was accreted for total bond value of \$120,692, and for fiscal year 2008, \$11,973 was accreted for total bond value of \$107,213.

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 2011. The loan is being retired from the Bond Retirement debt service fund.

2009 HB 264 Energy Conservation Loan – On June 15, 2009, the School District obtained a \$398,830 unvoted general obligation loan from the St. Henry Bank for the purpose of providing energy conservation measures for the School District under H.B. 264. The loan was issued for a fifteen year period with final maturity of June 15, 2024. Semi-annual payments of \$13,295 plus interest of 4.21 percent will be made throughout the term of the loan.

The School District's overall debt margin was \$4,555,179 with an unvoted debt margin of \$77,347 at June 30, 2009.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2009, were as follows:

Fiscal Year Ending June 30,	2000 General Obligation Bonds		2006 Refunding Bonds		1993 Asbestos Removal Loan	2009 HB 264 Energy Loan	Interest/ Accretion	Total
	Serial Bonds	Capital Appreciation Bonds	Serial/ Term Bonds	Capital Appreciation Bonds				
2010	\$60,000		\$ 170,000		\$10,994	\$ 26,590	\$ 97,933	\$ 365,517
2011	60,000		165,000		4,307	26,590	87,008	342,905
2012		\$ 45,029	175,000			26,590	92,538	339,157
2013		40,045	185,000			26,590	89,165	340,800
2014		35,618	190,000			26,590	84,972	337,180
2015-2019			545,000	\$451,304		132,950	459,911	1,589,165
2020-2024			565,000			132,930	50,810	748,740
	<u>\$120,000</u>	<u>\$120,692</u>	<u>\$1,995,000</u>	<u>\$451,304</u>	<u>\$15,301</u>	<u>\$398,830</u>	<u>\$962,337</u>	<u>\$4,063,464</u>

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

11. 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. The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal years 2009 and 2008.

Fiscal Year 2009	Textbook Reserve	Capital Maintenance Reserve
Set-Aside Balance, 6/30/2008	\$289,623	(\$1,136,232)
Required Set-Aside	144,712	144,712
Offsets		(110,429)
Qualifying Disbursements	(185,833)	(20,000)
Balance as of 6/30/09	<u>248,502</u>	<u>(1,121,949)</u>
Excess/Cash Available for Carry-over to Subsequent Year	<u>\$248,502</u>	<u>(\$1,121,949)</u>
Fiscal Year 2008		
Set-Aside Balance, 6/30/2008	\$318,961	(\$1,140,150)
Required Set-Aside	143,570	143,570
Offsets		(115,191)
Qualifying Disbursements	(172,908)	(24,461)
Balance as of 6/30/09	<u>289,623</u>	<u>(1,136,232)</u>
Excess/Cash Available for Carry-over to Subsequent Year	<u>\$289,623</u>	<u>(\$1,136,232)</u>

The School District had capital expenditures from bond proceeds, in prior years that reduced the capital maintenance set aside amount below zero. For the capital maintenance reserve, only this amount, may be used to reduce the set-aside requirements of future years.

12. 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 2009 and 2008 the School District paid \$21,602 and \$14,895, 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.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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.

13. 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.

14. INTERFUND ACTIVITY

During fiscal years 2009 and 2008, the School District made transfers between funds as follows:

<u>2009</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$29,092
Other Governmental Funds	\$29,092	
Total	<u>\$29,092</u>	<u>\$29,092</u>
<u>2008</u>		
General Fund		\$29,008
Other Governmental Funds	\$29,008	
Total	<u>\$29,008</u>	<u>\$29,008</u>

During 2009 and 2008, transfers were made by the general fund to move unrestricted balances to the termination benefits fund to cover obligations.

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

15. LEASES

The School District is obligated under an operating lease agreement with Perry Corporation for printers. This agreement does not give rise to property rights. The lease is for a term of 63 months at \$455.52 per month (including principal and interest) and began October 2007. During fiscal year 2009, \$5,589 was paid toward the lease, and during fiscal year 2008, \$3,862 was paid towards the lease.

16. CONTRACTUAL COMMITMENTS

At June 30, 2009, the School District had the following outstanding contractual commitments:

<u>Contractor/Vendor</u>	<u>Description</u>	<u>Contractual Commitment</u>	<u>Remaining Balance</u>
Waibel Energy Systems	HB 264 Energy Project	\$398,830	\$398,830
Harcourt School Publishers	Reading Textbooks for FY10	34,045	34,045

At June 30, 2008, the School District had the following outstanding contractual commitments:

<u>Contractor/Vendor</u>	<u>Description</u>	<u>Contractual Commitment</u>	<u>Remaining Balance</u>
Cardinal Bus Sales	84 Passenger Bus	\$73,822	\$73,822
Harcourt School Publishers	Various Textbooks for FY09	37,336	37,336
Playground World	Installation of Big Toy Purchase	17,300	17,300

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, 2009 or 2008.

B. Litigation

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



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, 2009 and 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 9, 2009, 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 a certain matter that we reported to the School District's management in a separate letter dated October 9, 2009.

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 2009-001.

We also noted certain noncompliance or other matters that we reported to the School District's management in a separate letter dated October 9, 2009.

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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

October 9, 2009

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

NONCOMPLIANCE - REPORTING

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 2009 and 2008 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 to help provide the users with more meaningful financial information.

Officials Response:

The Board of Education and Treasurer feel 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, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC 117.38 and OAC 117-2-03 (B) – Failure to prepare and file GAAP basis annual financial report.	No	Repeated as finding 2009-001



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by to by the Board, solely to assist the Board in evaluating whether Marion Local School District, Mercer County, (the School District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on December 10, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- 6) A procedure for documenting any prohibited incident that is reported;
- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 9, 2009



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
NOVEMBER 5, 2009