



Dave Yost • Auditor of State



**MARION CITY SCHOOL DISTRICT  
MARION COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Marion City School District  
Marion County  
420 Presidential Drive, Suite B  
Marion, Ohio 43302

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Marion City School District, Marion County, Ohio (the District), as of and for the year ended June 30, 2014, 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 accounting principles generally accepted in the United States of America; this includes 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 that we 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 our evaluation of the overall financial statement presentation.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, and the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Marion City School District, Marion County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiring to management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2015, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 14, 2015

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## MARION CITY SCHOOL DISTRICT, OHIO

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### *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014*

*Unaudited*

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The discussion and analysis of Marion City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2014 are as follows:

- ❑ In total, net position decreased \$796,489. Net position of governmental activities decreased \$417,079, which represents a 0.5% decrease from 2013. Net position of business-type activities decreased \$379,410, a 4.7% decrease from 2013.
- ❑ General revenues accounted for \$42,217,868, or 74% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$15,197,442 or 26% of total revenues of \$57,415,310.
- ❑ The District had \$55,491,123 in expenses related to governmental activities; only \$12,856,975 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes) of \$42,217,069 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$47,778,023 in revenues and \$47,733,131, including transfers out, in expenditures. The general fund's fund balance increased from a balance of \$12,132,949 to an ending balance of \$12,177,841.
- ❑ Net position of the enterprise funds decreased \$389,950.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

# MARION CITY SCHOOL DISTRICT, OHIO

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014*

*Unaudited*

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## **Government-wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position (the difference between the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources) is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

The government-wide financial statements of the District are divided into two categories:

- Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's food service fund is reported as business-type activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

**Governmental Funds** – Most of the 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 an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

## MARION CITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014**

**Unaudited**

**Proprietary Funds** – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

**Fiduciary Funds** – The District is the trustee, or fiduciary, for various student managed activity programs, various scholarship programs and other items listed as agency and private purpose. It is also responsible for other assets that, due to a trust arrangement can only be used for the trust beneficiaries. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net position for 2014 compared to 2013:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$31,168,685	\$29,923,597	\$1,024,547	\$1,187,885	\$32,193,232	\$31,111,482
Capital assets, Net	75,482,709	77,605,969	6,964,971	7,136,574	82,447,680	84,742,543
Total assets	<u>106,651,394</u>	<u>107,529,566</u>	<u>7,989,518</u>	<u>8,324,459</u>	<u>114,640,912</u>	<u>115,854,025</u>
Deferred Charge on Debt Refunding	<u>412,023</u>	<u>420,677</u>	<u>0</u>	<u>0</u>	<u>412,023</u>	<u>420,677</u>
Long-term Liabilities	14,742,035	15,202,486	64,481	67,332	14,806,516	15,269,818
Current and other liabilities	6,105,397	6,152,567	254,625	207,305	6,360,022	6,359,872
Total liabilities	<u>20,847,432</u>	<u>21,355,053</u>	<u>319,106</u>	<u>274,637</u>	<u>21,166,538</u>	<u>21,629,690</u>
Property Tax Levy for Next Fiscal Year	<u>5,652,154</u>	<u>5,614,280</u>	<u>0</u>	<u>0</u>	<u>5,652,154</u>	<u>5,614,280</u>
Net position:						
Net Investment in						
Capital Assets	66,981,398	68,164,920	6,964,971	7,136,574	73,946,369	75,301,494
Restricted	3,198,142	2,386,350	0	0	3,198,142	2,386,350
Unrestricted	<u>10,384,291</u>	<u>10,429,640</u>	<u>705,441</u>	<u>913,248</u>	<u>11,089,732</u>	<u>11,342,888</u>
Total net position	<u>\$80,563,831</u>	<u>\$80,980,910</u>	<u>\$7,670,412</u>	<u>\$8,049,822</u>	<u>\$88,234,243</u>	<u>\$89,030,732</u>

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## **MARION CITY SCHOOL DISTRICT, OHIO**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014**

**Unaudited**

Changes in Net Position – The following table shows the changes in net position for the fiscal year 2014 compared to 2013:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for Services and Sales	\$1,838,701	\$1,808,882	\$80,563	\$90,930	\$1,919,264	\$1,899,812
Operating Grants	11,018,274	9,637,046	2,259,904	2,494,969	13,278,178	12,132,015
Total Program Revenues	<u>12,856,975</u>	<u>11,445,928</u>	<u>2,340,467</u>	<u>2,585,899</u>	<u>15,197,442</u>	<u>14,031,827</u>
General Revenues:						
Property Taxes	9,635,380	9,390,676	0	0	9,635,380	9,390,676
Payment in Lieu of Taxes	7,685	93,475	0	0	7,685	93,475
Intergovernmental, Unrestricted	31,964,596	30,067,794	0	0	31,964,596	30,067,794
Other	609,408	540,070	799	0	610,207	540,070
Total General Revenues	<u>42,217,069</u>	<u>40,092,015</u>	<u>799</u>	<u>0</u>	<u>42,217,868</u>	<u>40,092,015</u>
Total Revenues	<u>55,074,044</u>	<u>51,537,943</u>	<u>2,341,266</u>	<u>2,585,899</u>	<u>57,415,310</u>	<u>54,123,842</u>
Program Expenses						
Instruction	31,563,006	31,705,790	0	0	31,563,006	31,705,790
Support Services:						
Pupils	2,919,085	2,897,956	0	0	2,919,085	2,897,956
Instructional Staff	3,017,165	2,985,407	0	0	3,017,165	2,985,407
Board of Education	36,318	62,276	0	0	36,318	62,276
Administration	4,125,725	3,983,425	0	0	4,125,725	3,983,425
Fiscal Services	729,288	741,372	0	0	729,288	741,372
Business	292,525	362,125	0	0	292,525	362,125
Operation and Maintenance of Plant	5,369,492	4,334,340	0	0	5,369,492	4,334,340
Pupil Transportation	1,294,144	1,196,859	0	0	1,294,144	1,196,859
Central	984,154	183,256	0	0	984,154	183,256
Operation of Non-Instructional Services	3,538,696	3,097,767	0	0	3,538,696	3,097,767
Extracurricular Activities	1,046,563	944,108	0	0	1,046,563	944,108
Interest and Fiscal Charges	574,962	771,881	0	0	574,962	771,881
Food Service	0	0	2,712,429	2,527,389	2,712,429	2,527,389
Reading Recovery Support	0	0	8,247	103	8,247	103
Total Expenses	<u>55,491,123</u>	<u>53,266,562</u>	<u>2,720,676</u>	<u>2,527,492</u>	<u>58,211,799</u>	<u>55,794,054</u>
Change in Net Position	(417,079)	(1,728,619)	(379,410)	58,407	(796,489)	(1,670,212)
Beginning Net Position	<u>80,980,910</u>	<u>82,709,529</u>	<u>8,049,822</u>	<u>7,991,415</u>	<u>89,030,732</u>	<u>90,700,944</u>
Ending Net Position	<u>\$80,563,831</u>	<u>\$80,980,910</u>	<u>\$7,670,412</u>	<u>\$8,049,822</u>	<u>\$88,234,243</u>	<u>\$89,030,732</u>

### **Governmental Activities**

Net position of the District's governmental activities decreased \$417,079. Overall, expenses remained stable, increasing approximately 4.2%.

## **MARION CITY SCHOOL DISTRICT, OHIO**

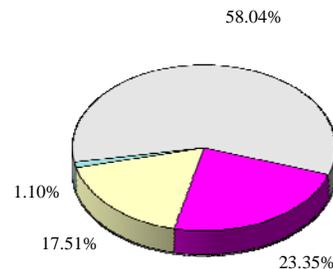
**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014**

**Unaudited**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by the levy will not increase solely as a result of inflation. 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 were 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. However, the assessed millage cannot be reduced below 20 mills, according to state statutes. The District's assessed millage has already been reduced to the 20 mill floor. Consequently, the District will receive some increased revenues as property values increase with reappraisals.

The District's reliance upon tax revenues is demonstrated by the following graph indicating 17.51% of total revenues from general tax revenues:

Revenue Sources	2014	Percent of Total
General Grants	\$31,964,596	58.04%
Program Revenues	12,856,975	23.35%
General Tax Revenues	9,643,065	17.51%
General Other	609,408	1.10%
Total Revenue	<u>\$55,074,044</u>	<u>100.00%</u>



### **Business-Type Activities**

Net position of the business-type activities decreased \$379,410. Business-type activities receive no support from tax revenues and remain self-supporting.

### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

The District's governmental funds reported a combined fund balance of \$14,027,717, which is an increase from last year's total of \$13,925,236. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance June 30, 2014	Fund Balance June 30, 2013	Increase (Decrease)
General	\$12,177,841	\$12,132,949	\$44,892
Other Governmental	1,849,876	1,792,287	57,589
Total	<u>\$14,027,717</u>	<u>\$13,925,236</u>	<u>\$102,481</u>

*General Fund* – The tables that follow assist in illustrating the financial activities and balance of the General Fund:

## MARION CITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014**

**Unaudited**

	2014 Revenues	2013 Revenues	Increase (Decrease)
Taxes	\$8,372,487	\$8,016,153	\$356,334
Payment in Lieu of Taxes	7,685	93,475	(85,790)
Tuition and Fees	1,559,580	1,643,358	(83,778)
Investment Earnings	60,483	49,270	11,213
Extracurricular Activities	40,710	43,176	(2,466)
Intergovernmental	37,384,123	34,863,978	2,520,145
All Other Revenue	352,955	305,872	47,083
Total	\$47,778,023	\$45,015,282	\$2,762,741

General Fund revenues in 2014 increased by 6.1% when compared to revenues in fiscal year 2013. The increase in investment earnings can be attributed to an upturn in the market during the year.

	2014 Expenditures	2013 Expenditures	Increase (Decrease)
Instruction	\$28,008,546	\$28,584,288	(\$575,742)
Supporting Services:			
Pupils	2,874,697	2,647,743	226,954
Instructional Staff	854,035	1,340,252	(486,217)
Board of Education	36,318	62,276	(25,958)
Administration	3,926,395	3,727,677	198,718
Fiscal Services	691,721	701,222	(9,501)
Business	294,117	384,567	(90,450)
Operation & Maintenance of Plant	4,118,791	3,876,700	242,091
Pupil Transportation	1,127,528	1,141,506	(13,978)
Central	991,472	183,478	807,994
Operation of Non-Instructional Services	3,455,008	2,960,952	494,056
Extracurricular Activities	677,662	594,757	82,905
Capital Outlay	377,070	324,781	52,289
Principal Retirement	142,687	211,010	(68,323)
Interest and Fiscal Charges	82,084	86,924	(4,840)
Total	\$47,658,131	\$46,828,133	\$829,998

General fund expenditures remained stable when compared with the prior year, increasing \$829,998 or about 1.8%.

The 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.

## **MARION CITY SCHOOL DISTRICT, OHIO**

***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014***

***Unaudited***

During the course of fiscal year 2014 the District did not amend its General Fund budget. Final budget basis revenue of \$44.6 million was the same as the original estimates. Actual budget basis revenue was \$47.7 million during the year.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At the end of fiscal year 2014 the School District had \$82,447,680 net of accumulated depreciation invested in land, buildings, improvements, equipment and vehicles. Of this total, \$75,482,709 was related to governmental activities and \$6,964,971 to the business-type activities. The following table shows fiscal year 2014 and 2013 balances:

	Governmental Activities		Increase
			(Decrease)
	2014	2013	
Land	\$1,965,229	\$1,965,229	\$0
Land Improvements	957,587	957,587	0
Buildings and Improvements	90,753,743	90,753,743	0
Machinery and Equipment	2,509,346	2,482,546	26,800
Vehicles	1,844,771	1,804,821	39,950
Less: Accumulated Depreciation	(22,547,967)	(20,357,957)	(2,190,010)
Totals	\$75,482,709	\$77,605,969	(\$2,123,260)

	Business-Type Activities		Increase
			(Decrease)
	2014	2013	
Land	\$151,853	\$151,853	\$0
Buildings and Improvements	8,616,936	8,616,936	0
Machinery and Equipment	88,151	88,151	0
Less: Accumulated Depreciation	(1,891,969)	(1,720,366)	(171,603)
Totals	\$6,964,971	\$7,136,574	(\$171,603)

Additional information on the District's capital assets can be found in Note 8.

## **MARION CITY SCHOOL DISTRICT, OHIO**

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**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014**

**Unaudited**

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### **Debt**

At June 30, 2014, the District had \$9.5 million in bonds outstanding, \$955,000 due within one year. The following table summarizes the District's long term obligations as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Governmental Activities:		
General Obligation Bonds	\$9,478,568	\$10,250,888
General Obligation Notes	2,182,965	1,725,880
Capital Leases Payable	212,708	254,745
Compensated Absences	2,867,794	2,970,973
Total Governmental Activities	<u>14,742,035</u>	<u>15,202,486</u>
Business-Type Activities:		
Compensated Absences	64,481	67,332
Totals	<u>\$14,806,516</u>	<u>\$15,269,818</u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2014, the School District's overall legal debt margin was below the legal limit. Additional information on the District's long-term debt can be found in Note 12.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Like most public school districts in Ohio, the Marion City School District relies on its property taxes along with state and federal aid to provide the funds necessary to maintain its educational programs. In recent years residential growth in Marion has been for the most part nonexistent, the economy of the community has been impacted by the national, state and local economic pressures. As a result, the school district has been forced to reduce costs. The Board of Education's willingness to confront difficult decisions regarding the instructional programs and staffing coupled with the community's willingness to provide additional funding has resulted in the stabilization of the District's financial condition.

Once again the state foundation dollars are now flowing through a new formula. This formula is known as the Bridge Formula. At this point, it is our understanding there will be yet another new formula that will be released. This formula will remain for the remainder of the current biennial budget. Currently, we are learning more and more detail to this new funding mechanism and the effects it has on Marion City Schools.

In conclusion, the Marion City School District has committed itself to financial excellence for many years.

## **MARION CITY SCHOOL DISTRICT, OHIO**

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014*

*Unaudited*

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### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robert Wood, Treasurer of Marion City School District, 420 Presidential Drive, Suite B, Marion, Ohio 43302.

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## MARION CITY SCHOOL DISTRICT, OHIO

### Statement of Net Position June 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Marion City Digital Academy	Rushmore Academy
<b>Assets:</b>					
Pooled Cash and Investments	\$ 16,633,900	\$ 928,331	\$ 17,562,231	\$ 376,127	\$ 883,419
Receivables:					
Taxes	12,465,305	0	12,465,305	0	0
Accounts	596,130	760	596,890	0	0
Intergovernmental	1,269,273	0	1,269,273	2,060	16,148
Payment in Lieu of Taxes	7,685	0	7,685	0	0
Due from Component Units	73,127	0	73,127	0	0
Interest	22,706	0	22,706	0	0
Internal Balance	(10,540)	10,540	0	0	0
Inventory Held for Resale	0	69,671	69,671	0	0
Inventory of Supplies at Cost	22,430	15,245	37,675	0	0
Prepaid Items	88,669	0	88,669	0	0
Non-Depreciable Capital Assets	1,965,229	151,853	2,117,082	0	0
Depreciable Capital Assets, Net	73,517,480	6,813,118	80,330,598	1,878	99,050
<b>Total Assets</b>	<b>106,651,394</b>	<b>7,989,518</b>	<b>114,640,912</b>	<b>380,065</b>	<b>998,617</b>
<b>Deferred Outflows of Resources:</b>					
Deferred Charge on Debt Refunding	412,023	0	412,023	0	0
<b>Liabilities:</b>					
Accounts Payable	566,989	81,963	648,952	882	14,073
Accrued Wages and Benefits	4,464,350	125,747	4,590,097	16,977	0
Intergovernmental Payable	913,483	46,915	960,398	2,010	0
Due to Primary Government	0	0	0	1,625	71,502
Unearned Revenue	0	0	0	0	4,142
Matured Compensated Absences Payabl	129,781	0	129,781	0	0
Accrued Interest Payable	30,794	0	30,794	0	0
Long Term Liabilities:			0		
Due Within One Year	1,329,194	9,861	1,339,055	0	0
Due in More Than One Year	13,412,841	54,620	13,467,461	0	0
<b>Total Liabilities</b>	<b>20,847,432</b>	<b>319,106</b>	<b>21,166,538</b>	<b>21,494</b>	<b>89,717</b>
<b>Deferred Inflows of Resources:</b>					
Property Tax for Next Fiscal Year	5,652,154	0	5,652,154	0	0
<b>Net Position:</b>					
Net Investment in Capital Assets	66,981,398	6,964,971	73,946,369	1,878	99,050
Restricted For:					
Capital Projects	3,885	0	3,885	0	0
Debt Service	1,426,779	0	1,426,779	0	0
Other Purposes	1,765,254	0	1,765,254	0	0
Permanent Fund:					
Nonexpendable	2,224	0	2,224	0	0
Unrestricted	10,384,291	705,441	11,089,732	356,693	809,850
<b>Total Net Position</b>	<b>\$ 80,563,831</b>	<b>\$ 7,670,412</b>	<b>\$ 88,234,243</b>	<b>\$ 358,571</b>	<b>\$ 908,900</b>

See accompanying notes to the basic financial statements

## MARION CITY SCHOOL DISTRICT, OHIO

### Statement of Activities For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities:</b>			
Instruction	\$ 31,563,006	\$ 1,617,624	\$ 7,448,459
Support Services:			
Pupils	2,919,085	0	156,563
Instructional Staff	3,017,165	0	2,841,203
Board of Education	36,318	0	0
Administration	4,125,725	0	299,145
Fiscal Services	729,288	0	0
Business	292,525	0	0
Operation and Maintenance of Plant	5,369,492	0	0
Pupil Transportation	1,294,144	0	113,983
Central	984,154	0	0
Operation of Non-Instructional Services	3,538,696	0	158,921
Extracurricular Activities	1,046,563	221,077	0
Interest and Fiscal Charges	574,962	0	0
<b>Total Governmental Activities</b>	<b>55,491,123</b>	<b>1,838,701</b>	<b>11,018,274</b>
<b>Business-Type Activities:</b>			
Food Service	2,712,429	80,563	2,259,904
Other Enterprise	8,247	0	0
<b>Total Business-Type Activities</b>	<b>2,720,676</b>	<b>80,563</b>	<b>2,259,904</b>
<b>Totals</b>	<b>\$ 58,211,799</b>	<b>\$ 1,919,264</b>	<b>\$ 13,278,178</b>
<b>Component Units:</b>			
Marion City Digital Academy	\$ 751,649	\$ 0	\$ 117,832
Rushmore Academy	1,410,523	0	80,162
<b>Total Component Units</b>	<b>\$ 2,162,172</b>	<b>\$ 0</b>	<b>\$ 197,994</b>

#### General Revenues

##### Taxes:

Property Taxes levied for: General Purposes  
Property Taxes levied for: Classroom Facilities  
Property Taxes levied for: Debt Service  
Payment in Lieu of Taxes

Intergovernmental, Unrestricted

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

## MARION CITY SCHOOL DISTRICT, OHIO

Net (Expense) Revenue and Changes in Net Position			Component Units	
Primary Government				
Governmental Activities	Business- Type Activities	Total	Marion City Digital Academy	Rushmore Academy
\$(22,496,923)	\$ 0	\$(22,496,923)		
(2,762,522)	0	(2,762,522)		
(175,962)	0	(175,962)		
(36,318)	0	(36,318)		
(3,826,580)	0	(3,826,580)		
(729,288)	0	(729,288)		
(292,525)	0	(292,525)		
(5,369,492)	0	(5,369,492)		
(1,180,161)	0	(1,180,161)		
(984,154)	0	(984,154)		
(3,379,775)	0	(3,379,775)		
(825,486)	0	(825,486)		
(574,962)	0	(574,962)		
<u>(42,634,148)</u>	<u>0</u>	<u>(42,634,148)</u>		
0	(371,962)	(371,962)		
0	(8,247)	(8,247)		
0	(380,209)	(380,209)		
<u>(42,634,148)</u>	<u>(380,209)</u>	<u>(43,014,357)</u>		
			\$ (633,817)	\$ 0
			<u>0</u>	<u>(1,330,361)</u>
			<u>(633,817)</u>	<u>(1,330,361)</u>
8,412,542	0	8,412,542	0	0
125,751	0	125,751	0	0
1,097,087	0	1,097,087	0	0
7,685	0	7,685	0	0
31,964,596	0	31,964,596	592,560	1,491,559
67,368	799	68,167	213	0
542,040	0	542,040	1,748	17,260
<u>42,217,069</u>	<u>799</u>	<u>42,217,868</u>	<u>594,521</u>	<u>1,508,819</u>
(417,079)	(379,410)	(796,489)	(39,296)	178,458
<u>80,980,910</u>	<u>8,049,822</u>	<u>89,030,732</u>	<u>397,867</u>	<u>730,442</u>
<u>\$ 80,563,831</u>	<u>\$ 7,670,412</u>	<u>\$ 88,234,243</u>	<u>\$ 358,571</u>	<u>\$ 908,900</u>

**MARION CITY SCHOOL DISTRICT, OHIO**

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	General	Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Pooled Cash and Investments	\$ 13,995,060	\$ 1,925,479	\$ 15,920,539
Receivables:			
Taxes	10,718,386	1,746,919	12,465,305
Accounts	593,625	2,505	596,130
Intergovernmental	48,630	1,220,643	1,269,273
Interest	22,706	0	22,706
Payment in Lieu of Taxes	7,685	0	7,685
Due from Component Units	73,127	0	73,127
Interfund Loans Receivable	160,412	0	160,412
Inventory of Supplies at Cost	22,430	0	22,430
Prepaid Items	88,669	0	88,669
<b>Total Assets</b>	<u>\$ 25,730,730</u>	<u>\$ 4,895,546</u>	<u>\$ 30,626,276</u>
<b>Liabilities:</b>			
Accounts Payable	\$ 499,632	\$ 67,357	\$ 566,989
Accrued Wages and Benefits	3,746,385	376,063	4,122,448
Intergovernmental Payable	848,333	65,150	913,483
Interfund Loans Payable	0	160,412	160,412
Matured Compensated Absences Payable	129,781	0	129,781
<b>Total Liabilities</b>	<u>5,224,131</u>	<u>668,982</u>	<u>5,893,113</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable Amounts	656,792	1,071,094	1,727,886
Property Tax for Next Fiscal Year	7,671,966	1,305,594	8,977,560
<b>Total Deferred Inflows of Resources</b>	<u>8,328,758</u>	<u>2,376,688</u>	<u>10,705,446</u>
<b>Fund Balance:</b>			
Nonspendable	111,099	2,224	113,323
Restricted	0	2,325,822	2,325,822
Assigned	684,380	0	684,380
Unassigned	11,382,362	(478,170)	10,904,192
<b>Total Fund Balance</b>	<u>12,177,841</u>	<u>1,849,876</u>	<u>14,027,717</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 25,730,730</u>	<u>\$ 3,901,138</u>	<u>\$ 29,631,868</u>

See accompanying notes to the basic financial statements

## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Reconciliation Of Total Governmental Fund Balances To Net Position Of Governmental Activities June 30, 2014***

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<b>Total Governmental Fund Balances</b>		\$ 14,027,717
<i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		75,482,709
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Accounts Receivable	563,134	
Accrued Interest Receivable	12,846	
Intergovernmental Receivable	1,071,094	
Due from Component Unit	73,127	
Payment in Lieu of Taxes Receivable	7,685	
Property Tax Receivable	<u>3,325,406</u>	5,053,292
Accrued interest on outstanding debt is not due and payable in the current period and, therefore, is not reported in the funds: it is reported when due.		(30,794)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		360,919
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds Payable	(9,066,545)	
General Obligation Notes Payable	(2,182,965)	
Capital Leases Payable	(212,708)	
Compensated Absences Payable	<u>(2,867,794)</u>	<u>(14,330,012)</u>
<b><i>Net Position of Governmental Activities</i></b>		<b><u>\$ 80,563,831</u></b>

See accompanying notes to the basic financial statements

**MARION CITY SCHOOL DISTRICT, OHIO**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2014**

	General	Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Local Sources:			
Property Taxes	\$ 8,372,487	\$ 1,222,838	\$ 9,595,325
Payments in Lieu of Taxes	7,685	0	7,685
Tuition	1,554,655	0	1,554,655
Investment Earnings	60,483	2	60,485
Extracurricular Activities	40,710	159,917	200,627
Class Materials and Fees	4,925	0	4,925
Intermediate Sources	0	8,546	8,546
Intergovernmental - State	37,305,784	737,919	38,043,703
Intergovernmental - Federal	78,339	4,279,742	4,358,081
All Other Revenue	352,955	98,858	451,813
<b>Total Revenue</b>	<u>47,778,023</u>	<u>6,507,822</u>	<u>54,285,845</u>
<b>Expenditures:</b>			
Current:			
Instruction	28,008,546	2,167,857	30,176,403
Supporting Services:			
Pupils	2,874,697	73,137	2,947,834
Instructional Staff	854,035	2,149,941	3,003,976
Board of Education	36,318	0	36,318
Administration	3,926,395	205,396	4,131,791
Fiscal Services	691,721	35,895	727,616
Business	294,117	75	294,192
Operation and Maintenance of Plant	4,118,791	264,747	4,383,538
Pupil Transportation	1,127,528	73,890	1,201,418
Central	991,472	406	991,878
Operation of Non-Instructional Services	3,455,008	84,246	3,539,254
Extracurricular Activities	677,662	228,199	905,861
Capital Outlay	377,070	539,850	916,920
Debt Service:			
Principal Retirement	142,687	895,000	1,037,687
Interest and Fiscal Charges	82,084	364,329	446,413
<b>Total Expenditures</b>	<u>47,658,131</u>	<u>7,082,968</u>	<u>54,741,099</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	119,892	(575,146)	(455,254)

**MARION CITY SCHOOL DISTRICT, OHIO**

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	General	Other Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses):</b>			
Long-Term Notes Issued	0	557,735	557,735
Transfers In	0	75,000	75,000
Transfers Out	(75,000)	0	(75,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(75,000)</b>	<b>632,735</b>	<b>557,735</b>
Net Change in Fund Balance	44,892	57,589	102,481
<b>Fund Balance at Beginning of Year</b>	<b>12,132,949</b>	<b>1,792,287</b>	<b>13,925,236</b>
<b>Fund Balance End of Year</b>	<b>\$ 12,177,841</b>	<b>\$ 1,849,876</b>	<b>\$ 14,027,717</b>

See accompanying notes to the basic financial statements

**MARION CITY SCHOOL DISTRICT, OHIO**

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***Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For The Fiscal Year Ended June 30, 2014***

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**Net Change in Fund Balances - Total Governmental Funds** \$ 102,481

*Amounts reported for governmental activities in the statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlay	66,750	
Depreciation	<u>(2,190,010)</u>	(2,123,260)

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

Property Taxes Receivable	40,055	
Intergovernmental Receivable	806,690	
Accrued Interest Receivable	6,883	
Tuition and Fees Receivable	(15,083)	
Charges for Services Receivable	<u>(50,346)</u>	788,199

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net position. In addition, repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General Obligation Bonds Principal	895,000	
General Obligation Notes Principal	100,650	
Capital Lease Principal	42,037	
General Obligation Note Issued	<u>(557,735)</u>	479,952

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

(8,654)

**MARION CITY SCHOOL DISTRICT, OHIO**

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Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net position.

Accrued Interest Payable	2,785	
Annual Accretion on Capital Appreciation Bonds	(134,035)	
Amortization of Premium	<u>11,355</u>	(119,895)

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences Payable	103,179
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The internal service funds are used by management to charge the costs of services to individual funds and is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.

360,919

***Change in Net Position of Governmental Activities***

\$ (417,079)

See accompanying notes to the basic financial statements

## MARION CITY SCHOOL DISTRICT, OHIO

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Local Sources:				
Property Taxes	\$ 8,194,100	\$ 8,194,100	\$ 8,194,100	\$ 0
Payment in Lieu of Taxes	7,685	7,685	7,685	0
Tuition	1,551,077	1,551,077	1,554,002	2,925
Investment Earnings	77,574	77,574	79,844	2,270
Extracurricular Activities	40,347	40,347	40,347	0
Class Material and Fees	4,779	4,779	4,779	0
Intergovernmental - State	34,381,025	34,381,025	37,394,554	3,013,529
Intergovernmental - Federal	101,963	101,963	101,963	0
All Other Revenues	232,357	232,357	283,448	51,091
Total Revenues	<u>44,590,907</u>	<u>44,590,907</u>	<u>47,660,722</u>	<u>3,069,815</u>
<b>Expenditures:</b>				
Current:				
Instructional Services:				
Regular	23,685,844	23,642,392	23,520,641	121,751
Special	4,917,406	4,955,460	4,955,460	0
Vocational	251,914	251,914	250,129	1,785
Adult/Continuing	9,715	9,715	9,715	0
Other	190,145	190,145	189,523	622
Support Services:				
Pupils	2,897,205	2,897,205	2,897,068	137
Instructional Staff	929,681	929,681	927,259	2,422
Board of Education	37,030	37,030	36,768	262
Administration	3,876,166	3,876,166	3,870,764	5,402
Fiscal Services	688,252	688,252	687,458	794
Business	310,562	310,562	309,718	844
Operation and Maintenance of Plant	4,459,979	4,459,979	4,391,910	68,069
Pupil Transportation	1,188,974	1,188,974	1,186,398	2,576
Central	940,457	946,262	946,262	0
Operation of Non-Instructional Services	3,455,008	3,455,008	3,455,008	0
Extracurricular Activities	676,917	676,917	676,905	12
Capital Outlay	451,937	451,937	441,938	9,999
Debt Service:				
Principal Retirement	102,642	102,642	102,642	0
Interest and Fiscal Charges	39,045	39,045	39,045	0
Total Expenditures	<u>49,108,879</u>	<u>49,108,879</u>	<u>48,894,611</u>	<u>214,268</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,517,972)	(4,517,972)	(1,233,889)	3,284,083

**MARION CITY SCHOOL DISTRICT, OHIO**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(75,000)	(75,000)	(75,000)	0
Total Other Financing Sources (Uses):	(75,000)	(75,000)	(75,000)	0
Net Change in Fund Balance	(4,592,972)	(4,592,972)	(1,308,889)	3,284,083
Fund Balance at Beginning of Year	14,033,323	14,033,323	14,033,323	0
Prior Year Encumbrances	464,801	464,801	464,801	0
Fund Balance at End of Year	\$ 9,905,152	\$ 9,905,152	\$ 13,189,235	\$ 3,284,083

See accompanying notes to the basic financial statements

**MARION CITY SCHOOL DISTRICT, OHIO**

**Statement of Net Position  
Proprietary Funds  
June 30, 2014**

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	Food Service	Other Enterprise	Total	
<b>Assets:</b>				
<i>Current Assets:</i>				
Pooled Cash and Investments	\$ 865,859	\$ 62,472	\$ 928,331	\$ 713,361
Receivables:				
Accounts	760	0	760	0
Inventory Held for Resale	69,671	0	69,671	0
Inventory of Supplies at Cost	15,245	0	15,245	0
<i>Total Current Assets</i>	<u>951,535</u>	<u>62,472</u>	<u>1,014,007</u>	<u>713,361</u>
<i>Non Current Assets:</i>				
Non-Depreciable Capital Assets	151,853	0	151,853	0
Depreciable Capital Assets, Net	6,813,118	0	6,813,118	0
<b>Total Assets</b>	<u>7,916,506</u>	<u>62,472</u>	<u>7,978,978</u>	<u>713,361</u>
<b>Liabilities:</b>				
<i>Current Liabilities:</i>				
Accounts Payable	81,963	0	81,963	0
Accrued Wages and Benefits	125,747	0	125,747	341,902
Intergovernmental Payable	46,915	0	46,915	0
Compensated Absences - Current	9,861	0	9,861	0
<i>Total Current Liabilities</i>	<u>264,486</u>	<u>0</u>	<u>264,486</u>	<u>341,902</u>
<i>Long Term Liabilities:</i>				
Compensated Absences Payable	54,620	0	54,620	0
<b>Total Liabilities</b>	<u>319,106</u>	<u>0</u>	<u>319,106</u>	<u>341,902</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	6,964,971	0	6,964,971	0
Unrestricted	632,429	62,472	694,901	371,459
<b>Total Net Position</b>	<u>\$ 7,597,400</u>	<u>\$ 62,472</u>	<u>\$ 7,659,872</u>	<u>\$ 371,459</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			10,540	
Net Position of Business-type Activities			<u>\$ 7,670,412</u>	

See accompanying notes to the basic financial statements

**MARION CITY SCHOOL DISTRICT, OHIO**

**Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2014**

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	Food Service	Other Enterprise	Total	
<b>Operating Revenues:</b>				
Sales	\$ 73,568	\$ 0	\$ 73,568	\$ 0
Interfund Charges	0	0	0	1,628,291
Other Operating Revenues	6,995	0	6,995	0
<b>Total Operating Revenues</b>	<b>80,563</b>	<b>0</b>	<b>80,563</b>	<b>1,628,291</b>
<b>Operating Expenses:</b>				
Salaries and Wages	747,143	8,247	755,390	0
Fringe Benefits	279,770	0	279,770	0
Contractual Services	86,494	0	86,494	1,256,879
Supplies and Materials	1,437,959	0	1,437,959	0
Depreciation	171,603	0	171,603	0
<b>Total Operating Expenses</b>	<b>2,722,969</b>	<b>8,247</b>	<b>2,731,216</b>	<b>1,256,879</b>
Operating Income (Loss)	(2,642,406)	(8,247)	(2,650,653)	371,412
<b>Nonoperating Revenue (Expenses):</b>				
Federal Donated Commodities	99,981	0	99,981	0
State and Federal Grants	2,159,923	0	2,159,923	0
Investment Earnings	799	0	799	47
<b>Total Nonoperating Revenues (Expenses)</b>	<b>2,260,703</b>	<b>0</b>	<b>2,260,703</b>	<b>47</b>
<b>Change in Net Position</b>	<b>(381,703)</b>	<b>(8,247)</b>	<b>(389,950)</b>	<b>371,459</b>
Net Position Beginning of Year	7,979,103	70,719	8,049,822	0
Net Position End of Year	<b>\$ 7,597,400</b>	<b>\$ 62,472</b>	<b>\$ 7,659,872</b>	<b>\$ 371,459</b>
Change in Net Position - Total Enterprise Funds			\$ (389,950)	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			10,540	
Change in Net Position - Business-type Activities			<b>\$ (379,410)</b>	

See accompanying notes to the basic financial statements

## MARION CITY SCHOOL DISTRICT, OHIO

### Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2014

	Business-Type Activities Enterprise Funds			Governmental Activities
	Other			Internal Service
	Food Service	Enterprise	Total	Fund
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$81,143	\$0	\$81,143	\$1,628,291
Cash Received from Other Revenues	6,995	0	6,995	0
Cash Payments for Goods and Services	(1,387,362)	0	(1,387,362)	0
Cash Payments to Employees for Services and Benefits	(1,027,272)	(8,247)	(1,035,519)	(914,977)
Net Cash Provided (Used) by Operating Activities	(2,326,496)	(8,247)	(2,334,743)	713,314
<u>Cash Flows from Noncapital Financing Activities:</u>				
State and Federal Grants Received	2,162,330	0	2,162,330	0
Net Cash Provided by Noncapital Financing Activities	2,162,330	0	2,162,330	0
<u>Cash Flows from Investing Activities:</u>				
Receipts of Interest	799	0	799	47
Net Cash Provided by Investing Activities	799	0	799	47
Net Increase (Decrease) in Cash and Cash Equivalents	(163,367)	(8,247)	(171,614)	713,361
Cash and Cash Equivalents at Beginning of Year	1,029,226	70,719	1,099,945	0
Cash and Cash Equivalents at End of Year	\$865,859	\$62,472	\$928,331	\$713,361
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>				
Operating Income (Loss)	(\$2,642,406)	(\$8,247)	(\$2,650,653)	\$371,412
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	171,603	0	171,603	0
Donated Commodities Used During the Year	99,981	0	99,981	0
Changes in Assets and Liabilities:				
Decrease in Accounts Receivable	7,575	0	7,575	0
Increase in Inventory Held for Resale	(16,760)	0	(16,760)	0
Decrease in Inventory of Supplies at Cost	9,042	0	9,042	0
Increase in Accounts Payable	44,828	0	44,828	0
Increase in Accrued Wages and Benefits	12,076	0	12,076	341,902
Decrease in Intergovernmental Payables	(9,584)	0	(9,584)	0
Decrease in Compensated Absences	(2,851)	0	(2,851)	0
Total Adjustments	315,910	0	315,910	341,902
Net Cash Provided (Used) by Operating Activities	(2,326,496)	(8,247)	(2,334,743)	713,314

See accompanying notes to the basic financial statements

**MARION CITY SCHOOL DISTRICT, OHIO**

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**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

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	Private Purpose	
	Trust	Agency
	<u>          </u>	<u>          </u>
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 106,754	\$ 18,606
	<u>          </u>	<u>          </u>
<b>Liabilities:</b>		
Due to Students	0	18,606
	<u>          </u>	<u>          </u>
<b>Net Position:</b>		
Held in Trust for Scholarships	4,961	
Endowments	101,793	
	<u>          </u>	
<b>Total Net Position</b>	<u>\$ 106,754</u>	

See accompanying notes to the basic financial statements

**MARION CITY SCHOOL DISTRICT, OHIO**

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**Statement of Changes in Net Position**  
**Fiduciary Fund**  
**For the Fiscal Year Ended June 30, 2014**

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	Private Purpose Trust
<b>Additions:</b>	
Contributions:	
Private Donations	\$ 1,000
Total Contributions	<u>1,000</u>
Investment Earnings:	
Interest	<u>64</u>
Total Additions	<u>1,064</u>
<b>Deductions:</b>	
Administrative Expenses	<u>1,000</u>
Total Deductions	<u>1,000</u>
Change in Net Position	64
Net Position at Beginning of Year	<u>106,690</u>
Net Position End of Year	<u>\$ 106,754</u>

See accompanying notes to the basic financial statements

## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Reporting Entity**

Marion City School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 199 noncertified and approximately 388 certified teaching personnel and administrative employees providing education to 4,700 students.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," and Statement No. 39, "*Determining Whether Certain Organizations are Component Units*," and GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*" in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing board and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on the District. Additionally, the primary government is required to consider other organizations for which the primary government is not financially accountable to determine whether the relationship is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the foregoing, the District's reporting entity has two component units, The Marion City Digital Academy and the Rushmore Academy and includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

The component units' columns in the government-wide financial statements include the financial data of the District's component units. They are reported in separate columns to emphasize that they are legally separate from the District. Information about the component units is presented in Notes 20 and 21 to the basic financial statements.

Marion City Digital Academy – MCDA is a legally separate, not-for-profit corporation. MCDA, under a contractual agreement with the Marion City School District, provides education opportunities through distance learning technologies. Marion City School District is MCDA's sponsoring government and MCDA's five member Board of Directors is appointed by Marion City School District's Board of Education. Marion City School District is financially accountable for MCDA as it appoints MCDA's Board and can impose its will on MCDA. MCDA is reported as a discretely presented component unit on Marion City School District's financial statements. Separately issued financial statements for MCDA can be obtained from the Treasurer of MCDA, 420 Presidential Drive, Suite B, Marion, Ohio 43302.

## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **A. Reporting Entity** (Continued)

Rushmore Academy – The Academy is a legally separate, not-for-profit corporation. The Academy, under a contractual agreement with the Marion City School District, provides education opportunities to high school dropouts, formerly home schooled students, students who have experienced consistent lack of success in traditional high school settings, and other students age sixteen through twenty-one. Marion City School District is the Academy's sponsoring government and the Academy's five member Board of Directors is appointed by Marion City School District's Board of Education. Marion City School District is financially accountable for the Academy as it appoints the Academy's Board and can impose its will on the Academy. The Academy is reported as a discretely presented component unit on Marion City School District's financial statements. Separately issued financial statements for the Academy can be obtained from the Treasurer of the Academy, 420 Presidential Drive, Suite B, Marion, Ohio 43302.

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

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

The School District participates in two jointly governed organizations, one insurance pool, and a related organization. These organizations are the Tri-Rivers Educational Computer Association (TRECA), Tri-Rivers Joint Vocational School, Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Marion Public Library. These organizations are presented in Notes 16, 14, and 17 respectively, to the basic financial statements.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

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

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures (expenses). The various funds are grouped into the categories governmental, proprietary and fiduciary.

## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **B. Basis of Presentation - Fund Accounting** (Continued)

***Governmental Funds*** - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following is the District's major governmental fund:

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

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

***Proprietary Funds*** - The proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

**Enterprise Funds** - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises in which the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The District's major enterprise fund is:

**Food Service Fund** - This fund accounts for the financial transactions related to the food service operations of the District.

The other enterprise funds of the School District account for uniform school supplies and activities related to reading recovery support.

***Fiduciary Funds*** - Fiduciary fund reporting focuses on Net Position and changes in Net Position. The fiduciary category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust that accounts for scholarship programs, gifts and awards for specific students. State law permits the District to appropriate for purposes consistent with the endowment's intent, net appreciation, both realized and unrealized. The agency funds account for various student managed activities and payroll withholdings and deductions, are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operation.

## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **C. Basis of Presentation – Financial Statements**

**Government-wide Financial Statements** – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

**Fund Financial Statements** – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **C. Basis of Presentation – Financial Statements** (Continued)

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Private purpose trust funds are reported using the economic resources measurement focus.

##### **D. Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

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

Current property taxes measurable at June 30, 2014, and which are not intended to finance fiscal year 2014 operations, have been recorded as deferred inflows of resources. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds and the fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **D. Basis of Accounting** (Continued)

***Revenues – Exchange and Non-exchange Transactions*** – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include income and property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

##### **E. 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 basis of budgeting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only the General Fund is required to be reported. The primary level of budgetary control is at the fund level. Supplemental budgetary modifications may only be made by resolution of the Board of Education.

##### **1. Tax Budget**

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Budgetary Process (Continued)**

###### **2. Estimated Resources**

Prior to April 1, the Board 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 revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement as final budget reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2014.

###### **3. Appropriations**

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations may be modified during the year. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget. All amendments and modifications are included in final budget amounts presented.

###### **4. 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 appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

## **MARION CITY SCHOOL DISTRICT, OHIO**

***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014***

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

5. Basis of Budgeting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures on a budgetary basis.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statement for the General Fund:

	Net Change in Fund Balance
	General Fund
GAAP Basis (as reported)	\$44,892
Increase (Decrease):	
Accrued Revenues	
at June 30, 2014,	
received during FY 2015	(3,135,401)
Accrued Revenues	
at June 30, 2013,	
received during FY 2014	3,062,559
Accrued Expenditures	
at June 30, 2014,	
paid during FY 2015	5,224,131
Accrued Expenditures	
at June 30, 2013,	
paid during FY 2014	(5,605,564)
Cash Adjustments:	
Unrecorded Cash Activity FY 2013	(19,754)
Unrecorded Cash Activity FY 2014	32,064
2013 Prepays for 2014	81,002
2014 Prepays for 2015	(88,669)
2013 Materials and Supplies Inventory	46,612
2014 Materials and Supplies Inventory	(22,430)
Encumbrances Outstanding	(935,958)
Perspective Difference:	
Activity of Funds Reclassified	
for GAAP Reporting Purposes	7,627
Budget Basis	(\$1,308,889)

## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **F. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Pooled Cash and Investments". See Note 3, "Cash, Cash Equivalents and Investments."

During fiscal year 2014, the School District invested in nonnegotiable certificates of deposit, federal agency securities, and STAR Ohio. Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit) which are reported at cost. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2014. See Note 3, "Cash, Cash Equivalents and Investments."

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2014 was \$60,483, which includes \$12,027 assigned from other School District funds.

##### **G. Inventory**

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental funds when purchased and in the enterprise funds when used.

##### **H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

# MARION CITY SCHOOL DISTRICT, OHIO

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### I. Capital Assets and Depreciation

Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 and an estimated useful life threshold of five or more years.

##### 1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements.

The District does not possess any infrastructure.

##### 2. Property, Plant and Equipment - Business Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Position and in the respective funds.

##### 3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Land Improvements	25 - 50
Buildings and Improvements	20 - 100
Machinery, Equipment, Vehicles, Furniture and Fixtures	5 - 40
Vehicles	10 - 15

**MARION CITY SCHOOL DISTRICT, OHIO**

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Long-Term Obligations**

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	Debt Service Fund
General Obligation Notes	General Fund
Compensated Absences	General Fund and Food Service Fund
Capital Leases	General Fund

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## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **K. Compensated Absences**

In accordance with GASB Statement No. 16, “*Accounting for Compensated Absences*,” vacation benefits are accrued as a liability when an employee’s right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year end, taking into consideration any limits specified in the School District’s termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service. Employees can earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to two hundred sixty-five days for twelve month classified employees, two hundred twenty days for less than twelve month classified employees, and two hundred two days for certified employees. Upon retirement, payment is made for one-third of accrued but unused sick leave credit to the maximum of forty-four and one-third days for classified employees and fifty days for certified employees. Employees earn extra days if they have more than one hundred twenty days of accumulated sick leave. Depending on length of service, classified employees can earn from four to eight extra days and certified employees can earn from two to ten extra days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account “Compensated Absences Payable.” For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. In the government wide statement of net position, “Compensated Absences Payable” is recorded within the “Due within one year” account and the long-term portion of the liability is recorded within the “Due in more than one year” account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

##### **L. Net Position**

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **M. Pensions**

The provision for pension cost is recorded when the related payroll is accrued and the obligation is incurred.

##### **N. Interfund Activity**

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

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

##### **O. Fund Balance**

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

***Nonspendable*** - The nonspendable fund balance category 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” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

***Restricted*** – The 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.

***Committed*** - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District 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 CITY SCHOOL DISTRICT, OHIO

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014*

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **O. Fund Balance** (Continued)

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the 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 District Board of Education.

*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 District applies restricted resources first when expenditures are 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 could be used.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

#### **P. Estimates**

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

#### **Q. Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service, uniform school supplies and reading recovery support. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2014.

## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **S. Bond Premiums, Bond Discounts, Gains on Refunding and Issuance Costs**

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium and discount. Bond issuance costs are expensed. Bond premiums are deferred and accreted over the term of the bonds. Any gain or loss on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

On the governmental fund financial statements, governmental fund types recognize issuance costs, bond premiums, and bond discounts in the current period. The face amount of the debt issue is reported as other financing sources. Premiums and discounts received on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### **T. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, unavailable amounts, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, investment earnings, grants, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**MARION CITY SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014**

**NOTE 2 – FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Supplies Inventory	\$22,430	\$0	\$22,430
Prepays	88,669	0	88,669
Endowments	0	2,224	2,224
Total Nonspendable	<u>111,099</u>	<u>2,224</u>	<u>113,323</u>
Restricted:			
School Facilities Maintenance	0	960,667	960,667
Permanent Improvement	0	3,885	3,885
Auxiliary Services	0	4,640	4,640
Extracurricular Activities	0	100,478	100,478
Technology Improvements	0	14,783	14,783
Targeted Academic Assistance	0	170,583	170,583
Debt Service Payments	0	1,070,786	1,070,786
Total Restricted	<u>0</u>	<u>2,325,822</u>	<u>2,325,822</u>
Assigned to Other Purposes	684,380	0	684,380
Unassigned	<u>11,382,362</u>	<u>(478,170)</u>	<u>10,904,192</u>
Total Fund Balances	<u>\$12,177,841</u>	<u>\$1,849,876</u>	<u>\$14,027,717</u>

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Other Governmental Funds</u>	<u>Deficit</u>
Early Childhood Development	\$9,333
IDEA-B	124,241
Title I	288,762
Title II-A	55,834
Total Fund Deficit	<u>\$478,170</u>

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

## ***MARION CITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets 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, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).
- Commercial Paper and bankers’ acceptances if training requirements have been met.

## **MARION CITY SCHOOL DISTRICT, OHIO**

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

#### **NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

##### **A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. The District's policy is to deposit funds with banking institutions which collateralize public monies in accordance with the Ohio Revised Code.

At fiscal year end the carrying amount of the District's deposits was \$16,801,693 and the bank balance was \$17,324,419. Federal depository insurance covered \$5,351,075 of the bank balance and \$11,973,344 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

##### **B. Investments**

The District's investments at June 30, 2014 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$21,977	AAA <sup>1</sup>	\$21,977	\$0	\$0
FFCB	249,638	Aaa <sup>2</sup>	0	249,638	0
FHLMC	100,163	Aaa <sup>2</sup>	100,163	0	0
Government Bonds	514,120	Aaa <sup>2</sup>	514,120	0	0
Total Investments	<u>\$885,898</u>		<u>\$636,260</u>	<u>\$249,638</u>	<u>\$0</u>

<sup>1</sup> Standard & Poor's

<sup>2</sup> Moody's Investor Service

## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

##### **B. Investments (Continued)**

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

*Investment Credit Risk* – The District has no investment policy that limits its investment choices other than the limitation of State statute for “interim” funds described previously.

*Concentration of Credit Risk* – The District places no limit on the amount the District may invest in one issuer. Of the District’s total investments, 2.5% are STAR Ohio, 28.2% are FFCB, 11.3% are FHLMC, and 58% are Government Bonds.

*Custodial Credit Risk* – The District’s balance of investments are held by the trust department of its banking institution in the District’s name. The District has no policy on custodial credit risk and is governed by Ohio Revised Code as described under Deposits.

#### **NOTE 4 - TAXES**

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

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2014 were levied after April 1, 2013 on assessed values as of January 1, 2013, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last equalization adjustment was completed in 2011. Real property taxes are payable annually or semi-annually. The first payment is due December 31, with the remainder payable by June 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at varying ratios of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The amount available as an advance at June 30, 2014 was \$3,046,420 in the General Fund, \$45,536 in the Classroom Facilities special revenue fund, and \$395,789 in the Bond Retirement debt service fund.

The amount available as an advance at June 30, 2013 was \$2,868,033 in the General Fund, \$42,779 in the Classroom Facilities special revenue fund, and \$382,269 in the Bond Retirement debt service fund.

**MARION CITY SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014**

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**NOTE 4 - TAXES (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Marion City School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values for collection in 2014 were as follows:

	2013 Second Half Collections	2014 First Half Collections
Agricultural/Residential and Other Real Estate	\$310,990,230	\$311,747,330
Public Utility Personal	26,072,560	28,208,660
Total Assessed Value	\$337,062,790	\$339,955,990
Tax rate per \$1,000 of assessed valuation	\$41.22	\$41.12

**NOTE 5 - INTERFUND RECEIVABLES/PAYABLES**

Interfund loans receivable/payable – short-term loans at June 30, 2014 from one individual fund to another are as follows:

	Interfund Loan Receivable	Interfund Loan Payable
General Fund	\$160,412	\$0
Other Governmental Funds	0	160,412
Totals	\$160,412	\$160,412

These Interfund Loans are short-term loans to cover a temporary cash deficit.

**NOTE 6 - TRANSFERS**

Following is a summary of transfers in and out for all funds at June 30, 2014:

	Transfers In:	
Transfers Out:	Other Governmental Funds	Total
General Fund	\$75,000	\$75,000

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## **MARION CITY SCHOOL DISTRICT, OHIO**

### **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014**

#### **NOTE 7 – PAYMENT IN LIEU OF TAXES**

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

#### **NOTE 8 - CAPITAL ASSETS**

##### **A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at June 30, 2014:

<i>Historical Cost:</i>				
Class	June 30, 2013	Additions	Deletions	June 30, 2014
<i>Capital assets not being depreciated:</i>				
Land	\$1,965,229	\$0	\$0	\$1,965,229
	1,965,229	0	0	1,965,229
<i>Capital assets being depreciated:</i>				
Land Improvements	957,587	0	0	957,587
Buildings and Improvements	90,753,743	0	0	90,753,743
Machinery and Equipment	2,482,546	26,800	0	2,509,346
Vehicles	1,804,821	39,950	0	1,844,771
Total Cost	\$97,963,926	\$66,750	\$0	\$98,030,676
<i>Accumulated Depreciation:</i>				
Class	June 30, 2013	Additions	Deletions	June 30, 2014
Land Improvements	(\$376,884)	(\$35,057)	\$0	(\$411,941)
Buildings and Improvements	(18,417,870)	(1,771,102)	0	(20,188,972)
Machinery and Equipment	(464,170)	(270,738)	0	(734,908)
Vehicles	(1,099,033)	(113,113)	0	(1,212,146)
Total Depreciation	(\$20,357,957)	(\$2,190,010) *	\$0	(\$22,547,967)
<i>Net Value:</i>	\$77,605,969			\$75,482,709

**MARION CITY SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014**

**NOTE 8 - CAPITAL ASSETS (Continued)**

**A. Governmental Activities Capital Assets (Continued)**

\* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$1,637,549
Support Services:	
Pupils	22,078
Instructional Staff	86,188
Administration	109,036
Fiscal Services	2,778
Operations & Maintenance of Plant	90,554
Pupil Transportation	99,248
Extracurricular Activities	142,579
Total Depreciation Expense	\$2,190,010

**B. Business-Type Activities Capital Assets**

Summary by Category at June 30, 2014:

***Historical Cost:***

Class	June 30, 2013	Additions	Deletions	June 30, 2014
<b><i>Capital assets not being depreciated:</i></b>				
Land	\$151,853	\$0	\$0	\$151,853
<b><i>Capital assets being depreciated:</i></b>				
Buildings and Improvements	8,616,936	0	0	8,616,936
Machinery and Equipment	88,151	0	0	88,151
Total Cost	\$8,856,940	\$0	\$0	\$8,856,940

***Accumulated Depreciation:***

Class	June 30, 2013	Additions	Deletions	June 30, 2014
Buildings and Improvements	(\$1,711,366)	(\$164,570)	\$0	(\$1,875,936)
Machinery and Equipment	(9,000)	(7,033)	0	(16,033)
Total Depreciation	(\$1,720,366)	(\$171,603)	\$0	(\$1,891,969)
<b><i>Net Value:</i></b>	\$7,136,574			\$6,964,971

## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 9 - RECEIVABLES**

Receivables at June 30, 2014 consisted of interfund loans, taxes, accounts, intergovernmental, interest, and payments in lieu of taxes receivable.

#### **NOTE 10 - DEFINED BENEFIT PENSION PLANS**

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

##### **A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website, [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 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 up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$886,213, \$883,680 and \$708,833 respectively, 85% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

##### **B. State Teachers Retirement System**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. State Teachers Retirement System (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2013, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$2,776,575, \$3,052,764, and \$3,012,752 respectively; 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 11 - POSTEMPLOYMENT BENEFITS**

##### **A. School Employees Retirement System**

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website, [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2014, this amount was \$20,525.

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

The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$92,378, \$92,349, and \$27,847 respectively; 85% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$46,843, \$46,709, and \$37,973 respectively; which were equal to the required contributions for each year.

##### **B. State Teachers Retirement System**

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health 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 report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

## **MARION CITY SCHOOL DISTRICT, OHIO**

### **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014**

#### **NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

##### **B. State Teachers Retirement System (Continued)**

Funding Policy – Ohio Revised Code Chapter 3307 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 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$198,327, \$218,055, and \$215,196 respectively; 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

#### **NOTE 12 - LONG-TERM DEBT AND OTHER OBLIGATIONS**

Detail of the changes in the long term debt of the District for the year ended June 30, 2014 is as follows:

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014	Amount Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds:					
2001 School Facilities Construction Serial Bonds 4.375-6.5%	\$1,520,000	\$0	(\$735,000)	\$785,000	\$785,000
2007 School Facilities Construction Serial Bonds 4.0-5.0%	6,730,000	0	(160,000)	6,570,000	170,000
Capital Appreciation Bonds Accretion on Capital Appreciation Bonds	805,000	0	0	805,000	0
Bond Premium	643,907	134,035	0	777,942	0
Total School Facility Construction Serial Bonds	551,981	0	(11,355)	540,626	0
Total General Obligation Bonds	8,730,888	134,035	(171,355)	8,693,568	170,000
General Obligation Notes:	10,250,888	134,035	(906,355)	9,478,568	955,000
Energy Conservation 3.00%	1,725,880	0	(100,650)	1,625,230	103,729
Energy Conservation 3.25%	0	557,735	0	557,735	26,070
Total General Obligation Notes	1,725,880	557,735	(100,650)	2,182,965	129,799
Capital Leases Payable	254,745	0	(42,037)	212,708	48,563
Compensated Absences	2,970,973	250,530	(353,709)	2,867,794	195,832
Total Governmental Activities	15,202,486	942,300	(1,402,751)	14,742,035	1,329,194
<b>Business-Type Activities:</b>					
Compensated Absences	67,332	11,692	(14,543)	64,481	9,861
Total Long-Term Debt and Other Obligations	\$15,269,818	\$953,992	(\$1,417,294)	\$14,806,516	\$1,339,055

## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 12 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)**

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

***2007 School Facilities Construction Refunding Bonds*** – On June 12, 2007, the School District issued bonds in the amount of \$8,100,000, to partially refund bonds previously issued in fiscal year 2001 for constructing a new high school and three new elementary school buildings, as well as renovating, remodeling, and improving existing school buildings. The refunding bond issue includes serial and capital appreciation bonds, in the original amount of \$7,295,000 and \$805,000, respectively. The bonds were issued for a sixteen year period, with final maturity in fiscal year 2023. The bonds will be retired through the Bond Retirement debt service fund.

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2015, and December 1, 2016, in the amount of \$960,000 and \$960,000, respectively. For fiscal year 2014, \$134,035 was accreted on the capital appreciation bonds for a total bond value of \$1,582,942 at fiscal year end.

The refunded bonds have been fully retired.

***2012 Energy Conservation Notes*** – On December 14, 2011, the School District issued notes in the amount of \$1,823,390, to be used to assist the School District in reducing energy costs through energy conservation measures. The notes are to be paid off over a fifteen year period at an interest rate of 3%. The notes are set to mature on December 1, 2026.

***2014 Energy Conservation Notes*** – On September 8, 2013, the School District issued notes in the amount of \$557,735, to be used to assist the School District in reducing energy costs through energy conservation measures. The notes are to be paid off over a fifteen year period at an interest rate of 3.25%. The notes are set to mature on December 1, 2028.

The District's overall debt margin was \$26,423,200 with an unvoted debt margin of \$9,425,400 at June 30, 2014.

**MARION CITY SCHOOL DISTRICT, OHIO**

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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**NOTE 12 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)**

**A. Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements including principal and interest payments as of June 30, 2014, follows:

Years	Principal	General Obligation Bonds		Total
		Capital Appreciation	Interest	
2015	\$955,000	\$0	\$294,513	\$1,249,513
2016	0	420,000	805,600	1,225,600
2017	0	385,000	840,600	1,225,600
2018	960,000	0	241,600	1,201,600
2019	1,000,000	0	241,600	1,241,600
2020-2023	4,440,000	0	561,400	5,001,400
Totals	\$7,355,000	\$805,000	\$2,985,313	\$11,145,313

Years	General Obligation Note		
	Principal	Interest	Total
2015	\$129,799	\$58,597	\$188,396
2016	137,491	63,642	201,133
2017	141,753	59,380	201,133
2018	146,147	54,988	201,135
2019	150,672	50,464	201,136
2020-2024	826,244	179,436	1,005,680
2025-2029	650,859	48,282	699,141
Totals	\$2,182,965	\$514,789	\$2,697,754

## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 13 - CAPITAL LEASES**

The School District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2014 were \$42,037.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2014:

<u>Year Ending June 30,</u>	<u>Capital Lease</u>
2015	\$83,083
2016	83,084
2017	83,083
2018	<u>41,542</u>
Minimum Lease Payments	290,792
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(78,084)</u>
Present value of minimum lease payments	<u><u>\$212,708</u></u>

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## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 14 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2014, the School District contracted for the following insurance coverage:

<u>Type of Coverage</u>	<u>Coverage</u>
Buildings and Contents – replacement cost	\$179,103,796
Auto Liability	1,000,000
General Liability	
Each Occurrence	1,000,000
Aggregate	2,000,000
Excess Liability	5,000,000

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

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

**MARION CITY SCHOOL DISTRICT, OHIO**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014***

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**NOTE 14 - RISK MANAGEMENT (Continued)**

The Administrative Services - Employee Benefit Self-Insurance Fund, an internal service fund, is used to account for, and finance self-insurance activities. This fund includes prescription drug, dental and health insurance benefits.

In accordance with section C50.141 of the 2004 GASB Codification, estimated liabilities are accrued in all Self-Insurance funds for the value of current outstanding claims and claims incurred but not reported (IBNR). Annual actuarial studies are performed for the Employee Benefit Self Insurance and Workers Compensation Funds to determine the recommended funding levels for related risk areas. The claims liability of \$341,902 (Accrued Wages and Benefits) reported in the Employee Benefit Self - Insurance Fund is based on the requirements of Government Accounting Standards Board Statement 10 as amended by Government Accounting Standards Board Statement 30. This statement requires that a liability for claims be reported if information indicates, prior to the issuance of the financial statements, that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liabilities are considered current and due within one year.

Changes in the fund's claims liability amount in 2014 was:

<u>Fiscal Year</u>	<u>Unpaid Claims Beginning of Fiscal Year</u>	<u>Incurred Claims</u>	<u>Claim Payments</u>	<u>Unpaid Claims Ending of Fiscal Year</u>
2014	\$0	1,256,879	(914,977)	\$341,902

## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 15 – STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2014, the reserve activity (cash-basis) was as follows:

	<u>Capital Maintenance</u>
Set-aside Balance as of June 30, 2012	\$0
Current Year Set-Aside Requirement	702,009
Current Year Offset Credits	(702,009)
Qualifying Disbursements	<u>0</u>
Total	<u>\$0</u>
Set-aside Balance Carried Forward to FY 2013	<u>\$0</u>

Although the District had offsets and qualifying disbursements during the year that reduced the Capital Maintenance set-aside amount below zero, the extra amount may not be used to reduce the Capital Maintenance set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year for Capital Maintenance.

#### **NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS**

##### **A. Tri-Rivers Educational Computer Association**

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each County elected by majority vote of all charter member school districts within each County, one representative from the City school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2014, the School District paid \$88,220 to TRECA for various services. Financial information can be obtained from TRECA, 100 Executive Drive, Marion, Ohio 43302.

## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS (Continued)**

##### **B. Tri-Rivers Joint Vocational School**

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

#### **NOTE 17 – RELATED ORGANIZATION**

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

#### **NOTE 18 – DONOR RESTRICTED ENDOWMENTS**

The School District's private purpose trust fund includes donor restricted endowments. Endowments, in the amount of \$101,793 represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$4,961 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

## **MARION CITY SCHOOL DISTRICT, OHIO**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 19 - CONTINGENCIES**

##### **A. Grants**

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

##### **B. Litigation**

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

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## **MARION CITY SCHOOL DISTRICT, OHIO**

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

#### **NOTE 20 – MARION CITY DIGITAL ACADEMY**

##### **A. Basis of Presentation**

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

##### **B. Deposits**

At year end the carrying amount of MCDA's deposits was of \$376,127 and the bank balance was \$377,412. The Federal Deposit Insurance Corporation (FDIC) covered \$250,000 of the bank balance. The remaining \$127,412 was uninsured and collateralized with securities held by the pledging institution's trust department, not in MCDA's name. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

##### **C. Capital Assets**

Summary by Category at June 30, 2014:

###### ***Historical Cost:***

<u>Class</u>	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
<b><i>Capital assets being depreciated:</i></b>				
Machinery and Equipment	\$178,148	\$0	\$0	\$178,148
Total Cost	<u>\$178,148</u>	<u>\$0</u>	<u>\$0</u>	<u>\$178,148</u>

###### ***Accumulated Depreciation:***

<u>Class</u>	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Machinery and Equipment	(\$175,279)	(\$991)	\$0	(\$176,270)
Total Depreciation	<u>(\$175,279)</u>	<u>(\$991)</u>	<u>\$0</u>	<u>(\$176,270)</u>
<b><i>Net Value:</i></b>	<u>\$2,869</u>			<u>\$1,878</u>

##### **D. Related Party Transaction**

In fiscal year 2014, the Marion City School District received \$488,395 from MCDA. This represents payments for administrative services provided by Marion City School District to MCDA and reimbursements for supplies and equipment purchases made by Marion City School District for MCDA.

**MARION CITY SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014**

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**NOTE 21 – RUSHMORE ACADEMY**

**A. Basis of Presentation**

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

**B. Deposits**

At year end the carrying amount of the Academy's deposits was of \$883,419 and the bank balance was \$893,274. The Federal Deposit Insurance Corporation (FDIC) covered \$250,000 of the bank balance. The remaining \$643,274 was uninsured and collateralized with securities held by the pledging institution's trust department, not in the Academy's name. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

**C. Capital Assets**

Summary by Category at June 30, 2014:

***Historical Cost:***

Class	June 30, 2013	Additions	Deletions	June 30, 2014
<b><i>Capital assets being depreciated:</i></b>				
Machinery and Equipment	\$198,165	\$53,869	\$0	\$252,034
Total Cost	<u>\$198,165</u>	<u>\$53,869</u>	<u>\$0</u>	<u>\$252,034</u>

***Accumulated Depreciation:***

Class	June 30, 2012	Additions	Deletions	June 30, 2013
Machinery and Equipment	(\$114,863)	(\$38,121)	\$0	(\$152,984)
Total Depreciation	<u>(\$114,863)</u>	<u>(\$38,121)</u>	<u>\$0</u>	<u>(\$152,984)</u>
<b><i>Net Value:</i></b>	<u>\$83,302</u>			<u>\$99,050</u>

**D. Related Party Transaction**

In fiscal year 2014, the Marion City School District received \$1,195,196 from the Academy. This represents payments for administrative and support services provided by Marion City School District to the Academy and reimbursements for supplies and equipment purchases made by Marion City School District for the Academy.

**MARION CITY SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non - Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 168,501	\$ 168,501
Cash Assistance:			
School Breakfast Program	10.553	500,332	500,332
National School Lunch Program	10.555	1,415,871	1,415,871
Summer Food Service Program for Children	10.559	179,759	207,058
Cash Assistance Subtotal:		<u>2,095,962</u>	<u>2,123,261</u>
Total Child Nutrition Cluster		<u>2,264,463</u>	<u>2,291,762</u>
CACFP Supper Program	10.558	12,495	-
Fresh Fruits & Vegetables Program	10.582	2,395	4,058
Team Nutrition Grant	10.574	3,000	-
Smarter Lunchroom	10.574	20,000	-
Farm to School Grant	10.574	5,000	-
<b>Total U.S. Department of Agriculture</b>		<u><b>2,307,353</b></u>	<u><b>2,295,820</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	2,377,982	2,253,301
Special Education Cluster			
Special Education_Grants to States	84.027	1,021,654	991,083
Special Education_Preschool Grants	84.173	34,814	32,140
Total Special Education Cluster		<u>1,056,468</u>	<u>1,023,223</u>
21st Century Grant	84.287	371,315	370,032
Education Technology State Grants	84.318	-	376
English Language Acquisition State Grants	84.365	1,948	(280)
Improving Teacher Quality State Grants	84.367	252,930	356,598
Special Education Cluster			
ARRA - Race to the Top Incentive Grants	84.395	343,123	265,198
Race to the Top Incentive Grants	84.395	108,705	93,147
Total Race to the Top		<u>451,828</u>	<u>358,345</u>
<b>Total U.S. Department of Education</b>		<u><b>4,512,471</b></u>	<u><b>4,361,595</b></u>
<b>Total</b>		<u><b>\$ 6,819,824</b></u>	<u><b>\$ 6,657,415</b></u>

*The accompanying notes are an integral part of this schedule.*

**MARION CITY SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Marion City School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C - FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value.



# Dave Yost • Auditor of State

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

Marion City School District  
Marion County  
420 Presidential Drive, Suite B  
Marion, Ohio 43302

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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Marion City School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 14, 2015.

### ***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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. 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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

***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 disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 14, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Marion City School District  
Marion County  
420 Presidential Drive, Suite B  
Marion, Ohio 43302

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Marion City School District's (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2014-002. This finding did not require us to modify our compliance opinion on each major federal program.

The District's response to our noncompliance finding is described in the accompanying corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

**Report on Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 14, 2015

**MARION CITY SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<u>Child Nutrition Cluster:</u> CFDA # 10.553; 10.555; 10.559  <u>Special Education Cluster:</u> CFDA # 84.027; 84.173  <u>Twenty-First Century Grant:</u> CFDA # 84.287
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**MARION CITY SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Financial Reporting – Material Weakness**

Sound financial reporting is the responsibility of the Treasurer's Office and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustment was material to the overall financial statements of the District and was posted to the June 30, 2014 financial statements:

1. Audit adjustment increasing Intergovernmental Receivables and Unavailable Amounts (Deferred Inflows) in the amount of \$994,408 is recorded to Other Governmental Funds to account for previously unrecorded grants receivable. This audit adjustment also includes the Governmental Activities effect of this error, increasing Intergovernmental Receivables and Program Revenues in the amount of \$994,408.

The following adjustments were immaterial to the overall financial statements of the District and were not posted to the June 30, 2014 financial statements:

1. Unadjusted error in the General Fund in the amount of \$3,122,606 to reclassify Unassigned fund balance as Assigned. This unadjusted difference is in relation to 2015 appropriations exceeding estimated revenue and yearend balance assigned to public school support.
2. Unadjusted error in the General Fund in the amount of \$1,666,914 to reclassify Intergovernmental Revenue as Charges for Services. This unadjusted difference includes the Governmental Activities effect of this error. The unadjusted difference is in relation to quarterly payments received from Rushmore Academy and Marion City Digital Academy for services rendered.
3. Unadjusted error in Remaining Fund Information to increase State Intergovernmental Receipts and related expenditures in the amount of \$31,924. This unadjusted difference includes the Governmental Activities effect of the error. The unadjusted difference is due to unrecorded on-behalf-of receipts and expenses for the Straight-A state funded grant.
4. Unadjusted error in Remaining Fund Information to increase Intergovernmental Receivables, Accounts Payable, and related receipts and expenditures in the amount of \$39,060. This unadjusted difference includes the Governmental Activities effect of the error. The unadjusted difference is due to unrecorded on-behalf-of receipts and expenses for the Straight-A state funded grant that are accrued at year end.
5. Unadjusted error in Remaining Fund Information to increase Accounts Payable and related expenditures in the amount of \$25,000. This unadjusted difference includes the Governmental Activities effect of the error. The Unadjusted difference is the result of identified unrecorded expenditures that are accrued at year end.
6. Unadjusted error in Food Service Fund to increase Accounts Payable and related expenditures in the amount of \$15,492. This unadjusted difference includes the Business-Type Activities effect of the error. The Unadjusted difference is the result of identified unrecorded expenditures that are accrued at year end.

**MARION CITY SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>
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**FINDING NUMBER 2014-001 (Continued)**

**Financial Reporting – Material Weakness (Continued)**

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the District develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the District and thereby increasing the reliability of the financial data throughout the year. We also recommend the District implement additional procedures over the completeness and accuracy of financial information reported within the District’s annual report. Such procedures may include review of the financial statements and related components by a member of management with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

**Officials’ Response**

We did not receive a response from Officials to this finding.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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**FINDING NUMBER 2014-002**

<b>Finding Number</b>	2014-002
<b>CFDA Title and Number</b>	<u>Child Nutrition Cluster</u> : CFDA # 10.553; 10.555; 10.559 <u>Special Education Cluster</u> : CFDA # 84.027; 84.173 <u>Twenty-First Century Grant</u> : CFDA # 84.287
<b>Federal Award Year</b>	2014
<b>Federal Agency</b>	U.S Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Filing Single Audit Report with Federal Audit Clearing House Timely - Noncompliance**

Office of Management (OMB) Circular A-133 Subpart B § 200(a) requires Non-Federal entities that expend \$500,000 or more in a fiscal year in Federal awards shall have a single or program-specific audit conducted in accordance with OMB Circular A-133 § 500 for that fiscal year in accordance with the provisions of this part. Additionally, OMB Circular A-133 § .320(a) requires such report to be filed with the Federal Audit Clearing House within the earlier of 30 days after receipt of the auditor’s report, or nine months after the end of the audit period.

**MARION CITY SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**FINDING NUMBER 2014-002 (Continued)**

The District expended \$6,657,415 in federal awards in fiscal year 2014. However, the 2014 Single Audit report filing was not completed until after March 31, 2015, which did not meet the required filing deadline as denoted above.

Failure of filing the required report with the Federal Audit Clearinghouse in a timely manner will result in the District not being a low risk auditee as defined by OMB Circular A-133 § .530 and potentially affects its federal funding status.

We recommend the Board and management implement monitoring procedure to ensure the District files the Single Audit report within the earlier of 30 days after receipt of the auditor's report, or nine months after the end of the audit period.

**Officials' Response**

See Corrective Action Plan.

**MARION CITY SCHOOL DISTRICT  
MARION COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-002	The District strives to meet the filing deadline that OMB Circular A-133 § .320(a) requires. Extenuating circumstances resulted in delaying the release of the 2014 Financial Report until after the March 31, 2015. This delay in Financial Reporting resulted in late single audit submission to the Federal Audit Clearing House. The District will work with their financial statement converters and financial statement auditors to ensure timely filing in subsequent years.	March 31, 2016	Robert Wood, Treasurer

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# Dave Yost • Auditor of State

**MARION CITY SCHOOL DISTRICT**

**MARION COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 7, 2015**