

Marion City School District
Marion County

General Purpose External Financial Statements

June 30, 2010



Dave Yost • Auditor of State

Board of Education
Marion City School District
910 East Church Street
Marion, Ohio 43302

We have reviewed the *Independent Auditor's Report* of the Marion City School District, Marion County, prepared by Rea & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Marion City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 4, 2011

Marion City School District
 General Purpose External Financial Statements
 For the Fiscal Year Ended June 30, 2010

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 22, 2010

The Board of Education
Marion City School District
910 East Church Street
Marion, Ohio 43302

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Marion City School District (the School District), as of and for the year ended June 30, 2010, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 10 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Rea & Associates, Inc.

Marion City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The discussion and analysis of Marion City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2010 are as follows:

Net assets for governmental activities increased \$1,515,271 from the prior fiscal year, or less than 2 percent. Net assets for business-type activities decreased \$167,841, or 2 percent.

General revenues were \$40,982,569 or 73 percent of all governmental activities revenues. This reflects the School District's significant dependence on property taxes and unrestricted State entitlements.

For business-type activities, over 99 percent of total revenues were generated by the programs.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Marion City School District as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater 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 nonmajor funds presented in total in a single column. For Marion City School District, the General Fund and the Food Service enterprise fund are the most significant funds.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2010. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

Marion City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

These 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 whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the School District discloses two types of activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax and intergovernmental revenues, including federal and state grants and other shared revenues.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Food Service, Uniform School Supplies, and Adult Education funds are reported as business-type activities.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund and the Food Service enterprise fund.

Governmental Funds - The School District's governmental funds are used to account for the same programs reported as governmental activities on the government-wide financial statements. The School District's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at fiscal year end. These funds are reported using the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the School District's operations.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Enterprise Funds - Enterprise funds use the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

Marion City School District
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Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2010 and fiscal year 2009. Amounts for fiscal 2009 have been restated, where applicable.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<u>Assets</u>						
Current and Other Assets	\$33,067,176	\$30,106,042	\$737,358	\$749,570	\$33,804,534	\$30,855,612
Capital Assets, Net	81,443,263	82,950,817	7,576,336	7,731,524	89,019,599	90,682,341
Total Assets	<u>114,510,439</u>	<u>113,056,859</u>	<u>8,313,694</u>	<u>8,481,094</u>	<u>122,824,133</u>	<u>121,537,953</u>
<u>Liabilities</u>						
Current and Other Liabilities	12,426,386	12,113,184	214,235	208,732	12,640,621	12,321,916
Long-Term Liabilities	15,466,046	15,840,939	59,813	64,875	15,525,859	15,905,814
Total Liabilities	<u>27,892,432</u>	<u>27,954,123</u>	<u>274,048</u>	<u>273,607</u>	<u>28,166,480</u>	<u>28,227,730</u>
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	70,927,087	71,831,082	7,576,336	7,731,524	77,465,014	79,562,606
Restricted	5,662,412	4,804,810	0	0	5,662,412	4,804,810
Unrestricted	10,028,508	8,466,844	463,310	475,963	11,530,227	8,942,807
Total Net Assets	<u>\$86,618,007</u>	<u>\$85,102,736</u>	<u>\$8,039,646</u>	<u>\$8,207,487</u>	<u>\$94,657,653</u>	<u>\$93,310,223</u>

A review of the above table demonstrates that for governmental activities, the change in net assets was not significant (less than 2 percent); however, there were several changes worth noting. There was an increase in current and other assets of almost \$3 million. Cash and cash equivalents increased almost \$679,000 due to the excess of revenues over expenses for the fiscal year, there was an increase in intergovernmental receivables of \$1.4 million due to the School District receiving additional grant resources as a result of the American Reinvestment and Recovery Act, and there was an increase in the receivable for property taxes of almost \$759,000 based on estimates provided by the County Auditor. These increases led to increases in both restricted and unrestricted net assets.

The change in total net assets for business-type activities was not significant.

Marion City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2 reflects the change in net assets for fiscal year 2010 and fiscal year 2009. Amounts for fiscal year 2009 have been restated, where applicable.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$2,791,759	\$2,375,346	\$444,696	\$471,301	\$3,236,455	\$2,846,647
Operating Grants, Contributions, and Interest	12,472,406	9,301,135	1,909,305	1,775,236	14,381,711	11,076,371
Capital Grants and Contributions	0	42,951	10,000	0	10,000	42,951
Total Program Revenues	<u>15,264,165</u>	<u>11,719,432</u>	<u>2,364,001</u>	<u>2,246,537</u>	<u>17,628,166</u>	<u>13,965,969</u>
General Revenues						
Property Taxes Levied for General Purposes	8,527,602	8,816,051	0	0	8,527,602	8,816,051
Property Taxes Levied for Classroom Facilities Purposes	130,729	126,055	0	0	130,729	126,055
Property Taxes Levied for Debt Service Purposes	1,062,293	1,037,503	0	0	1,062,293	1,037,503
Payment in Lieu of Taxes	74,202	41,197	0	0	74,202	41,197
Grants and Entitlements	30,605,538	30,587,951	0	0	30,605,538	30,587,951
Interest	206,697	417,969	0	0	206,697	417,969
Gifts and Donations	4,344	3,331	0	0	4,344	3,331
Miscellaneous	371,164	498,372	11,986	22,747	383,150	521,119
Total General Revenues	<u>40,982,569</u>	<u>41,528,429</u>	<u>11,986</u>	<u>22,747</u>	<u>40,994,555</u>	<u>41,551,176</u>
Total Revenues	<u>56,246,734</u>	<u>53,247,861</u>	<u>2,375,987</u>	<u>2,269,284</u>	<u>58,622,721</u>	<u>55,517,145</u>
<u>Expenses</u>						
Instruction:						
Regular	26,350,238	25,610,698	0	0	26,350,238	25,610,698
Special	7,103,772	7,181,908	0	0	7,103,772	7,181,908
Vocational	591,644	531,980	0	0	591,644	531,980
Adult/Continuing	27,321	76,480	0	0	27,321	76,480
Support Services:						
Pupils	2,405,072	2,363,393	0	0	2,405,072	2,363,393
Instructional Staff	4,491,472	4,572,748	0	0	4,491,472	4,572,748
Board of Education	40,943	37,437	0	0	40,943	37,437
Administration	3,456,652	3,438,513	0	0	3,456,652	3,438,513
Fiscal	722,311	689,966	0	0	722,311	689,966
Business	407,523	411,420	0	0	407,523	411,420
Operation of Maintenance of Plant	4,270,490	4,204,082	0	0	4,270,490	4,204,082
Pupil Transportation	999,722	960,319	0	0	999,722	960,319
Central	0	6,070	0	0	0	6,070
Non-Instructional Services	2,310,519	1,332,171	0	0	2,310,519	1,332,171
Extracurricular Activities	926,220	909,351	0	0	926,220	909,351
Interest and Fiscal Charges	627,564	657,579	0	0	627,564	657,579
Food Service	0	0	2,443,747	2,209,228	2,443,747	2,209,228
Uniform School Supplies	0	0	1,657	8,043	1,657	8,043
Adult Education	0	0	98,424	16,325	98,424	16,325
Total Expenses	<u>54,731,463</u>	<u>52,984,115</u>	<u>2,543,828</u>	<u>2,233,596</u>	<u>57,275,291</u>	<u>55,217,711</u>

(continued)

Marion City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2
Change in Net Assets
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Increase (Decrease) in Net Assets	\$1,515,271	\$263,746	(\$167,841)	\$35,688	\$1,347,430	\$299,434
Net Assets at Beginning of Year	85,102,736	84,838,990	8,207,487	8,171,799	93,310,223	93,010,789
Net Assets at End of Year	<u>\$86,618,007</u>	<u>\$85,102,736</u>	<u>\$8,039,646</u>	<u>\$8,207,487</u>	<u>\$94,657,653</u>	<u>\$93,310,223</u>

For governmental activities, revenues increased 6 percent from the prior fiscal year and primarily due to the increase in program revenues. This increase was generally due to additional grant resources (Idea Part-B, Title I, and Preschool) resulting from the American Reinvestment and Recovery Act (ARRA). General revenues were fairly consistent with the prior fiscal year. Expenses for governmental activities were also comparable to fiscal year 2010 with a 3 percent increase overall, the result of expenses related to the additional ARRA grant resources as well as salary and benefit increases.

For business-type activities, there was a decrease in charges for services due to lower food service sales; however, there was an increase in operating grants and contributions resulting from additional federal food subsidy monies received in fiscal year 2010. Expenses increased 14 percent. There was an eleven percent increase in operating expenses for the Food Service fund and additional instructors were added for the for Adult Education program.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction:				
Regular	\$26,350,238	\$25,610,698	\$22,478,625	\$21,370,432
Special	7,103,772	7,181,908	(3,110,085)	540,781
Vocational	591,644	531,980	437,989	379,468
Adult/Continuing	27,321	76,480	(17,865)	(60,481)
Support Services:				
Pupils	2,405,072	2,363,393	2,405,072	2,363,393
Instructional Staff	4,491,472	4,572,748	4,491,472	4,572,748
Board of Education	40,943	37,437	40,943	37,437
Administration	3,456,652	3,438,513	3,456,652	3,438,513
Fiscal	722,311	689,966	722,311	689,966
Business	407,523	411,420	407,523	411,420
Operation and Maintenance of Plant	4,270,490	4,204,082	4,270,490	4,204,082
Pupil Transportation	999,722	960,319	785,747	754,271
Central	0	6,070	0	6,070
Non-Instructional Services	2,310,519	1,332,171	2,167,828	1,169,730
Extracurricular Activities	926,220	909,351	753,868	729,274
Interest and Fiscal Charges	627,564	657,579	627,564	657,579
Total Expenses	<u>54,731,463</u>	<u>\$52,984,115</u>	<u>\$39,918,134</u>	<u>\$41,264,683</u>

Marion City School District
Management's Discussion and Analysis
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Unaudited

For fiscal year 2010, 73 percent of program costs was provided for through general revenues (78 percent in fiscal year 2009) reflecting the School District's significant dependence on tax revenues and unrestricted State entitlements. Two programs, however, received substantial support from program revenues. Both the special instruction and adult/continuing programs received grant resources restricted for these activities and, for fiscal year 2010, the special instruction received additional grant monies resulting from one-time ARRA distributions.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District's only major governmental fund is the General Fund which had a 5 percent increase in fund balance. Revenues increased 4 percent (primarily from intergovernmental sources), and expenditures increased by 9 percent. However, revenues continued to exceed expenditures accounting for the fund balance increase.

Business-Type Activities

The School District's major enterprise fund accounts for food service operations. While this fund continues to reflect an operating loss, federal and state subsidies generally make up for much of this difference. However, in fiscal year 2010, net assets decreased by 2 percent.

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.

For revenues, there was nearly a \$2.3 million decrease from the original budget to the final budget as adjustments were made to the estimates for property taxes and intergovernmental revenues. In addition, there was an increase of almost \$4 million from the final budget to actual revenues. This was mainly due to conservative estimates for intergovernmental revenues due to the uncertainty of the State budget and an unusual amount of miscellaneous revenues, an unpredictable revenue source.

For expenditures, changes from the original budget to the final budget and from the final budget to actual expenditures were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the School District had \$81,443,263 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of 2 percent. This decrease is the result of annual depreciation expense. Additions and disposals were minimal.

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Management's Discussion and Analysis
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Business-type activities had \$7,576,336 invested in capital assets (net of accumulated depreciation), also a decrease of 2 percent and also the result of annual depreciation.

For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

At June 30, 2010, the School District had outstanding general obligation bonds, in the amount of \$11,815,771, and capital leases in the amount of \$152,217. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Notes 16 and 17 to the basic financial statements.

Current Issues

Marion City School District is entering into a very difficult period financially as we will be on the ballot for a renewal levy in November 2011. Due to a projected deficit in the School District's five-year forecast for fiscal year 2013, the School District may need to ask the taxpayers for a new emergency levy. The last time the School District received monies from a new tax levy was in 1995.

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 reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Robert Wood, Treasurer, Marion City School District, 910 East Church Street, Marion, Ohio 43302.

Marion City School District
Statement of Net Assets
June 30, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Marion City Digital Academy	Rushmore Academy
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$17,973,968	\$483,100	\$18,457,068	\$462,785	\$209,593
Accounts Receivable	632,055	0	632,055	0	0
Accrued Interest Receivable	49,996	0	49,996	0	0
Intergovernmental Receivable	2,786,622	217,371	3,003,993	89,740	63,951
Due from Component Unit	114,521	0	114,521	0	0
Prepaid Items	64,872	0	64,872	497	0
Inventory Held for Resale	0	28,244	28,244	0	0
Materials and Supplies Inventory	82,571	8,643	91,214	0	0
Property Taxes Receivable	11,152,811	0	11,152,811	0	0
Payment in Lieu of Taxes Receivable	74,202	0	74,202	0	0
Unamortized Issuance Cost	135,558	0	135,558	0	0
Nondepreciable Capital Assets	1,965,229	151,853	2,117,082	0	0
Depreciable Capital Assets, Net	79,478,034	7,424,483	86,902,517	28,113	98,100
Total Assets	114,510,439	8,313,694	122,824,133	581,135	371,644
<u>Liabilities:</u>					
Accounts Payable	355,220	4,889	360,109	800	1,922
Accrued Wages and Benefits Payable	4,439,354	102,041	4,541,395	24,492	0
Matured Compensated Absences Payable	301,150	0	301,150	0	0
Intergovernmental Payable	1,233,507	87,305	1,320,812	11,539	0
Due to Primary Government	0	0	0	71,798	42,723
Separation Benefits Payable	616,000	20,000	636,000	0	0
Deferred Revenue	5,440,645	0	5,440,645	8,454	0
Accrued Interest Payable	40,510	0	40,510	0	0
<u>Long-Term Liabilities:</u>					
Due Within One Year	845,548	3,866	849,414	0	0
Due in More Than One Year	14,620,498	55,947	14,676,445	0	0
Total Liabilities	27,892,432	274,048	28,166,480	117,083	44,645
<u>Net Assets:</u>					
Invested in Capital Assets, Net of Related Debt	70,927,087	7,576,336	77,465,014	28,113	98,100
<u>Restricted For:</u>					
Debt Service	1,186,186	0	1,186,186	0	0
Capital Projects	135,729	0	135,729	0	0
Setasides	1,702,661	0	1,702,661	0	0
Other Purposes	2,635,123	0	2,635,123	0	0
Music Education Nonexpendable	2,713	0	2,713	0	0
Unrestricted	10,028,508	463,310	11,530,227	435,939	228,899
Total Net Assets	\$86,618,007	\$8,039,646	\$94,657,653	\$464,052	\$326,999

See Accompanying Notes to Basic Financial Statements

Debt related to certain business-type assets is included in the governmental activities. This debt has not been included in the invested in capital assets, net of related debt for the governmental or business-type activity, but has been reflected in the entity total.

Marion City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$26,350,238	\$2,422,780	\$1,899,669	\$0
Special	7,103,772	157,683	10,056,174	0
Vocational	591,644	0	153,655	0
Adult/Continuing	27,321	0	45,186	0
Support Services:				
Pupils	2,405,072	0	0	0
Instructional Staff	4,491,472	0	0	0
Board of Education	40,943	0	0	0
Administration	3,456,652	0	0	0
Fiscal	722,311	0	0	0
Business	407,523	0	0	0
Operation and Maintenance of Plant	4,270,490	0	0	0
Pupil Transportation	999,722	45,413	168,562	0
Non-Instructional Services	2,310,519	0	142,691	0
Extracurricular Activities	926,220	165,883	6,469	0
Interest and Fiscal Charges	627,564	0	0	0
Total Governmental Activities	54,731,463	2,791,759	12,472,406	0
<u>Business-Type Activities:</u>				
Food Service	2,443,747	354,790	1,909,305	10,000
Other Enterprise Funds				
Uniform School Supplies	1,657	4,493	0	0
Adult Education	98,424	85,413	0	0
Total Business-Type Activities	2,543,828	444,696	1,909,305	10,000
Total Primary Government	\$57,275,291	\$3,236,455	\$14,381,711	\$10,000
<u>Component Units</u>				
Marion City Digital Academy	\$938,474	\$0	\$96,260	\$0
Rushmore Academy	559,256	0	286,135	0
Total Component Units	\$1,497,730	\$0	\$382,395	\$0

General Revenues:

Property Taxes Levied for General Purposes
Property Taxes Levied for Classroom Facilities Purposes
Property Taxes Levied for Debt Service Purposes
Payment in Lieu of Taxes
Grants and Entitlements not Restricted to Specific Programs
Interest
Gifts and Donations
Miscellaneous
Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year - Restated (See Note 3)
Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Marion City Digital Academy	Rushmore Academy
(\$22,027,789)	\$0	(\$22,027,789)	0	0
3,110,085	0	3,110,085	0	0
(437,989)	0	(437,989)	0	0
17,865		17,865	0	0
(2,405,072)	0	(2,405,072)	0	0
(4,491,472)	0	(4,491,472)	0	0
(40,943)	0	(40,943)	0	0
(3,456,652)	0	(3,456,652)	0	0
(722,311)	0	(722,311)	0	0
(407,523)	0	(407,523)	0	0
(4,270,490)	0	(4,270,490)	0	0
(785,747)	0	(785,747)	0	0
(2,167,828)	0	(2,167,828)	0	0
(753,868)	0	(753,868)	0	0
(627,564)	0	(627,564)	0	0
<u>(39,467,298)</u>	<u>0</u>	<u>(39,467,298)</u>	<u>0</u>	<u>0</u>
0	(169,652)	(169,652)	0	0
0	2,836	2,836	0	0
0	(13,011)	(13,011)	0	0
0	(179,827)	(179,827)	0	0
<u>(39,467,298)</u>	<u>(179,827)</u>	<u>(39,647,125)</u>	<u>0</u>	<u>0</u>
0	0	0	(842,214)	0
0	0	0	0	(273,121)
0	0	0	(842,214)	(273,121)
8,527,602	0	8,527,602	0	0
130,729	0	130,729	0	0
1,062,293	0	1,062,293	0	0
74,202	0	74,202	0	0
30,605,538	0	30,605,538	888,991	597,247
206,697	0	206,697	947	0
4,344	0	4,344	0	0
371,164	11,986	383,150	0	2,873
<u>40,982,569</u>	<u>11,986</u>	<u>40,994,555</u>	<u>889,938</u>	<u>600,120</u>
1,515,271	(167,841)	1,347,430	47,724	326,999
85,102,736	8,207,487	93,310,223	416,328	0
<u>\$86,618,007</u>	<u>\$8,039,646</u>	<u>\$94,657,653</u>	<u>\$464,052</u>	<u>\$326,999</u>

Marion City School District
Balance Sheet
Governmental Funds
June 30, 2010

	General	Other Governmental	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$14,034,013	\$2,237,294	\$16,271,307
Accounts Receivable	632,055	0	632,055
Accrued Interest Receivable	49,996	0	49,996
Interfund Receivable	286,578	0	286,578
Intergovernmental Receivable	189,800	2,596,822	2,786,622
Due from Component Unit	114,521	0	114,521
Prepaid Items	64,872	0	64,872
Materials and Supplies Inventory	82,571	0	82,571
<u>Restricted Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	1,702,661	0	1,702,661
Property Taxes Receivable	9,861,386	1,291,425	11,152,811
Payment in Lieu of Taxes Receivable	74,202	0	74,202
Total Assets	<u>\$27,092,655</u>	<u>\$6,125,541</u>	<u>\$33,218,196</u>
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$255,333	\$99,887	\$355,220
Accrued Wages and Benefits Payable	3,759,321	680,033	4,439,354
Matured Compensated Absences Payable	278,970	22,180	301,150
Interfund Payable	0	286,578	286,578
Intergovernmental Payable	1,051,893	181,614	1,233,507
Deferred Revenue	7,595,739	3,221,212	10,816,951
Total Liabilities	<u>12,941,256</u>	<u>4,491,504</u>	<u>17,432,760</u>
<u>Fund Balances:</u>			
Reserved for Property Taxes	3,023,898	413,112	3,437,010
Reserved for Textbooks	1,702,661	0	1,702,661
Reserved for Encumbrances	1,123,195	133,680	1,256,875
Reserved for Music Education	0	2,713	2,713
<u>Unreserved Reported in:</u>			
General Fund	8,301,645	0	8,301,645
Special Revenue Funds	0	343,286	343,286
Debt Service Fund	0	605,517	605,517
Capital Projects Funds	0	135,729	135,729
Total Fund Balances	<u>14,151,399</u>	<u>1,634,037</u>	<u>15,785,436</u>
Total Liabilities and Fund Balances	<u>\$27,092,655</u>	<u>\$6,125,541</u>	<u>\$33,218,196</u>

See Accompanying Notes to the Basic Financial Statements

Marion City School District
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 June 30, 2010

Total Governmental Fund Balances \$15,785,436

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 81,443,263

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	626,428	
Accrued Interest Receivable	14,685	
Intergovernmental Receivable	2,343,112	
Due from Component Unit	42,723	
Property Taxes Receivable	2,275,156	
Payment in Lieu of Taxes Receivable	74,202	
		5,376,306

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds. 135,558

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Separation Benefits Payable	(616,000)	
Accrued Interest Payable	(40,510)	
General Obligation Bonds Payable	(11,815,771)	
Compensated Absences Payable	(3,498,058)	
Capital Leases Payable	(152,217)	
		(16,122,556)

Net Assets of Governmental Activities \$86,618,007

See Accompanying Notes to the Basic Financial Statements

Marion City School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Other Governmental	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$8,195,754	\$1,146,767	\$9,342,521
Payment in Lieu of Taxes	92,433	0	92,433
Intergovernmental	32,696,157	8,666,303	41,362,460
Interest	205,013	410	205,423
Tuition and Fees	2,092,110	0	2,092,110
Extracurricular Activities	72,240	85,858	158,098
Charges for Services	450,836	0	450,836
Gifts and Donations	0	6,729	6,729
Miscellaneous	322,333	92,021	414,354
Total Revenues	<u>44,126,876</u>	<u>9,998,088</u>	<u>54,124,964</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	22,718,668	2,124,376	24,843,044
Special	4,944,206	2,091,122	7,035,328
Vocational	521,365	4,580	525,945
Adult/Continuing	12,829	14,176	27,005
Support Services:			
Pupils	2,230,859	106,215	2,337,074
Instructional Staff	1,129,815	3,274,644	4,404,459
Board of Education	40,943	0	40,943
Administration	2,921,676	382,469	3,304,145
Fiscal	685,924	31,430	717,354
Business	400,568	0	400,568
Operation and Maintenance of Plant	3,956,463	390,919	4,347,382
Pupil Transportation	1,124,305	85,017	1,209,322
Central	0	0	0
Non-Instructional Services	2,048,405	261,189	2,309,594
Extracurricular Activities	616,449	185,814	802,263
Capital Outlay	35,301	75,624	110,925
Debt Service:			
Principal Retirement	31,062	665,000	696,062
Interest and Fiscal Charges	4,140	525,815	529,955
Total Expenditures	<u>43,422,978</u>	<u>10,218,390</u>	<u>53,641,368</u>
Excess of Revenues Over (Under) Expenditures	<u>703,898</u>	<u>(220,302)</u>	<u>483,596</u>
<u>Other Financing Sources (Uses):</u>			
Inception of Capital Lease	77,317	0	77,317
Transfers In	0	75,000	75,000
Transfers Out	(75,000)	0	(75,000)
Total Other Financing Sources (Uses)	<u>2,317</u>	<u>75,000</u>	<u>77,317</u>
Changes in Fund Balances	706,215	(145,302)	560,913
Fund Balances at Beginning of Year	<u>13,445,184</u>	<u>1,779,339</u>	<u>15,224,523</u>
Fund Balances at End of Year	<u>\$14,151,399</u>	<u>\$1,634,037</u>	<u>\$15,785,436</u>

See Accompanying Notes to the Basic Financial Statements

Marion City School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2010

Changes in Fund Balances - Total Governmental Funds \$560,913

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures.

However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year:

Capital Outlay - Depreciable Capital Assets	481,668	
Depreciation	(1,949,585)	
		(1,467,917)

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities.

(39,637)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	378,103	
Payment in Lieu of Taxes	(18,231)	
Intergovernmental	1,723,102	
Interest	1,279	
Tuition and Fees	37,517	
		2,121,770

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets.

General Obligation Bonds	665,000	
Capital Leases	31,062	
		696,062

The termination of a capital lease is not reflected in the governmental funds but the termination reduces long-term liabilities on the statement of net assets.

44,761

The accounting loss on refunded debt is reported as an expense at the time of refunding but is amortized over the life of the new debt on the statement of activities.

(4,187)

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets.

Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net assets.

Accrued Interest Payable	2,534	
Annual Accretion on Capital Appreciation Bonds	(100,165)	
Amortization of Premium	5,494	
		(92,137)

Issuance costs are reported as an expenditure when paid in the governmental funds but are amortized over the life of the debt on the statement of activities.

(1,285)

(continued)

Marion City School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2010
 (continued)

The inception of a capital lease is reported as an other financing source in governmental funds but increases long-term liabilities on the statement of net assets		(\$77,317)
Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Separation Benefits Payable	(36,000)	
Compensated Absences Payable	<u>(189,755)</u>	
		<u>(225,755)</u>
Change in Net Assets of Governmental Activities		<u><u>\$1,515,271</u></u>
See Accompanying Notes to the Basic Financial Statements		

Marion City School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$7,219,492	\$8,043,154	\$8,043,394	\$240
Payment in Lieu of Taxes	100,000	17,224	92,433	75,209
Intergovernmental	32,679,995	29,006,620	32,457,618	3,450,998
Interest	150,000	195,995	197,825	1,830
Tuition and Fees	1,817,000	1,916,376	2,096,109	179,733
Extracurricular Activities	70,000	71,740	72,240	500
Charges for Services	0	450,836	450,836	0
Miscellaneous	0	55,864	329,934	274,070
Total Revenues	<u>42,036,487</u>	<u>39,757,809</u>	<u>43,740,389</u>	<u>3,982,580</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	23,353,459	22,978,550	22,361,772	616,778
Special	4,435,393	5,029,329	5,029,329	0
Vocational	540,022	603,022	603,022	0
Adult/Continuing	15,744	12,335	12,335	0
Support Services:				
Pupils	2,155,227	2,229,920	2,229,920	0
Instructional Staff	1,046,411	1,115,544	1,115,544	0
Board of Education	40,968	40,846	40,846	0
Administration	3,615,995	2,998,329	2,998,884	(555)
Fiscal	660,577	677,621	677,861	(240)
Business	415,571	399,567	399,567	0
Operation and Maintenance of Plant	4,477,112	4,625,678	4,625,678	0
Pupil Transportation	1,227,567	1,233,740	1,233,740	0
Central	5,000	0	0	0
Non-Instructional Services	1,137,944	2,048,405	2,048,405	0
Extracurricular Activities	559,947	618,869	618,869	0
Capital Outlay	40,757	37,261	37,261	0
Total Expenditures	<u>43,727,694</u>	<u>44,649,016</u>	<u>44,033,033</u>	<u>615,983</u>
Excess of Revenues				
Under Expenditures	(1,691,207)	(4,891,207)	(292,644)	4,598,563
<u>Other Financing Uses:</u>				
Transfers Out	(75,000)	(75,000)	(75,000)	0
Changes in Fund Balance	(1,766,207)	(4,966,207)	(367,644)	4,598,563
Fund Balance at Beginning of Year	14,103,675	14,103,675	14,103,675	0
Prior Year Encumbrances Appropriated	918,839	918,839	918,839	0
Fund Balance at End of Year	<u>\$13,256,307</u>	<u>\$10,056,307</u>	<u>\$14,654,870</u>	<u>\$4,598,563</u>

See Accompanying Notes to the Basic Financial Statements

Marion City School District
Statement of Fund Net Assets
Enterprise Funds
June 30, 2010

	Food Service	Other Enterprise	Total Enterprise Funds
<u>Assets:</u>			
<u>Current Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$360,927	\$122,173	\$483,100
Intergovernmental Receivable	217,371	0	217,371
Inventory Held for Resale	28,244	0	28,244
Materials and Supplies Inventory	8,643	0	8,643
Total Current Assets	<u>615,185</u>	<u>122,173</u>	<u>737,358</u>
<u>Non-Current Assets:</u>			
Nondepreciable Capital Assets	151,853	0	151,853
Depreciable Capital Assets, Net	7,423,158	1,325	7,424,483
Total Non-Current Assets	<u>7,575,011</u>	<u>1,325</u>	<u>7,576,336</u>
Total Assets	<u>8,190,196</u>	<u>123,498</u>	<u>8,313,694</u>
<u>Liabilities:</u>			
<u>Current Liabilities:</u>			
Accounts Payable	444	4,445	4,889
Accrued Wages and Benefits Payable	92,818	9,223	102,041
Intergovernmental Payable	85,784	1,521	87,305
Compensated Absences Payable	3,866	0	3,866
Separation Benefits Payable	20,000	0	20,000
Total Current Liabilities	<u>202,912</u>	<u>15,189</u>	<u>218,101</u>
<u>Non-Current Liabilities</u>			
Compensated Absences Payable	55,947	0	55,947
Total Liabilities	<u>258,859</u>	<u>15,189</u>	<u>274,048</u>
<u>Net Assets:</u>			
Invested in Capital Assets	7,575,011	1,325	7,576,336
Unrestricted	356,326	106,984	463,310
Total Net Assets	<u>\$7,931,337</u>	<u>\$108,309</u>	<u>\$8,039,646</u>

See Accompanying Notes to the Basic Financial Statements

Marion City School District
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Enterprise Funds
For the Fiscal Year Ended June 30, 2010

	<u>Food Service</u>	<u>Other Enterprise</u>	<u>Total Enterprise Funds</u>
<u>Operating Revenues:</u>			
Sales	\$354,790	\$4,493	\$359,283
Charges for Services	0	85,413	85,413
Other Operating Revenues	11,986	0	11,986
Total Operating Revenues	<u>366,776</u>	<u>89,906</u>	<u>456,682</u>
<u>Operating Expenses:</u>			
Salaries	582,615	36,570	619,185
Fringe Benefits	280,193	26,069	306,262
Purchased Services	131,660	0	131,660
Materials and Supplies	107,155	35,174	142,329
Cost of Sales	1,148,555	1,657	1,150,212
Depreciation	168,569	611	169,180
Other Operating Expenses	25,000	0	25,000
Total Operating Expenses	<u>2,443,747</u>	<u>100,081</u>	<u>2,543,828</u>
Operating Loss	<u>(2,076,971)</u>	<u>(10,175)</u>	<u>(2,087,146)</u>
<u>Non-Operating Revenues</u>			
Federal Donated Commodities	92,471	0	92,471
Grants	1,826,349	0	1,826,349
Interest Revenue	485	0	485
Total Non-Operating Revenues	<u>1,919,305</u>	<u>0</u>	<u>1,919,305</u>
Changes in Net Assets	(157,666)	(10,175)	(167,841)
Net Assets at Beginning of Year	<u>8,089,003</u>	<u>118,484</u>	<u>8,207,487</u>
Net Assets at End of Year	<u>\$7,931,337</u>	<u>\$108,309</u>	<u>\$8,039,646</u>

See Accompanying Notes to the Basic Financial Statements

Marion City School District
Statement of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 2010

	Food Service	Other Enterprise	Total Enterprise Funds
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$354,790	\$89,906	\$444,696
Cash Received from Other Revenues	11,986	0	11,986
Cash Payments for Salaries	(597,366)	(43,461)	(640,827)
Cash Payments for Fringe Benefits	(265,336)	(22,735)	(288,071)
Cash Payments for Goods and Services	(1,300,252)	(32,386)	(1,332,638)
Cash Payments for Other Expenses	(25,000)	0	(25,000)
Net Cash Used for Operating Activities	(1,821,178)	(8,676)	(1,829,854)
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Cash Payments for Capital Acquisitions	(13,992)	0	(13,992)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Cash Received from Grants	1,643,634	0	1,643,634
<u>Cash Flows from Investing Activities:</u>			
Interest	485	0	485
Net Decrease in Cash and Cash Equivalents	(191,051)	(8,676)	(199,727)
Cash and Cash Equivalents at Beginning of Year	551,978	130,849	682,827
Cash and Cash Equivalents at End of Year	\$360,927	\$122,173	\$483,100
<u>Reconciliation of Operating Loss</u>			
<u>to Net Cash Used for Operating Activities:</u>			
Operating Loss	(\$2,076,971)	(\$10,175)	(\$2,087,146)
<u>Adjustments to Reconcile Operating Loss</u>			
<u>to Net Cash Used for Operating Activities:</u>			
Depreciation	168,569	611	169,180
Donated Commodities Received During Year	92,471	0	92,471
<u>Changes in Assets and Liabilities:</u>			
Increase in Inventory Held for Resale	(5,192)	0	(5,192)
Decrease in Materials and Supplies Inventory	392	0	392
Increase (Decrease) in Accounts Payable	(553)	4,445	3,892
Increase (Decrease) in Accrued Wages and Benefits Payable	(8,296)	9,223	927
Decrease in Matured Compensated Absences Payable	(13,939)	0	(13,939)
Increase in Intergovernmental Payable	13,102	1,521	14,623
Increase (Decrease) in Compensated Absences Payable	9,239	(14,301)	(5,062)
Net Cash Used for Operating Activities	(1,821,178)	(8,676)	(1,829,854)

Non-Cash Transactions

During fiscal year 2010, the Food Service enterprise fund received donated commodities, in the amount of \$92,471.

See Accompanying Notes to the Basic Financial Statements

Marion City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$107,843	\$32,416
<u>Liabilities:</u>		
Due to Students	0	\$32,416
<u>Net Assets:</u>		
Held in Trust for Scholarships	9,400	
Endowments	98,443	
Total Net Assets	\$107,843	

See Accompanying Notes to the Basic Financial Statements

Marion City School District
Statement of Change in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2010

	Private Purpose Trust
<u>Additions:</u>	
Interest	\$197
Gifts and Donations	1,000
Total Additions	1,197
 <u>Deductions:</u>	
Non-Instructional Services	1,499
Change in Net Assets	(302)
Net Assets at Beginning of Year	108,145
Net Assets at End of Year	\$107,843

See Accompanying Notes to the Basic Financial Statements

Note 1 - Description of the School District and Reporting Entity

Marion City 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 and federal guidelines.

The School District was established in 1853. The School District serves an area of approximately nine square miles. It is located in Marion County. The School District is the 72nd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by one hundred fifty-eight classified employees, four hundred thirty-four certified teaching personnel, and twenty-six administrative employees who provide services to 4,798 students and other community members. The School District currently operates six elementary schools, a middle school, and a high school.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Marion City School District, this includes general operations, food service, 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. Component units may also include 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.

The component unit column on the financial statements identifies the financial data of the School District’s component units, Marion City Digital Academy (MCDA) and Rushmore Academy (the Academy). They are reported separately to emphasize that they are legally separate from the School District. Information about the component units is presented in Notes 24 and 25 to the basic financial statements.

Marion City Digital Academy - MCDA is a legally separate, not-for-profit corporation. MCDA, under a contractual agreement with the Marion City School District, provides education opportunities through distance learning technologies. Marion City School District is MCDA’s sponsoring government and MCDA’s five member Board of Directors is appointed by Marion City School District’s Board of Education. Marion City School District is financially accountable for MCDA as it appoints MCDA’s Board and can impose its will on MCDA. MCDA is reported as a discretely presented component unit on Marion City School District’s financial statements.

Note 1 - Description of the School District and Reporting Entity (continued)

Rushmore Academy - The Academy is a legally separate, not-for-profit corporation. The Academy, under a contractual agreement with the Marion City School District, provides education opportunities to high school dropouts, formerly home schooled students, students who have experienced consistent lack of success in traditional high school settings, and other students age sixteen through twenty-one. Marion City School District is the Academy's sponsoring government and the Academy's five member Board of Directors is appointed by Marion City School District's Board of Education. Marion City School District is financially accountable for the Academy as it appoints the Academy's Board and can impose its will on the Academy. The Academy is reported as a discretely presented component unit on Marion City School District's financial statements.

The following activity is included within the School District's reporting entity:

Within the School District boundaries, St. Mary's Elementary and Marion Catholic High School are operated as private schools. Current State legislation provides funding to these parochial schools. The monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. This activity is reflected in a special revenue fund for financial reporting purposes by the School District.

The School District participates in two jointly governed organizations, one insurance pool, and a related organization. These organizations are the Tri-Rivers Educational Computer Association (TRECA), Tri-Rivers Joint Vocational School, Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Marion Public Library. These organizations are presented in Notes 21, 22, and 23 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of Marion City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The School District does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its business-type activities or to its enterprise funds. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business activity is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the fiscal 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. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are reported in three categories; governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's only major governmental fund is the General Fund.

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District has one major enterprise fund.

Food Service - The Food Service enterprise fund accounts for the activities related to food service operations.

The other enterprise funds of the School District account for uniform school supplies and activities related to adult education.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various student-managed activities and payroll withholdings and deductions.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Note 2 - Summary of Significant Accounting Policies (continued)

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how the School District finances and meets the cash flow needs of its enterprise funds.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; enterprise funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, and student fees.

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Note 2 - Summary of Significant Accounting Policies (continued)

Property taxes for which there was an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the School District prior to fiscal year end.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations 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.

F. Cash and Investments

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

Note 2 - Summary of Significant Accounting Policies (continued)

During fiscal year 2010, the School District invested in nonnegotiable certificates of deposit, commercial paper, and STAR Ohio. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. 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, 2010.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2010 was \$205,013, which includes \$21,273 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies, custodial supplies, donated and purchased food, and workbooks.

I. 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, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the enterprise funds. They generally result from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column on the government-wide statement of net assets and in the respective funds.

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of ten thousand dollars. The School District does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets by the enterprise funds is also capitalized.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities	Business-Type Activities
Land Improvements	25 -50 years	n/a
Buildings and Building Improvements	20 - 100 years	25 - 100 years
Furniture, Fixtures, and Equipment	5 - 40 years	10 years
Vehicles	10 - 15 years	n/a

K. Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans are reported as "Interfund Receivables/Payables". Interfund balances are eliminated on the statement of net assets, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as "Internal Balances".

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

Note 2 - Summary of Significant Accounting Policies (continued)

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

N. Unamortized Issuance Costs and Premiums

On government-wide financial statements, issuance costs and premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges and are generally paid from debt proceeds. Bond premiums are presented as an addition to the face amount of bonds payable.

On the governmental fund financial statements, issuance costs and premiums are recognized in the period when the debt is issued.

O. Unamortized Loss on Advance Refunding

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a reduction of the face amount of the new debt.

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for music and athletic programs and for federal and state grants. 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.

Note 2 - Summary of Significant Accounting Policies (continued)

Q. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, textbooks, encumbrances, and the nonexpendable portion of the permanent fund. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the School District, these revenues are sales and charges for services for food service, uniform school supplies, and adult education. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the enterprise funds. All revenues and expenses not meeting this definition are reported as non-operating.

S. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues. Transfers within governmental activities and within business-type activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

T. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 - Changes in Accounting Principles and Restatement of Net Assets

A. Changes in Accounting Principles

For fiscal year 2010, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in the economic resources measurement focus financial statements. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and the participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any changes to the financial statements.

B. Restatement of Net Assets

In fiscal year 2010, the School District changed the accounting treatment applied to the receivable for payment in lieu of taxes. Based on guidance from GASB, this receivable is presently considered a non-exchange transaction and a one year receivable is being recorded. In prior years, this was considered an exchange transaction and the entire receivable was recognized in the initial year.

	Governmental Activities
Net Assets at June 30, 2009	\$85,125,351
Payment in Lieu of Taxes Receivable	(22,615)
Restated Net Assets at June 30, 2009	\$85,102,736

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2010, the Auxiliary Services, Adult Basic Education, Title VI-B, State Fiscal Stabilization Fund, Limited English Proficiency, Title I, Safe and Drug Free Schools, Preschool, Improving Teacher Quality, Title II-D, and Miscellaneous Federal Grants special revenue funds had deficit fund balances, in the amount of \$6,883, \$1,441, \$330,692, \$4,342, \$623, \$88,642, \$1,172, \$10,465, \$93,824, \$370, and \$40,924, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The following funds had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 2010.

Fund	Appropriations	Expenditures Plus Encumbrances	Excess
Special Revenue Funds			
Title VI-B	\$1,294,981	\$1,448,428	\$153,447
Limited English Proficiency	12,665	13,264	599
Safe and Drug Free Schools	23,474	24,637	1,163
Preschool	26,879	36,373	9,494
Title II-A	676,286	710,425	34,139
Title II-D	17,837	28,197	10,360
Reading First	1,065,477	1,214,492	149,015

The Treasurer will monitor budgetary transactions to ensure expenditures are within appropriations.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 5 - Budgetary Basis of Accounting (continued)

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	\$706,215
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2009, Received in Cash FY 2010	2,920,048
Accrued FY 2010, Not Yet Received in Cash	(3,326,221)
Cash Adjustments:	
Unrecorded Cash Activity FY 2009	28,320
Unrecorded Cash Activity FY 2010	(7,155)
Expenditure Accruals:	
Accrued FY 2009, Paid in Cash FY 2010	(4,651,442)
Accrued FY 2010, Not Yet Paid in Cash	5,345,517
Prepaid Items	(6,362)
Materials and Supplies Inventory	(15,337)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(1,361,227)
Budget Basis	(\$367,644)

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 the Board of Education has identified as not required for use within the current five 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.

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 6 - Deposits and Investments (continued)

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.

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$4,390,278 of the School District's bank balance of \$18,161,750 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 6 - Deposits and Investments (continued)

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of June 30, 2010, the School District had the following investments:

	Fair Value	Maturity
Commercial Paper	\$997,726	12/15/10
STAR Ohio	21,923	average 56 days
	\$1,019,649	

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

The Commercial Paper carries a rating of P-1 by Standard and Poor's. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District's investment in STAR Ohio had an average maturity of 56 days. The School District has no policy regarding credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 7 - Receivables

Receivables at June 30, 2010, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, intergovernmental, amounts due from the component unit, property taxes, and payment in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
State of Ohio	\$173,461
Marion County	213
Marion Technical College	9,978
River Valley LSD	6,148
Total General Fund	189,800

(continued)

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 7 - Receivables (continued)

	Amount
Governmental Activities (continued)	
Other Governmental Funds	
Miscellaneous Grants	\$9,978
Early Childhood Education	20,478
Title VI-B	841,681
Limited English Proficiency	2,142
Title I	1,225,594
Title IV	903
Preschool	56,826
Improving Teacher Quality	166,043
Title II-D	10,813
Miscellaneous Federal Grants	262,337
Bond Retirement	27
Total Other Governmental Funds	2,596,822
Total Governmental Activities	\$2,786,622
Business-Type Activities	
Food Service	\$217,371

Note 8 - Property Taxes

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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 City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 8 - Property Taxes (continued)

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 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 2010 were levied after October 1, 2009, on the value as of December 31, 2009. 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the 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 the 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 School District due to phasing out of the tax. In calendar years 2006-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursement will be phased out.

The School District receives property taxes from Marion County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2010, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010, was \$3,023,898 in the General Fund, \$44,950 in the Classroom Facilities special revenue fund, and \$368,162 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2009, was \$2,871,538 in the General Fund, \$42,961 in the Classroom Facilities special revenue fund, and \$365,625 in the Bond Retirement debt service fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on a full accrual basis. On a modified accrual basis, the revenue has been deferred.

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 8 - Property Taxes (continued)

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$336,902,240	93.22%	\$334,514,800	92.92%
Public Utility	24,510,350	6.78	25,480,650	7.08
Total Assessed Value	<u>\$361,412,590</u>	<u>100.00%</u>	<u>\$359,995,450</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.36		\$40.36	

Note 9 - Payment in Lieu of Taxes

According to State law, the City of Marion has entered into agreements with a number of property owners under which the City has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the City which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The agreements require a portion of these payments to be made to the School District. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$1,965,229	\$0	\$0	\$1,965,229
Depreciable Capital Assets				
Land Improvements	957,587	0	0	957,587
Buildings and Building Improvements	90,753,743	0	0	90,753,743
Furniture, Fixtures, and Equipment	530,260	180,167	(132,125)	578,302
Vehicles	1,307,056	301,501	(20,267)	1,588,290
Total Depreciable Capital Assets	<u>93,548,646</u>	<u>481,668</u>	<u>(152,392)</u>	<u>93,877,922</u>
Less Accumulated Depreciation				
Land Improvements	(236,658)	(35,056)	0	(271,714)
Buildings and Building Improvements	(11,337,124)	(1,771,027)	0	(13,108,151)
Furniture, Fixtures, and Equipment	(261,014)	(48,458)	92,488	(216,984)
Vehicles	(728,262)	(95,044)	20,267	(803,039)
Total Accumulated Depreciation	<u>(12,563,058)</u>	<u>(1,949,585)</u>	<u>112,755</u>	<u>(14,399,888)</u>
Depreciable Capital Assets, Net	<u>80,985,588</u>	<u>(1,467,917)</u>	<u>(39,637)</u>	<u>79,478,034</u>
Governmental Activities Capital Assets, Net	<u>\$82,950,817</u>	<u>(\$1,467,917)</u>	<u>(\$39,637)</u>	<u>\$81,443,263</u>

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 10 - Capital Assets (continued)

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Business-Type Activities				
Nondepreciable Capital Assets				
Land	\$151,853	\$0	\$0	\$151,853
Depreciable Capital Assets				
Buildings and Building Improvements	8,616,936	0	0	8,616,936
Furniture, Fixtures, and Equipment	0	13,992	0	13,992
Total Depreciable Capital Assets	8,616,936	13,992	0	8,630,928
Less Accumulated Depreciation				
Buildings and Building Improvements	(1,037,265)	(169,063)	0	(1,206,328)
Furniture, Fixtures, and Equipment	0	(117)	0	(117)
Total Accumulated Depreciation	(1,037,265)	(169,180)	0	(1,206,445)
Depreciable Capital Assets, Net	7,579,671	(155,188)	0	7,424,483
Capital Assets, Net	\$7,731,524	(\$155,188)	\$0	\$7,576,336

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,217,216
Special	170,116
Vocational	27,111
Adult/Continuing	316
Support Services:	
Pupils	22,078
Instructional Staff	85,521
Administration	110,225
Fiscal	2,522
Operation and Maintenance of Plant	86,933
Pupil Transportation	84,891
Extracurricular Activities	142,656
Total Depreciation Expense	<u>\$1,949,585</u>

Depreciation expense was charged to other enterprise funds as follows:

Other Enterprise Funds	
Adult Education	<u>\$611</u>

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 11 - Interfund Assets/Liabilities

At June 30, 2010, the General Fund had an interfund receivable, in the amount of \$286,578, from other governmental funds for short-term loans made to those funds. Amounts are expected be repaid within one year.

Note 12 - Risk Management

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 year 2010, the School District contracted for the following insurance coverage:

Coverage provided by Ohio Casualty Insurance Company:

Buildings and Contents - replacement cost	\$162,921,039
Auto Liability	1,000,000
General Liability	
Each Occurrence	1,000,000
Aggregate	2,000,000
Excess Liability	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

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 participants' 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.

Note 13 - 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 (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

Note 13 - Defined Benefit Pension Plans (continued)

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 all 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. 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 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 year ended June 30, 2010, 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 recommendations 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 the fiscal years ended June 30, 2010, 2009, and 2008 was \$2,939,584, \$2,917,551, and \$2,941,069 respectively; 84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DCP and CP for fiscal year 2010 were \$107,555 made by the School District and \$78,825 made by the plan members.

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (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.

Note 13 - Defined Benefit Pension Plans (continued)

Funding Policy - For the fiscal year ended June 30, 2010, 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 is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 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, 2010, 2009, and 2008 was \$602,019, \$413,466, and \$364,429 respectively; 18 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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, 2010, one of the Board of Education members has selected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 - Postemployment Benefits

A. State Teachers Retirement System

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.

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 employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$234,395, \$227,365, and \$229,241, respectively; 84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 14 - Postemployment Benefits (continued)

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 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2010, the surcharge amount was \$94,213.

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, 2010, 2009, and 2008 was \$21,669, \$189,221, and \$166,300 respectively; 18 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 2010, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$35,801, \$34,114, and \$26,258 respectively; 18 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 15 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to two hundred sixty-five days for twelve month classified employees, two hundred twenty days for less than twelve month classified employees, and two hundred two days for certified employees. Upon retirement, payment is made for one-third of accrued but unused sick leave credit to the maximum of forty-four and one-third days for classified employees and fifty days for certified employees.

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 15 - Other Employee Benefits (continued)

Employees earn extra days if they have more than one hundred twenty days of accumulated sick leave. Depending on length of service, classified employees can earn from four to eight extra days and certified employees can earn from two to ten extra days.

B. Health Care Benefits

The School District offers employee medical benefits through United Health Care. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Dental insurance is offered to all employees through Coresource, vision insurance through Vision Service Plan, and life insurance through Metropolitan Life Insurance.

C. Separation Benefits

The School District offers a separation benefit to certified employees eligible to retire under STRS. The employee must submit their resignation for retirement to the Board no later than March 31 of the fiscal year in which they plan to retire. A separation benefit of \$18,000 will be paid between July 1 and August 1 of the year following retirement. At June 30, 2010, the liability for separation benefits was \$616,000 for governmental activities and \$20,000 for business-type activities. At June 30, 2009, the liability for separation benefits was \$580,000 for governmental activities and \$20,000 for business-type activities. During fiscal year 2010, there were additional separation benefits, in the amount of \$216,000, and separation benefits paid, in the amount of \$180,000 for governmental activities.

Note 16 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
FY 2001 School Facilities Construction and Improvement					
Serial Bonds 4.375 - 6.5%	\$4,075,000	\$0	\$590,000	\$3,485,000	\$620,000

(continued)

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 16 - Long-Term Obligations (continued)

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10	Amounts Due Within One Year
Governmental Activities (continued)					
General Obligation Bonds					
FY 2007 School Facilities Construction and Improvement Refunding					
Serial Bonds 4 -5%	\$7,185,000	\$0	\$75,000	\$7,110,000	\$75,000
Capital Appreciation Bonds	805,000	0	0	805,000	0
Accretion on Capital Appreciation Bonds	177,680	100,165	0	277,845	0
Premium	585,312	0	5,494	579,818	0
Accounting Loss	(446,079)	4,187	0	(441,892)	0
Total General Obligation Bonds	12,381,913	104,352	670,494	11,815,771	695,000
Compensated Absences Payable	3,308,303	568,773	379,018	3,498,058	121,669
Capital Leases Payable	150,723	77,317	75,823	152,217	28,879
Total Governmental Activities Long-Term Obligations	\$15,840,939	\$750,442	\$1,125,335	\$15,466,046	\$845,548
Business-Type Activities					
Compensated Absences Payable	\$64,875	\$8,877	\$13,939	\$59,813	\$3,866

FY 2001 School Facilities Construction and Improvement Bonds - On August 1, 2000, the School District issued \$15,910,000 in voted general obligation bonds for constructing a new high school building and three new elementary school buildings, as well as renovating, remodeling, and improving existing school buildings. The bond issue included serial and term bonds, in the amount of \$11,740,000 and \$4,170,000, respectively. The bonds were issued for a twenty-two year period, with final maturity in fiscal year 2023. During fiscal year 2007, a portion of the serial bonds and all of the term bonds, in the amount of \$3,930,000 and \$4,170,000, respectively, was advance refunded. The remaining bonds are being retired through the Bond Retirement debt service fund. A portion of these bonds were used to acquire unrelated capital assets and, therefore, are reflected as unrestricted net assets.

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 16 - Long-Term Obligations (continued)

FY 2007 School Facilities Construction and Improvement Refunding Bonds - On June 12, 2007, the School District issued bonds, in the amount of \$8,100,000, to partially refund bonds previously issued in fiscal year 2001 for constructing a new high school building and three new elementary school buildings, and renovating, remodeling, and improving existing school buildings and facilities. The refunding bond issue includes serial and capital appreciation bonds, in the original amount of \$7,295,000 and \$805,000, respectively. The bonds were issued for a sixteen year period, with final maturity during fiscal year 2023. The bonds will be retired through the Bond Retirement debt service fund. A portion of these bonds were used to acquire unrelated capital assets and, therefore, are reflected as unrestricted net assets.

The serial bonds are subject to optional redemption, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, on any date on or after December 1, 2017, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2015, and December 1, 2016, in the amount of \$960,000 and \$960,000, respectively. For fiscal year 2010, \$100,165 was accreted on the capital appreciation bonds for a total bond value of \$1,082,845 at fiscal year end.

At June 30, 2010, \$8,100,000 of the refunded bonds was still outstanding.

Compensated absences will be paid from the General Fund, the Miscellaneous Grants, Auxiliary Services, Special Education Idea-B, Title I, Improving Teacher Quality, Title II-D, and Miscellaneous Federal Grants special revenue funds, and the Food Service enterprise fund. Capital leases will be paid from the General Fund.

The School District's overall debt margin was \$19,809,061 with an unvoted debt margin of \$335,949 at June 30, 2010.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2010, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial	Capital Appreciation	Interest	Total
2011	\$695,000	\$0	\$492,860	\$1,187,860
2012	800,000	0	452,060	1,252,060
2013	850,000	0	402,746	1,252,746
2014	895,000	0	350,328	1,245,328
2015	955,000	0	294,513	1,249,513
2016-2020	3,005,000	805,000	2,242,100	6,052,100
2021-2023	3,395,000	0	207,100	3,602,100
	<u>\$10,595,000</u>	<u>\$805,000</u>	<u>\$4,441,707</u>	<u>\$15,841,707</u>

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 17 - Capital Leases - Lessee Disclosure

The School District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Operation and Maintenance of Plant" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2010 were \$31,062. During fiscal year 2010, a capital lease was terminated which resulted in a reduction in the capital lease liability of \$44,761.

	Governmental Activities
Equipment	\$192,952
Less Accumulated Depreciation	(57,092)
Total June 30, 2010	\$135,860

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2010.

Fiscal Year	Principal	Interest
2011	\$28,879	\$15,198
2012	28,855	11,286
2013	31,841	8,300
2014	28,813	5,142
2015	21,623	2,301
2016	12,206	663
	\$152,217	\$42,890

Note 18 - Set Asides

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.

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 18 - Set Asides (continued)

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2010.

	Textbooks	Capital Improvements
Balance June 30, 2009	\$1,815,570	\$0
Current Year Set Aside Requirement	761,920	761,920
Qualifying Expenditures	(874,829)	0
Current Year Offsets	0	(761,920)
Balance June 30, 2010	\$1,702,661	\$0

Note 19 - Interfund Transfers

During fiscal year 2010, the General Fund made transfers to other governmental funds, in the amount of \$75,000, to subsidize programs in other funds.

Note 20 - Donor Restricted Endowments

The School District's private purpose trust fund includes donor restricted endowments. Endowments, in the amount of \$98,443 represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$9,400 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

Note 21 - Jointly Governed Organizations

A. Tri-Rivers Educational Computer Association

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. 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 TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2010, the School District paid \$182,115 to TRECA for various services. Financial information can be obtained from TRECA, 100 Executive Drive, Marion, Ohio 43302.

Note 21 - Jointly Governed Organizations (continued)

B. Tri-Rivers Joint Vocational School

The Tri-Rivers Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the ten participating school districts' Board of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from the Tri-Rivers Joint Vocational School, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

Note 22 - Insurance Pools

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials (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.

Note 23 - Related Organization

The Marion Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Marion City Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Marion Public Library, 445 East Church Street, Marion, Ohio 43302.

Note 24 - Marion City Digital Academy

A. Basis of Presentation

Marion City Digital Academy is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net assets. Marion City Digital Academy uses the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time they are incurred.

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 24 - Marion City Digital Academy (continued)

B. Deposits

At fiscal year end, the carrying amount of MCDA's deposits was \$462,785 and the bank balance was \$566,532. The entire bank balance was covered by federal depository insurance.

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Depreciable Capital Assets				
Equipment	\$177,628	\$0	\$0	\$177,628
Less Accumulated Depreciation	(116,266)	(33,249)	0	(149,515)
Capital Assets, Net	<u>\$61,362</u>	<u>(\$33,249)</u>	<u>\$0</u>	<u>\$28,113</u>

Note 25 - Rushmore Academy

A. Basis of Presentation

Rushmore Academy is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net assets. Rushmore Academy uses the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time they are incurred.

B. Deposits

At fiscal year end, the carrying amount of the Academy's deposits was \$209,593 and the bank balance was \$357,469. The entire bank balance was covered by federal depository insurance.

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Depreciable Capital Assets				
Equipment	\$0	\$118,398	\$0	\$118,398
Less Accumulated Depreciation	0	(20,298)	0	(20,298)
Capital Assets, Net	<u>\$0</u>	<u>\$98,100</u>	<u>\$0</u>	<u>\$98,100</u>

Note 26 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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, 2010.

B. Litigation

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

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Marion City School District

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Audit Report Letters

June 30, 2010

MARION CITY SCHOOL DISTRICT

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December 22, 2010

To the Board of Education
Marion City School District
910 East Church Street
Marion, Ohio 43302

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Marion City School District (the "School District") as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

Marion City School District
Report on Internal Control over Financial Reporting
And on Compliance and Other Matters Based on an Audit
Of Financial Statements Performed in Accordance with
Government Auditing Standards
December 22, 2010
Page 2 of 2

Compliance and Other Matters

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

We noted certain matters that we reported to management of Marion City School District in a separate letter dated December 22, 2010.

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

Rea & Associates, Inc.



December 22, 2010

The Board of Education
Marion City School District
910 East Church Street
Marion, Ohio 43302

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Marion City School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. Marion City School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Marion City School District's management. Our responsibility is to express an opinion on Marion City School District's compliance based on our audit.

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

In our opinion, Marion City School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Marion City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Marion City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marion City School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Schedule of Expenditures of Federal Awards – Cash Basis

We have audited the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Marion City School District (the "School District") as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 22, 2010. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Rea & Associates, Inc.

MARION CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
JUNE 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Year	Federal Receipts	Federal Disbursements
U.S. Department of Education (Passed through Ohio Department of Education):				
Able	84.002	2009	\$ 12,304	9,770
Total Able			12,304	9,770
<i>Title I Cluster</i>				
Title I	84.010	2008	0	956
Title I	84.010	2009	459,910	382,362
Title I - School Improvement	84.010	2009	51,711	54,546
Title I - School Improvement	84.010	2010	294,611	301,139
Title I	84.010	2010	1,487,883	1,243,719
Title I: ARRA	84.389	2010	457,883	388,609
Total Title I Cluster			2,751,998	2,371,331
<i>Special Education Cluster</i>				
IDEA-B	84.027	2010	1,174,127	1,040,343
IDEA-B: ARRA	84.391	2010	483,655	758,687
Total IDEA-B			1,657,782	1,799,030
Preschool Grants - Professional Development	84.173	2009	225	3,900
Preschool Grants	84.173	2010	21,119	31,305
Preschool Grants: ARRA	84.392	2010	2,815	2,815
Total Preschool Grants			24,159	38,020
<i>Total Special Education Cluster</i>			1,681,941	1,837,050
Safe and Drug-Free Schools and Communities	84.186	2009	3,851	0
Safe and Drug-Free Schools and Communities	84.186	2010	23,474	24,636
Total Safe and Drug-Free Schools and Communities			27,325	24,636
Title V	84.298	2009	4,636	7,215
Total Title V			4,636	7,215
Title II-D	84.318	2009	4,563	10,543
Title II-D	84.318	2010	5,726	7,654
Total Title II-D			10,289	18,197
Reading First	84.357	2009	43,394	92,515
Reading First	84.357	2010	972,961	1,087,702
Total Reading First			1,016,355	1,180,217
Title III - LEP	84.365	2008	0	16
Title III - LEP	84.365	2009	367	0
Title III - LEP	84.365	2010	12,159	12,862
Title III - Immigrant	84.365	2010	2,010	1,906
Total Title III			14,536	14,784

MARION CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS (CONTINUED)
JUNE 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Year	Federal Receipts	Federal Disbursements
U.S. Department of Education (Passed through Ohio Department of Education):				
Title II-A	84.367	2009	\$ 64,490	129,473
Title II-A	84.367	2010	546,813	568,065
Total Title II-A			611,303	697,538
Title I - Homeless Assistance Act: ARRA	84.387	2010	0	3,272
Total Title I - Homeless Assistance Act: ARRA			0	3,272
State Fiscal Stabilization Fund: ARRA	84.394	2010	2,020,318	2,020,318
Total State Fiscal Stabilization Fund			2,020,318	2,020,318
Total U.S. Department of Education			8,151,005	8,184,328
U.S. Department of Agriculture (Passed through Ohio Department of Education):				
<i>Child Nutrition Cluster</i>				
National School Breakfast Program	(A) 10.553	2010	416,930	416,930
Total National School Breakfast Program			416,930	416,930
National School Lunch Program	(A) 10.555	2010	1,042,349	1,042,349
Total National School Lunch Program			1,042,349	1,042,349
Summer Food Service Program for Children	(A) 10.559	2009	122,488	122,488
Total Summer Food Service Program Children			122,488	122,488
Food Distribution Program	(B) 10.555	2010	60,115	60,115
<i>Total Child Nutrition Cluster</i>			1,641,882	1,641,882
Equipment Assistance Program: ARRA	10.579	2010	15,000	15,000
Total Equipment Assistance Program			15,000	15,000
Total U.S. Department of Agriculture			1,656,882	1,656,882
Total Federal Financial Assistance			\$ 9,807,887	9,841,210

See accompanying Notes to the Schedule of Expenditures of Federal Awards

Marion City School District
Marion County, Ohio

Notes to the Schedule of Expenditures of Federal Awards – Cash Basis
For the Fiscal Year Ended June 30, 2010

Note A - Child Nutrition Cluster

Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

Note B – Food Donation Program

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

Note C - Transfers

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education’s (ODE) approval, a School District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During fiscal year 2009, the ODE authorized the following transfers:

<u>CFDA</u>		<u>Program</u>		
<u>Number</u>	<u>Program Title</u>	<u>Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.010	Title I Grants to Local Educational Agencies	2009	\$ 34,084	
84.010	Title I Grants to Local Educational Agencies	2010		\$ 34,084
84.173	IDEA-B - Special Education - Preschool Grants	2009	2,971	
84.173	IDEA-B - Special Education - Preschool Grants	2010		2,971
84.318	Title II-D - Education Technology	2009	1,569	
84.318	Title II-D - Education Technology	2010		1,569

**MARION CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any significant deficiencies or material weaknesses reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Title I Cluster Special Education Cluster State Fiscal Stabilization Fund Child Nutrition Cluster	CFDA number(s): 84.010 and 84.389 84.027, 84.173, 84.391 and 84.392 84.394 10.553, 10.555 and 10.559
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted

**MARION CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken or Finding No Longer Valid Explain
2009-01	For the audit period, the School District had several funds that reported expenditures plus encumbrances in excess of appropriations. These violations were significant to IDEA-Part B, Title I and the Miscellaneous Federal grant funds.	Partially Corrected	Reduced to management letter comment



Dave Yost • Auditor of State

MARION CITY SCHOOL DISTRICT

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 17, 2011**