

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**REGULAR AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**





# Dave Yost • Auditor of State

Board of Education  
Marion Local School District  
7956 State Route 119  
Maria Stein, Ohio 45860

We have reviewed the *Independent Auditors' Report* of the Marion Local School District, Mercer County, prepared by Manning & Associates CPAs, LLC, for the audit period July 1, 2012 through June 30, 2013. 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 Local 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

January 30, 2014

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**MARION LOCAL SCHOOL DISTRICT**  
**MERCER COUNTY**  
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## INDEPENDENT AUDITORS' REPORT

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

To the Board of Education:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Local School District, Mercer County, (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as evaluating the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Local School District, Mercer County, as of June 30, 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund, thereof for the year then ended in accordance with the accounting basis described in Note 2.

## **Accounting Basis**

Ohio Administrative Code §117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

## **Emphasis of a Matter**

As discussed in Note 2 (implementation of new accounting policies) to the financial statements, for the fiscal year ended June 30, 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." We did not modify our opinion regarding this matter.

## **Other Matters**

### **Supplemental and Other Information**

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion and Analysis* includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in *Management's Discussion and Analysis*, and we express no opinion or any other assurance on it.



### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013, on our consideration of the 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Digitally signed by Manning Associates CPAs  
DN: cn=Manning Associates CPAs, o, ou,  
email=scomer@manningcpallc.com, c=US  
Date: 2014.01.29 17:17:50 -05'00



Manning & Associates CPAs, LLC  
Dayton, Ohio

December 12, 2013

**Marion Local School District**  
**Mercer County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

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The discussion and analysis of the Marion Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for fiscal year 2013 are as follows:

- ❑ In total, net position decreased \$319,163, mostly due to the discontinuation of revenue receipts from the Education Job Bill received in the prior fiscal year.
- ❑ Outstanding debt decreased from \$2,502,331 to \$2,295,385 through principal payments made during the current year.

***Using this Annual Report***

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2013, the general fund, bond retirement fund and permanent improvement fund are the School District's most significant funds.

***Basis of Accounting***

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

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

**Marion Local School District**  
**Mercer County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

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***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The statement of net position and the statement of activities answer this question.

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

In the statement of net position and the statement of activities, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities and food service operations.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the general fund, bond retirement fund and the permanent improvement fund.

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

***Reporting the School District's Fiduciary Responsibilities***

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs. The School District's fiduciary funds account for student activities.

**Marion Local School District**  
**Mercer County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2013 compared to 2012.

**(Table 1)**  
**Net Position – Cash Basis**

	Governmental Activities	
	2013	2012
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 2,467,310	\$ 2,786,473
<i>Total Assets</i>	2,467,310	2,786,473
<b>Net Position</b>		
Restricted for:		
Capital Outlay	269,899	224,585
Debt Service	450,746	430,604
Other Purposes	396,031	610,161
Unrestricted	1,350,634	1,521,123
<i>Total Net Position</i>	\$ 2,467,310	\$ 2,786,473

Net position of the governmental activities decreased \$319,163, which represents a 11.45 percent decrease from fiscal year 2012.

A portion of the School District's net position, \$1,116,676 or 45.26 percent, represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$1,350,634 may be used to meet the School District's ongoing obligations.

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**Marion Local School District**  
**Mercer County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

Table 2 shows the changes in net position for fiscal year 2013 as compared to fiscal year 2012.

**(Table 2)**  
**Changes in Net Position – Cash Basis**

	Governmental Activities	
	2013	2012
<b>Receipts</b>		
<b>Program Receipts</b>		
Charges for Services and Sales	\$ 798,929	\$ 768,104
Operating Grants, Contributions and Interest	371,036	727,402
Capital Grants, Contributions and Interest	<u>0</u>	<u>17,978</u>
<i>Total Program Receipts</i>	<u>1,169,965</u>	<u>1,513,484</u>
<b>General Receipts</b>		
Property Taxes	2,773,638	2,771,357
Grants and Entitlements not Restricted to Specific Programs	4,551,329	4,453,755
Proceeds from Sale of Capital Assets	0	5,000
Investment Earnings	20,861	18,230
Miscellaneous	<u>54,109</u>	<u>50,589</u>
<i>Total General Receipts</i>	<u>7,399,937</u>	<u>7,298,931</u>
<i>Total Receipts</i>	<u>8,569,902</u>	<u>8,812,415</u>
<b>Program Disbursements</b>		
Instruction:		
Regular	4,165,819	4,092,572
Special	934,707	817,325
Vocational	117,650	121,901
Other	59,221	60,789
Support Services:		
Pupils	197,291	214,765
Instructional Staff	341,138	376,283
Board of Education	29,319	24,151
Administration	546,870	538,897
Fiscal	296,463	273,367
Business	3,005	2,722
Operation and Maintenance of Plant	593,281	638,288
Pupil Transportation	275,744	358,921
Central	83	205
Operation of Non-Instructional Services:		
Food Service Operations	330,320	313,280
Extracurricular Activities	405,430	371,416
Capital Outlay	251,925	74,896
Debt Service:		
Principal Retirement	225,056	216,750
Interest and Fiscal Charges	<u>115,743</u>	<u>122,408</u>
<i>Total Program Disbursements</i>	<u>8,889,065</u>	<u>8,618,936</u>
<i>Change in Net Position</i>	(319,163)	193,479
<i>Net Position Beginning of Year</i>	<u>2,786,473</u>	<u>2,592,994</u>
<i>Net Position End of Year</i>	<u>\$ 2,467,310</u>	<u>\$ 2,786,473</u>

Restricted grant monies from an ED Jobs grant that was received in fiscal year 2012 was not repeated in fiscal year 2013, contributing to the decrease in operating grant receipts. There was also an increase in grounds and parking lot improvements during FY13 which contributed to the increase in capital outlay.

**Marion Local School District**  
**Mercer County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

**Governmental Activities**

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**(Table 3)**  
**Governmental Activities – Cash Basis**

	Total Costs of Services		Net Costs of Services	
	2013	2012	2013	2012
<b><i>Program Disbursements</i></b>				
Instruction:				
Regular	\$ 4,165,819	\$ 4,092,572	\$ 3,795,117	\$ 3,484,552
Special	934,707	817,325	800,999	681,368
Vocational	117,650	121,901	113,650	38,167
Other	59,221	60,789	59,221	60,789
Support Services:				
Pupils	197,291	214,765	197,291	214,765
Instructional Staff	341,138	376,283	254,248	284,030
Board of Education	29,319	24,151	29,319	24,151
Administration	546,870	538,897	523,235	513,993
Fiscal	296,463	273,367	296,463	264,369
Business	3,005	2,722	3,005	2,722
Operation and Maintenance of Plant	593,281	638,288	593,281	602,154
Pupil Transportation	275,744	358,921	263,591	346,240
Central	83	205	83	205
Operation of Non-Instructional Services:				
Food Service Operations	330,320	313,280	18,560	(3,335)
Extracurricular Activities	405,430	371,416	214,138	195,206
Capital Outlay	251,925	74,896	216,100	56,918
Debt Service:				
Principal Retirement	225,056	216,750	225,056	216,750
Interest and Fiscal Charges	115,743	122,408	115,743	122,408
<b><i>Total</i></b>	<b><u>\$ 8,889,065</u></b>	<b><u>\$ 8,618,936</u></b>	<b><u>\$ 7,719,100</u></b>	<b><u>\$ 7,105,452</u></b>

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 13.16 percent of all governmental expenses. The community is the largest area of support for the School District students.

**Marion Local School District**  
**Mercer County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

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***The School District's Funds***

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$2,467,310, which is lower than the prior year balance of \$2,786,473.

The general fund had total cash receipts and other financing sources of \$7,272,424. The cash disbursements and other financing uses of the general fund totaled \$7,442,913. The general fund's fund balance decreased \$170,489 in fiscal year 2013. The decrease in fund balance can be attributed to increase in payroll costs.

The bond retirement fund had total cash receipts of \$367,985 and total cash disbursements of \$347,843, for an increase in fund balance of \$20,142 in 2013. The increase in fund balance is primarily due to decreased costs in servicing the School District's debt.

The permanent improvement fund had total cash receipts of \$80,879 and total cash disbursements of \$35,565, for an increase in fund balance of \$45,314 in 2013. The increase in fund balance is primarily due to an overall increase in receipts.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2013, the School District amended its general fund budget several times. For the general fund, final budgeted receipts (including other financing sources) were \$7,196,326, representing an increase of \$20,710 from the original estimate of \$7,175,616. Actual receipts (including other financing sources) of \$7,214,241 were \$17,915 higher than the final budget. Of this increase, most was attributable to an increase in property and other local taxes.

For fiscal year 2013, the general fund final budgeted disbursements (including other financing sources) were \$8,290,090, which is over the original budgeted disbursements (including other financing sources) of \$8,001,435 by \$288,655. Actual disbursements (including other financing sources) of \$7,359,291 were \$930,799 lower than the final budget. Actual instruction, operation and maintenance of plant, and pupil transportation disbursements were significantly over budgeted expectations.

**Marion Local School District**  
**Mercer County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

***Debt Administration***

The School District had the following long-term obligations outstanding at June 30, 2013 and 2012.

**(Table 4)**  
**Outstanding Debt, at June 30**

	Governmental Activities	
	2013	2012
2000 School Improvement Capital Appreciation Bonds, restated	\$ 57,126	\$ 107,870
2006 Refunding Bonds - Serial, Term and Capital Appreciation Bonds	1,945,789	2,075,401
HB 264 Energy Conservation Loan	292,470	319,060
<i>Total</i>	\$ 2,295,385	\$ 2,502,331

For further information regarding the School District's debt, refer to Note 8 of the basic financial statements.

***Current Issues***

The Marion Local School District, while relying on the State of Ohio to furnish almost two thirds of their financial support, also continues to receive strong support from the residents of the School District. The Board of Education had two emergency levies of 11.6 mills and 2.2 mills which were approved by the residents in March, 2008 with collections set to expire at the end of 2013. The School District also passed a ½ mill maintenance levy which will run for 23 years to help maintain facilities renovated by the project. In 2013, the Board of Education combined the two existing emergency levies of 11.6 mills and 2.2 mills into a 13.8 mills emergency levy which was approved by the residents in May. The levy was labeled as a renewal plus increase as a result of increased valuation.

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

Thus, the School District's dependence upon property taxes is hampered by a lack of revenue growth and the School District must regularly return to the voters to maintain a constant level of service. Property taxes made up 32.3% of total receipts for governmental activities for the Marion Local School District in fiscal year 2013, 31% for fiscal year 2012 and 30% in fiscal year 2011.



**Marion Local School District**  
**Mercer County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

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

The Marion Local School District has not seen any meaningful growth in State funding for three years. How the legislature plans to fund education programs during a weakened economy remains a concern. This year there was slight decrease in our foundation settlements of approximately \$35,000 before transfers and adjustments. The preliminary calculations from the pending legislation of House Bill No. 59 are bleak, showing our state revenue flat for the next two years.

The School District no longer receives revenue from the Education Jobs Bill in which it had received approximately \$264,000 in the prior fiscal year. However, the School District did receive funds of \$18,710 from casino tax revenue. This was only for a portion of the year; therefore, this amount is expected to increase in the next fiscal year.

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

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

***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Heather Cramer, Treasurer of Marion Local School District, 7956 State Route 119, Maria Stein, OH 45860 or [cramerh@marionlocal.org](mailto:cramerh@marionlocal.org).

**Marion Local School District**  
**Mercer County, Ohio**  
*Statement of Net Position - Cash Basis*  
*June 30, 2013*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 2,467,310
<i>Total Assets</i>	<u>\$ 2,467,310</u>
<b>Net Position</b>	
Restricted for:	
Capital Outlay	\$ 269,899
Debt Service	450,746
Other Purposes	396,031
Unrestricted	<u>1,350,634</u>
<i>Total Net Position</i>	<u>\$ 2,467,310</u>

See Accompanying Notes to Basic Financial Statements

**Marion Local School District**  
**Mercer County, Ohio**  
*Statement of Activities - Cash Basis*  
*For the Fiscal Year Ended June 30, 2013*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 4,165,819	\$ 316,790	\$ 53,912	\$ (3,795,117)
Special	934,707	0	133,708	(800,999)
Vocational	117,650	0	4,000	(113,650)
Other	59,221	0	0	(59,221)
Support Services:				
Pupils	197,291	0	0	(197,291)
Instructional Staff	341,138	0	86,890	(254,248)
Board of Education	29,319	0	0	(29,319)
Administration	546,870	23,590	45	(523,235)
Fiscal	296,463	0	0	(296,463)
Business	3,005	0	0	(3,005)
Operation and Maintenance of Plant	593,281	0	0	(593,281)
Pupil Transportation	275,744	12,153	0	(263,591)
Central	83	0	0	(83)
Operation of Non-Instructional Services:				
Food Service Operations	330,320	255,388	56,372	(18,560)
Extracurricular Activities	405,430	191,008	284	(214,138)
Capital Outlay	251,925	0	35,825	(216,100)
Debt Service:				
Principal Retirement	225,056	0	0	(225,056)
Interest and Fiscal Charges	115,743	0	0	(115,743)
<b>Totals</b>	<b>\$ 8,889,065</b>	<b>\$ 798,929</b>	<b>\$ 371,036</b>	<b>(7,719,100)</b>

**General Receipts**

Property Taxes Levied for:	
General Purposes	2,398,722
Debt Service	279,843
Capital Outlay	63,845
Classroom Facilities and Maintenance	31,228
Grants and Entitlements not Restricted to Specific Programs	4,551,329
Investment Earnings	20,861
Miscellaneous	54,109
<b>Total General Receipts</b>	<b>7,399,937</b>
<b>Change in Net Position</b>	<b>(319,163)</b>
<b>Net Position Beginning of Year</b>	<b>2,786,473</b>
<b>Net Position End of Year</b>	<b>\$ 2,467,310</b>

See Accompanying Notes to Basic Financial Statements

**Marion Local School District**  
**Mercer County, Ohio**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2013*

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 1,350,634	\$ 450,746	\$ 269,899	\$ 396,031	\$ 2,467,310
<i>Total Assets</i>	<u>\$ 1,350,634</u>	<u>\$ 450,746</u>	<u>\$ 269,899</u>	<u>\$ 396,031</u>	<u>\$ 2,467,310</u>
<b>Fund Balances</b>					
Restricted	\$ 0	\$ 450,746	\$ 269,899	\$ 396,031	\$ 1,116,676
Committed	33,102	0	0	0	33,102
Assigned	121,334	0	0	0	121,334
Unassigned	1,196,198	0	0	0	1,196,198
<i>Total Fund Balances</i>	<u>\$ 1,350,634</u>	<u>\$ 450,746</u>	<u>\$ 269,899</u>	<u>\$ 396,031</u>	<u>\$ 2,467,310</u>

See Accompanying Notes to Basic Financial Statements

**Marion Local School District**  
**Mercer County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balances - Cash Basis - Governmental Funds*  
*For the Fiscal Year Ended June 30, 2013*

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$ 2,398,722	\$ 279,843	\$ 63,844	\$ 31,228	\$ 2,773,637
Intergovernmental	4,490,150	88,142	17,035	370,487	4,965,814
Investment Income	20,906	0	0	502	21,408
Tuition and Fees	316,986	0	0	0	316,986
Extracurricular Activities	23,590	0	0	191,009	214,599
Charges for Services	0	0	0	255,388	255,388
Rent	11,957	0	0	0	11,957
Miscellaneous	7,772	0	0	0	7,772
<i>Total Receipts</i>	<u>7,270,083</u>	<u>367,985</u>	<u>80,879</u>	<u>848,614</u>	<u>8,567,561</u>
<b>Disbursements</b>					
Current:					
Instruction:					
Regular	4,084,070	0	32,859	48,890	4,165,819
Special	801,000	0	0	133,707	934,707
Vocational	112,996	0	0	4,654	117,650
Other	59,221	0	0	0	59,221
Support Services:					
Pupils	197,291	0	0	0	197,291
Instructional Staff	254,248	0	0	86,890	341,138
Board of Education	29,319	0	0	0	29,319
Administration	546,870	0	0	0	546,870
Fiscal	285,930	7,044	2,706	783	296,463
Business	3,005	0	0	0	3,005
Operation and Maintenance of Plant	580,326	0	0	12,955	593,281
Pupil Transportation	275,744	0	0	0	275,744
Central	83	0	0	0	83
Extracurricular Activities	212,488	0	0	192,942	405,430
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	330,320	330,320
Capital Outlay	0	0	0	251,925	251,925
Debt Service:					
Principal Retirement	0	225,056	0	0	225,056
Interest and Fiscal Charges	0	115,743	0	0	115,743
<i>Total Disbursements</i>	<u>7,442,591</u>	<u>347,843</u>	<u>35,565</u>	<u>1,063,066</u>	<u>8,889,065</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(172,508)</u>	<u>20,142</u>	<u>45,314</u>	<u>(214,452)</u>	<u>(321,504)</u>
<b>Other Financing Sources (Uses)</b>					
Insurance Recoveries	2,341	0	0	0	2,341
Advances In	0	0	0	322	322
Advances Out	(322)	0	0	0	(322)
<i>Total Other Financing Sources (Uses)</i>	<u>2,019</u>	<u>0</u>	<u>0</u>	<u>322</u>	<u>2,341</u>
<i>Net Change in Fund Balances</i>	<u>(170,489)</u>	<u>20,142</u>	<u>45,314</u>	<u>(214,130)</u>	<u>(319,163)</u>
<i>Fund Balances Beginning of Year</i>	<u>1,521,123</u>	<u>430,604</u>	<u>224,585</u>	<u>610,161</u>	<u>2,786,473</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,350,634</u>	<u>\$ 450,746</u>	<u>\$ 269,899</u>	<u>\$ 396,031</u>	<u>\$ 2,467,310</u>

See Accompanying Notes to Basic Financial Statements

**Marion Local School District**  
**Mercer County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*In Cash Basis Fund Balance - Budget and Actual (Non-GAAP Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 2,316,418	\$ 2,316,418	\$ 2,398,722	\$ 82,304
Intergovernmental	4,521,446	4,540,156	4,490,150	(50,006)
Investment Income	20,100	20,100	20,861	761
Tuition and Fees	245,652	245,652	268,342	22,690
Rent	10,000	10,000	11,957	1,957
Miscellaneous	12,000	12,000	6,268	(5,732)
<i>Total Receipts</i>	<u>7,125,616</u>	<u>7,144,326</u>	<u>7,196,300</u>	<u>51,974</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	4,065,177	4,273,417	3,986,279	287,138
Special	801,501	910,696	805,392	105,304
Vocational	158,870	160,270	112,996	47,274
Other	66,600	66,600	59,221	7,379
Support Services:				
Pupils	219,680	220,180	207,544	12,636
Instructional Staff	323,490	282,730	254,982	27,748
Board of Education	51,392	51,392	29,464	21,928
Administration	576,284	579,029	524,552	54,477
Fiscal	298,565	299,465	260,104	39,361
Business	5,000	5,000	3,005	1,995
Operation and Maintenance of Plant	677,786	684,106	580,526	103,580
Pupil Transportation	411,525	411,545	275,744	135,801
Central	1,450	1,450	83	1,367
Extracurricular Activities	232,115	232,210	212,488	19,722
Capital Outlay	6,000	6,000	0	6,000
<i>Total Disbursements</i>	<u>7,895,435</u>	<u>8,184,090</u>	<u>7,312,380</u>	<u>871,710</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(769,819)</u>	<u>(1,039,764)</u>	<u>(116,080)</u>	<u>923,684</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	5,000	5,000	0	(5,000)
Refund of Prior Year Receipts	(1,000)	(1,000)	0	1,000
Other Financing Uses	(10,000)	(10,000)	0	10,000
Insurance Recoveries	0	2,000	2,341	341
Advances In	45,000	45,000	15,600	(29,400)
Advances Out	(45,000)	(45,000)	(15,922)	29,078
Transfers Out	(50,000)	(50,000)	(30,989)	19,011
<i>Total Other Financing Sources (Uses)</i>	<u>(56,000)</u>	<u>(54,000)</u>	<u>(28,970)</u>	<u>25,030</u>
<i>Net Change in Fund Balance</i>	(825,819)	(1,093,764)	(145,050)	948,714
<i>Fund Balance Beginning of Year</i>	1,321,749	1,321,749	1,321,749	0
Prior Year Encumbrances Appropriated	19,500	19,500	19,500	0
<i>Fund Balance End of Year</i>	<u>\$ 515,430</u>	<u>\$ 247,485</u>	<u>\$ 1,196,199</u>	<u>\$ 948,714</u>

See Accompanying Notes to Basic Financial Statements

**Marion Local School District**  
**Mercer County, Ohio**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2013*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 98,432
<i>Total Assets</i>	<u>\$ 98,432</u>
<b>Net Position</b>	
Held for Student Activities	\$ 98,432
<i>Total Net Position</i>	<u>\$ 98,432</u>

See Accompanying Notes to Basic Financial Statements

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**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

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 Local 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. There are no component units of the Marion Local School District.

The School District participates in three jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, the Mercer County Local Professional Development Committee, the State Support Team Region 6, the OASBO/Comp Management Workers’ Compensation Group Rating Plan, and the Mercer Auglaize Employee Benefit Trust. These organizations are presented in Notes 11 and 12 to the financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.A., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District’s accounting policies.

**A. Basis of Accounting**

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

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**B. Basis of Presentation - Fund Accounting**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND FINANCIAL STATEMENTS**

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

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

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

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

The funds of the financial reporting entity are described below:

**Governmental Funds/Governmental Activities**

Governmental funds are those through which most governmental functions of the School District are financed. The following are the School District's major governmental funds:

**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.

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

**Permanent Improvement Fund** – The Permanent Improvement fund is used to account for the specific receipts and disbursements for building improvements.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fiduciary Fund Types

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

**C. Budgetary Process**

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

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

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

**Tax Budget**

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

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

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Estimated Resources**

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

**Appropriations**

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

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

**Encumbrances**

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

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Lapsing of Appropriations**

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in pooled accounts or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “equity in pooled cash and cash equivalents.”

For purposes of financial reporting, investments of the 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 considered to be cash equivalents. Investments with an initial maturity of more than three months and which are not purchased with pooled monies are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

The School District invested in STAR Ohio. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on June 30, 2013. Investment earnings are allocated as authorized by State statute based upon School District policy.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2013 were \$20,906, which includes \$9,462 assigned from other School District funds.

**E. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributions, grantors, law of other governments, or imposed by law through constitutional provisions or enabling legislation.

**F. Capital Assets**

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

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Accumulated Leave**

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

**H. Long-Term Debt**

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

**I. Intergovernmental Receipts**

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

**J. Inventory and Prepaid Items**

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

**K. Interfund Activity**

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

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

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities on the accompanying financial statements. Additional details about the School District's interfund transactions are contained in Note 13 of the basic financial statements.

**L. Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Equity Classifications**

**GOVERNMENT-WIDE STATEMENTS**

Equity is classified as net position, and displayed in separate components:

1. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation. Net position restricted for other purposes include resources restricted for capital improvements, Federal and State grants restricted to disbursements for specific purposes and food services. As of June 30, 2013, the School District did not have any net position restricted by enabling legislation.
2. Unrestricted net position – All other net position that do not meet the definition of “restricted.”

The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

**FUND FINANCIAL STATEMENTS**

Governmental fund equity is classified as fund balance. Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

- a. Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
- b. Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.



**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- d. Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.
- e. Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

**N. Receipts and Disbursements**

Program Receipts

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

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

Disbursements

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

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Implementation of New Accounting Policies**

For the fiscal year ended June 30, 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34," GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," and GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School District.

GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School District.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School District.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

**NOTE 3 –DEPOSITS AND INVESTMENTS**

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

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

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

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 3 –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.

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

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 3 –DEPOSITS AND INVESTMENTS (Continued)**

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

As of June 30, 2013, the School District had \$1,100 in undeposited cash on hand which is included in the pooled cash and cash equivalents.

***Deposits***

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

At June 30, 2013, the carrying amount of the School District's deposits was \$2,372,121 and the bank balance was \$2,634,795. Of the bank balance, \$1,401,895 was covered by federal depository insurance and \$1,232,900 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department not in the School District's name.

***Investments***

STAR Ohio is reported at the current fair market value. As of June 30, 2013, the School District had investments solely in STAR Ohio with a fair market value of \$192,521.

***Interest Rate Risk***

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

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 3 –DEPOSITS AND INVESTMENTS (Continued)**

*Custodial Credit Risk*

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

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District's policy allows the Treasurer to invest in those investments authorized by the Ohio Revised Code, and places additional limitations with amounts authorized for investment in certain types.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2013, is 58 days and carries a rating of AAAM by Standard and Poor's.

*Concentration Risk*

The School District places no limit on the amount the district may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. 100 percent of the School District's investments are in STAR Ohio.

**NOTE 4 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 4 - PROPERTY TAXES (Continued)**

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The School District receives property taxes from Mercer, Darke, and Auglaize Counties. 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, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	<b>2012 Second-Half</b>		<b>2013 First-Half</b>	
	<b>Collections</b>		<b>Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$ 84,346,230	97.92%	\$ 84,869,510	97.45%
Public Utility	1,787,370	2.08%	2,220,220	2.55%
Total Assessed Value	<b>\$ 86,133,600</b>	<b>100.00%</b>	<b>\$ 87,089,730</b>	<b>100.00%</b>
Tax Rate per \$1,000 of Assessed Valuation	\$37.90		\$36.60	

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 5 - RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the School District contracted with Netherlands Insurance Company for the following insurance coverage:

Buildings and Contents – replacement cost	\$ 31,715,021
General Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior years.

**B. Workers' Compensation**

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the "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, Comp Management, reviews each participant's claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Comp Management provides administrative, cost control and actuarial services to the Plan.

**Health Care Benefits**

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

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 6 – DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board. The retirement board acting with the advice of the actuary, allocates the employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the system. For fiscal year 2013, the allocation to pension and death benefits is 13.10 percent. The remaining 0.9 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

The School District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$106,543, \$102,868 and \$94,092, respectively; 40 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**Plan Options** – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.



**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)**

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**Combined Plan Benefits** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)**

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$466,978, \$466,923 and \$481,906, respectively; 84 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$8,246 made by the School District and \$5,890 made by the plan members.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2013, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**NOTE 7 - POST EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 7 - POST EMPLOYMENT BENEFITS (Continued)**

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$6,018, \$6,075, and \$6,055, respectively; 40 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2013, 2012, and 2011, the health care allocations were 0.16 percent, 0.55 percent, and 1.43 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$13,346, \$19,963, and \$26,686, respectively; 40 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 7 - POST EMPLOYMENT BENEFITS (Continued)**

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS website at [www.ohsers.org](http://www.ohsers.org) under *Employer/Audit Resources*.

**B. State Teachers Retirement System**

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "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 the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$35,921, \$35,917, and \$37,070, respectively; 84 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**NOTE 8 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

<u>General Long-Term Obligations</u>	<u>Interest Rate</u>	<u>Outstanding 06/30/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 06/30/13</u>	<u>Due Within 1 Year</u>
2006 Refunding Bonds:						
Serial and Term Bonds	4.00-4.13%	\$ 1,485,000	\$ 0	\$ 185,000	\$ 1,300,000	\$ 190,000
Capital Appreciation Bonds	4.30-4.35%	349,995	0	0	349,995	0
Capital Bonds Accretion		240,406	55,388	0	295,794	0
2000 School Improvement:						
Capital Appreciation Bonds	12.20%	25,429	0	13,466	11,963	11,963
Capital Bonds Accretion*restated		82,441	9,256	46,534	45,163	45,163
HB 264 Energy Conservation Loan	4.21%	319,060	0	26,590	292,470	26,590
<b>Total</b>		<u>\$ 2,502,331</u>	<u>\$ 64,644</u>	<u>\$ 271,590</u>	<u>\$ 2,295,385</u>	<u>\$ 273,716</u>

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 8 - LONG-TERM OBLIGATIONS (Continued)**

**2006 Refunding Bonds** - On August 29, 2006, the School District refinanced \$2,664,996 in prior bond issues; \$730,000 of the 2000 issue was refinanced and \$1,934,996 of the 1997 issue was refinanced. The bond issue includes serial, term, and capital appreciation bonds in the amount of \$1,695,000, \$620,000 and \$349,995, respectively. The bonds are being retired from the Bond Retirement debt service fund. The economic gain from refunding the bonds totaled \$127,430.

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

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

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

The capital appreciation bonds will mature in fiscal years 2015 through 2017 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$800,000. For fiscal year 2013, \$55,388 was accreted for a total capital appreciation bond value of \$645,789.

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

The serial and term bonds were repaid during fiscal year 2011.

The capital appreciation bonds will mature in fiscal years 2011 through 2013 and are not subject to redemption prior to maturity. The total maturity amount of the bonds is \$180,000. For fiscal year 2013, \$9,256 was accreted for total bond value of \$57,126. Total bond accretion \$45,163 as restated.

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

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 8 - LONG-TERM OBLIGATIONS (Continued)**

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2013, are as follows:

Fiscal Year Ending June 30,	2000 General Obligation Bonds	2006 Refunding Bonds			Interest / Accretion	Total
	Capital Appreciation Bonds	Serial and Term Bonds	Capital Appreciation Bonds	HB 264		
2014	\$ 11,963	\$ 190,000	\$ 0	\$ 26,590	\$ 108,627	\$ 337,180
2015	0	0	128,587	26,590	197,083	352,260
2016	0	0	115,243	26,590	204,335	346,168
2017	0	0	106,165	26,590	212,266	345,021
2018	0	270,000	0	26,590	46,912	343,502
2019-2023	0	840,000	0	132,950	84,862	1,057,812
2024	0	0	0	26,570	841	27,411
	<u>\$ 11,963</u>	<u>\$ 1,300,000</u>	<u>\$ 349,995</u>	<u>\$ 292,470</u>	<u>\$ 854,926</u>	<u>\$ 2,809,354</u>

**NOTE 9 – FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Restricted for:</b>					
Permanent Improvement	\$ 0	\$ 0	\$ 269,899	\$ 178,187	\$ 448,086
Debt Service	0	450,746	0	0	450,746
Support Services	0	0	0	1,454	1,454
Student Activities	0	0	0	122,896	122,896
Instruction	0	0	0	8,443	8,443
Food Service	0	0	0	85,051	85,051
Total Restricted	<u>0</u>	<u>450,746</u>	<u>269,899</u>	<u>396,031</u>	<u>1,116,676</u>
<b>Committed for:</b>					
Termination Benefits	29,959				29,959
Underground Storage Tank	3,143	0	0	0	3,143
Total Committed	<u>33,102</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>33,102</u>
<b>Assigned for:</b>					
Instruction	55,981	0	0	0	55,981
Support Services	11,812	0	0	0	11,812
Other Purposes	53,541	0	0	0	53,541
Total Assigned	<u>121,334</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>121,334</u>
<b>Unassigned</b>	<u>1,196,198</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,196,198</u>
<b>Total Fund Balance</b>	<b><u>\$ 1,350,634</u></b>	<b><u>\$ 450,746</u></b>	<b><u>\$ 269,899</u></b>	<b><u>\$ 396,031</u></b>	<b><u>\$ 2,467,310</u></b>

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 10 - STATUTORY RESERVES**

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

The following cash basis information identifies the changes in the fund balance reserves for capital improvements during fiscal year 2013:

	Capital Improvement Reserve
Set Aside Restricted Balance June 30, 2012	\$ 0
Current Year Set Aside Requirement	147,060
Current Year Offsets	(147,933)
Total	\$ (873)
Balance Carried Forward to Fiscal Year 2014	\$ 0
Set Aside Restricted Balance June 30, 2013	\$ 0

The School District had offsets during the fiscal year that reduced the capital maintenance set aside amount below zero.

**NOTE 11- JOINTLY GOVERNED ORGANIZATIONS**

Northwest Ohio Area Computer Services Cooperative - The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (“NOACSC”), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Mary’s and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. During fiscal year 2013, the School District paid \$11,648 to NOACSC for various services. Financial information can be obtained from Raymond Burden, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

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

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 11- JOINTLY GOVERNED ORGANIZATIONS (Continued)**

State Support Team Region 6 - The State Support Team Region 6 (“SST6”) is a special education service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SST6 is governed by a board of 52 members made up of the 50 superintendents of the participating School Districts, one non-public school, and Wright State University whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Marlene Graf, Director, at 1045 Dearbaugh, Suite #1, Wapakoneta, Ohio 45895.

**NOTE 12- GROUP PURCHASING POOL**

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

Mercer Auglaize Employee Benefit Trust - The Mercer Auglaize Employee Benefit Trust (“Trust”) is a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, prescription drug, and dental benefits to the employees of the participants. Each participant’s superintendent is appointed to an Administrative Committee, which advises the Trustee, Huntington Bank, concerning aspects of the administration of the Trust. Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Steve Dandurand at Corporate One Benefits, 220 Perry Street, Suite 200, Fostoria, Ohio 44830.

**NOTE 13 - INTERFUND ACTIVITY**

As of June 30, 2013, the General Fund had made advances of \$322 to the Race to the Top Grant fund, which will be repaid in the following fiscal year.

**NOTE 14 - 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.



**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 14 – CONTINGENCIES (Continued)**

***B. Litigation***

The School District is not party to any claims or lawsuits that would, in the School District’s opinion, have a material effect of the basic financial statements.

***C. Other Commitments***

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the School District’s commitments for encumbrances in the governmental funds were as follows:

<b>Fund</b>	<b>Amount</b>
General	\$ 58,160
Nonmajor Governmental	36,504
	\$ 94,664

**NOTE 15 – BUDGETARY BASIS OF ACCOUNTING**

The Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis – Governmental Funds, presented 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 cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- (b) Some funds are included in the General Fund (cash basis), but have separate legally adopted budgets (budget basis).

**Marion Local School District**  
**Mercer County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 15 – BUDGETARY BASIS OF ACCOUNTING (Continued)**

The adjustments necessary to convert the results of operations for the year on the cash basis to the budget basis for the General Fund is as follows:

**Net Change in Fund Balance**

	<u>General Fund</u>
Cash Basis	\$ (170,489)
Funds Budgeted Elsewhere**	83,599
Adjustment for Encumbrances	(58,160)
Budget Basis	\$ (145,050)

\*\* As part of Governmental Accounting Standards Board Statement No. 54 “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a cash basis. This includes public school support funds, uniform school supplies funds, termination benefits funds, and the underground storage tank fund.

**NOTE 16 – COMPLIANCE**

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2013, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

**NOTE 17 – COMPENSATED ABSENCES**

Employees ear vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees are entitled to vacation ranging from 10 to 20 days upon hiring. Employees are permitted to carry over 3 days vacation leave earned for 90 days into the new-year. After the 90-day period, all vacation days are cleared and the allocation is reset.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rated basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury, or within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to twenty-five percent of the remaining accumulated sick leave to a maximum of 55 days. The employee may accumulate up to 225 days in the sick leave bank; however the additional 5 days are not used in the calculation of sick leave pay-out.

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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Local School District, Mercer County, (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 12, 2013, wherein we noted the District adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." For the year ended June 30, 2013. We also noted the District uses a special purpose framework other than generally accepted accounting principles.

**Internal Control Over Financial Reporting**

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency or a combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitation, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

## Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests an instance of noncompliance or other matters that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2013-001.

## Entity's Response to Findings

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

## Purpose of the Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Manning & Associates CPAs, LLC  
Dayton, Ohio

December 12, 2013

**Marion Local School District  
Mercer County**

*Schedule of Findings  
June 30, 2013*

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Noncompliance Citation  
GAAP Reporting**

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

**Ohio Adm. Code Sec. 117-2-03 (B)** requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

For 2013, the School District prepared its financial statements, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful financial statements, the District should prepare their financial statements in accordance with generally accepted accounting principles.

**Response:** The Board of Education unanimously agreed to approve filing on GASB 34 cash basis year-end reports. Due to the continuous pressure to minimize cost under the current school funding system, the Board has agreed that costs associated with generating and auditing the reports on a GAAP basis exceeds the benefits received by filing GAAP financial reports.

**Marion Local School District  
Mercer County**

*Schedule of Prior Audit Findings  
June 30, 2013*

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Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; Explain
2012-001	Financial statement reported in accordance with GAGAS	No	Reissued as finding 2013-001

# Manning & Associates Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

## Independent Accountants' Report on Applying Agreed Upon Procedures

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on May 13, 2013 to include prohibiting harassment, intimidation, or bullying of any student “on a school bus” or by an “electronic act”.

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

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

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Manning Associates  
Certified Public Accountants, LLC

Manning & Associates CPAs, LLC  
Dayton, Ohio

December 12, 2013





# Dave Yost • Auditor of State

**MARION LOCAL SCHOOL DISTRICT**

**MERCER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 11, 2014**