



**MARION CITY SCHOOL DISTRICT
MARION COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MARION CITY SCHOOL DISTRICT
MARION COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Marion City School District
Marion County
910 East Church Street
Marion, Ohio 43302

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Marion City School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Marion City School District, Marion County, Ohio, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18, the District adopted *Governmental Accounting Standards Board Statements No. 33 and 36* as of and for the year ended June 30, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

JIM PETRO
Auditor of State

December 14, 2001

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
ASSETS AND OTHER DEBITS									
ASSETS:									
Equity in pooled cash and cash equivalents	\$3,289,349	\$1,412,759	\$334,055	\$4,482,160	\$55,494	\$190,068			\$9,763,885
Cash and cash equivalents.				9,855,000					9,855,000
Cash with fiscal agent.			366						366
Investments				13,546,919					13,546,919
Receivables (net of allowances of uncollectibles):									
Property taxes - current & delinquent	10,587,306	174,896	1,170,732						11,932,934
Accounts.	28,191	523		25,241,029	10,909				25,280,652
Accrued interest.	143,173			36,286					179,459
Due from other governments.	48,500	12,922			117,128				178,550
Prepayments.	28,629				720				29,349
Materials and supplies inventory	93,859				66,759				160,618
Property, plant and equipment (net of accumulated depreciation where applicable)					42,794		30,832,376		30,875,170
OTHER DEBITS:									
Amount available in Debt Service Fund								334,055	334,055
Amount to be provided for retirement of General Long-Term Obligations.								18,015,350	18,015,350
Total assets and other debits	\$14,219,007	\$1,601,100	\$1,505,153	\$53,161,394	\$293,804	\$190,068	\$30,832,376	\$18,349,405	\$120,152,307

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

--Continued

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
LIABILITIES, EQUITY AND OTHER CREDITS									
LIABILITIES:									
Accounts payable	\$177,546	\$41,870		\$764,635	\$31,577				\$1,015,628
Accrued wages and benefits.	3,666,332	320,438			147,798				4,134,568
Compensated absences payable.	205,671	1,260			76,924			2,524,912	2,808,767
Pension obligation payable	581,737	57,810			81,971			217,190	938,708
Deferred revenue	7,582,259	125,856	808,820	25,277,315	40,590				33,834,840
Due to students						64,250			64,250
Matured interest payable			366						366
Bonds payable.								15,575,000	15,575,000
Obligation under capital lease					713			32,303	33,016
Total liabilities	12,213,545	547,234	809,186	26,041,950	379,573	64,250	0	18,349,405	58,405,143
EQUITY AND OTHER CREDITS:									
Investment in general fixed assets.							30,832,376		30,832,376
Accumulated Deficit.					(85,769)				(85,769)
Fund balances:									
Reserved for encumbrances.	873,083	117,454		2,395,842					3,386,379
Reserved for supplies inventory	93,859								93,859
Reserved for prepayments	28,629								28,629
Reserved for debt service.			334,055						334,055
Reserved for tax revenue unavailable for appropriation	3,148,220	49,040	361,912						3,559,172
Reserved for principal endowment.						101,793			101,793
Unreserved-undesignated.	(2,138,329)	887,372		24,723,602		24,025			23,496,670
Total equity and other credits.	2,005,462	1,053,866	695,967	27,119,444	(85,769)	125,818	30,832,376	0	61,747,164
Total liabilities, equity and other credits	\$14,219,007	\$1,601,100	\$1,505,153	\$53,161,394	\$293,804	\$190,068	\$30,832,376	\$18,349,405	\$120,152,307

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$9,830,102	\$193,895	\$1,068,620			\$11,092,617
Tuition	63,012					63,012
Earnings on investments	588,484	2,523		\$1,216,829	632	1,808,468
Other local revenues	210,028	238,383				448,411
Other revenue		37,300				37,300
Intergovernmental - State	21,904,995	1,417,858	122,692	13,060,991		36,506,536
Intergovernmental - Federal	137,379	2,413,765				2,551,144
Total revenue	32,734,000	4,303,724	1,191,312	14,277,820	632	52,507,488
Expenditures:						
Current:						
Instruction:						
Regular	19,030,300	1,189,580		277,822		20,497,702
Special	3,496,595	1,341,048				4,837,643
Vocational	536,001					536,001
Other	261,732	101,961				363,693
Support services:						
Pupil	1,771,099	218,680				1,989,779
Instructional staff	1,224,386	654,620				1,879,006
Board of Education	155,632					155,632
Administration	3,023,605	279,743				3,303,348
Fiscal	540,320	21,283	24,915			586,518
Business	374,895					374,895
Operations and maintenance	3,169,565					3,169,565
Pupil transportation	557,081	28,043				585,124
Central						0
Community services	5,090	134,820			4,500	144,410
Extracurricular activities	414,844	173,448				588,292
Facilities services	347,822					347,822
Capital Outlay				4,614,544		4,614,544
Debt service:						
Principal retirement	4,308		16,248,000			16,252,308
Interest and fiscal charges	3,152		1,154,848			1,158,000
Total expenditures	34,916,427	4,143,226	17,427,763	4,892,366	4,500	61,384,282
Excess (deficiency) of revenues over (under) expenditures	(2,182,427)	160,498	(16,236,451)	9,385,454	(3,868)	(8,876,794)
Other financing sources (uses):						
Operating transfers in	21,576	91,336		507,985		620,897
Operating transfers out	(980,921)	(17,868)		(1,019)		(999,808)
Premium/Accrued Interest on Bonds & Notes			8,492			8,492
Proceeds of bonds			15,910,000			15,910,000
Proceeds from sale of assets	842					842
Total other financing sources (uses)	(958,503)	73,468	15,918,492	506,966	0	15,540,423
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(3,140,930)	233,966	(317,959)	9,892,420	(3,868)	6,663,629
Fund balance, July 1	5,137,574	819,900	1,013,926	17,227,024	14,885	24,213,309
Increase(Decrease) in reserve for inventory	8,818					8,818
Fund balance, June 30	\$2,005,462	\$1,053,866	\$695,967	\$27,119,444	\$11,017	\$30,885,756

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**MARION CITY SCHOOL DISTRICT, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
REVENUES:						
From local sources:						
Taxes	\$9,731,886	\$9,929,090	\$197,204	\$85,000	\$144,855	\$59,855
Tuition	49,000	69,974	20,974	0	0	0
Earnings on investments	550,000	588,484	38,484	2,523	2,523	0
Other local revenues	61,400	201,440	140,040	205,150	239,057	33,907
Intergovernmental-State	22,594,714	21,904,995	(689,719)	1,370,668	1,420,715	50,047
Intergovernmental-Federal	175,000	116,467	(58,533)	2,546,132	2,577,159	31,027
Other revenue			0	29,300	37,300	8,000
TOTAL REVENUES	33,162,000	32,810,450	(351,550)	4,238,773	4,421,609	182,836
EXPENDITURES:						
Current:						
Instruction:						
Regular	19,379,190	19,352,164	27,026	1,246,721	1,196,067	50,654
Special	3,546,081	3,464,932	81,149	1,659,251	1,341,817	317,434
Vocational	522,059	514,419	7,640	0	0	0
Other instruction	311,302	308,279	3,023	94,900	65,324	29,576
Support services:						
Pupil	1,751,177	1,727,677	23,500	268,751	233,934	34,817
Instructional staff	1,353,187	1,290,129	63,058	880,913	671,845	209,068
Board of Education	189,127	164,923	24,204	0	0	0
Administration	3,026,094	3,025,407	687	414,954	288,890	126,064
Fiscal	611,439	578,257	33,182	72,529	21,265	51,264
Business	418,898	397,584	21,314	0	0	0
Operation & maintenance of plant	3,401,226	3,368,411	32,815	0	0	0
Transportation	632,282	599,794	32,488	40,782	31,825	8,957
Community services	5,477	5,089	388	163,113	153,859	9,254
Extracurricular activities	414,507	411,989	2,518	193,367	175,029	18,338
Facilities acquisition & construction	373,579	370,119	3,460	0	0	0
Debt service:						
Principal retirement			0	0	0	0
Interest and fiscal charges			0	0	0	0
Total expenditures	35,935,625	35,579,173	356,452	5,035,281	4,179,855	855,426
Excess(Deficiency) of Revenues Over(Under) Expenditures	(2,773,625)	(2,768,723)	4,902	(796,508)	241,754	1,038,262
OTHER FIN. SOURCES(USES):						
Proceeds of refunding bonds			0	0	0	0
Sale of Bonds			0	0	0	0
Sale of fixed assets		841	841	0	0	0
Advances-in and not repaid		60,000	60,000	0	0	0
Advances-out and not repaid			0	0	(60,000)	(60,000)
Refund of prior year expenditure		10,471	10,471	48	(697)	(745)
Refund of prior year receipt			0	(40,466)	(40,466)	0
Operating transfers in		21,575	21,575	130,290	91,336	(38,954)
Operating transfers (out)	(1,864,916)	(847,936)	1,016,980	(62,822)	(17,868)	44,954
TOT. OTHER FIN. SOURCES(USES)	(1,864,916)	(755,049)	1,109,867	27,050	(27,695)	(54,745)
Excess(Deficiency)of Revenues & Other Fin. Sources over(under) Expend & Other Financing (Uses)	(4,638,541)	(3,523,772)	1,114,769	(769,458)	214,059	983,517
Fund balance, July 1	3,971,626	3,971,626	0	801,302	801,302	0
Prior year encumb. appropriated	1,803,541	1,803,541	0	262,127	262,127	0
Fund balance, June 30	\$1,136,626	\$2,251,395	\$1,114,769	\$293,971	\$1,277,488	\$983,517

(Continued)

The notes to the general purpose financial statements are an integral part of this statement

Debt Service Funds			Capital Projects Funds			Total (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$1,061,521	\$1,069,028	\$7,507	\$0	\$0	\$0	\$10,878,407	\$11,142,973	\$264,566
0	0	0	0	0	0	49,000	69,974	20,974
0	0	0	720,000	1,216,830	496,830	1,272,523	1,807,837	535,314
0	0	0	0	0	0	266,550	440,497	173,947
122,692	122,692	0	13,102,843	13,060,991	(41,852)	37,190,917	36,509,393	(681,524)
0	0	0	0	0	0	2,721,132	2,693,626	(27,506)
0	0	0	0	0	0	29,300	37,300	8,000
1,184,213	1,191,720	7,507	13,822,843	14,277,821	454,978	52,407,829	52,701,600	293,771
0	0	0	473,251	419,890	53,361	21,099,162	20,968,121	131,041
0	0	0	0	0	0	5,205,332	4,806,749	398,583
0	0	0	0	0	0	522,059	514,419	7,640
0	0	0	0	0	0	406,202	373,603	32,599
0	0	0	0	0	0	2,019,928	1,961,611	58,317
0	0	0	0	0	0	2,234,100	1,961,974	272,126
0	0	0	0	0	0	189,127	164,923	24,204
0	0	0	0	0	0	3,441,048	3,314,297	126,751
25,000	24,915	85	0	0	0	708,968	624,437	84,531
0	0	0	0	0	0	418,898	397,584	21,314
0	0	0	0	0	0	3,401,226	3,368,411	32,815
0	0	0	0	0	0	673,064	631,619	41,445
0	0	0	0	0	0	168,590	158,948	9,642
0	0	0	0	0	0	607,874	587,018	20,856
0	0	0	12,377,795	7,551,339	4,826,456	12,751,374	7,921,458	4,829,916
16,273,482	16,248,000	25,482	0	0	0	16,273,482	16,248,000	25,482
1,154,848	1,154,848	0	0	0	0	1,154,848	1,154,848	0
17,453,330	17,427,763	25,567	12,851,046	7,971,229	4,879,817	71,275,282	65,158,020	6,117,262
(16,269,117)	(16,236,043)	33,074	971,797	6,306,592	5,334,795	(18,867,453)	(12,456,420)	6,411,033
16,000	8,492	(7,508)	0	0	0	16,000	8,492	(7,508)
15,910,000	15,910,000	0	0	0	0	15,910,000	15,910,000	0
0	0	0	0	0	0	0	841	841
0	0	0	0	0	0	0	60,000	60,000
0	0	0	0	0	0	0	(60,000)	(60,000)
0	0	0	0	0	0	48	9,774	9,726
0	0	0	0	0	0	(40,466)	(40,466)	0
0	0	0	0	500,000	500,000	130,290	612,911	482,621
0	0	0	(1,019)	(1,019)	0	(1,928,757)	(866,823)	1,061,934
15,926,000	15,918,492	(7,508)	(1,019)	498,981	500,000	14,087,115	15,634,729	1,547,614
(343,117)	(317,551)	25,566	970,778	6,805,573	5,834,795	(4,780,338)	3,178,309	7,958,647
651,606	651,606	0	17,099,629	17,099,629	0	22,524,163	22,524,163	0
0	0	0	1,022,299	1,022,299	0	3,087,967	3,087,967	0
\$308,489	\$334,055	\$25,566	\$19,092,706	\$24,927,501	\$5,834,795	\$20,831,792	\$28,790,439	\$7,958,647

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN ACCUMULATED DEFICIT/FUND BALANCE
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating revenues:			
Tuition and fees	\$16,481		\$16,481
Sales/charges for services	770,092		770,092
Investment earnings		6,551	6,551
Other operating revenues	8,425		8,425
Total operating revenues	794,998	6,551	801,549
Operating expenses:			
Personal services	1,141,923		1,141,923
Contract services	113,535		113,535
Materials and supplies	851,268	315	851,583
Depreciation	7,836		7,836
Interest expense	530		530
Other operating expenses		3,000	3,000
Total operating expenses	2,115,092	3,315	2,118,407
Operating income (loss)	(1,320,094)	3,236	(1,316,858)
Nonoperating revenues (expenses):			
Operating grants	974,250		974,250
Federal donated commodities	138,513		138,513
Miscellaneous nonoperating revenue	20,427		20,427
Total nonoperating revenues(expenses)	1,133,190	0	1,133,190
Net income before operating transfers	(186,904)	3,236	(183,668)
Operating transfers in	381,600		381,600
Operating transfers out	(2,689)		(2,689)
Net income	192,007	3,236	195,243
Accumulated Deficit/Fund Balance July 1	(277,776)	111,565	(166,211)
Accumulated Deficit/Fund Balance June 30	(\$85,769)	\$114,801	\$29,032

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type	Fiduciary Fund Type	Total
	Enterprise	Nonexpendable Trust	(Memorandum Only)
Cash flows from operating activities:			
Cash received from tuition and fees	\$16,383		\$16,383
Cash received from sales/service charges	768,374		768,374
Cash received from interest reported as operating income		6,551	6,551
Cash payments for personal services	(1,109,023)		(1,109,023)
Cash payments for contract services	(116,097)		(116,097)
Cash payments supplies and materials	(706,360)	(315)	(706,675)
Cash payments for other expenses	(265)	(3,000)	(3,265)
Net cash provided by (used in) operating activities.	(1,146,988)	3,236	(1,143,752)
Cash flows from noncapital financing activities:			
Cash received from operating grants	857,892		857,892
Cash received from nonoperating activities	20,427		20,427
Transfers in(out) from/to other funds	253,911		253,911
Net cash provided by noncapital financing activities.	1,132,230	0	1,132,230
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(15,342)		(15,342)
Net cash used in capital and related financing activities	(15,342)	0	(15,342)
Net increase (decrease) in cash and cash equivalents.	(30,100)	3,236	(26,864)
Cash and cash equivalents at beginning of year.	85,594	111,565	197,159
Cash and cash equivalents at end of year	\$55,494	\$114,801	\$170,295
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss).	(\$1,320,094)	\$3,236	(\$1,316,858)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	7,836		7,836
Federal donated commodities	138,513		138,513
Interest reported as operating income			0
Changes in assets and liabilities:			
(Increase)Decrease in supplies inventory	2,883		2,883
(Increase)Decrease in accounts receivable	(10,011)		(10,011)
(Increase)Decrease in prepayments			0
Increase(Decrease) in accounts payable.	(1,529)		(1,529)
Increase(Decrease) in accrued wages & benefits.	(309)		(309)
Increase(Decrease) in compensated absences payable.	(864)		(864)
Increase(Decrease) in pension obligation payable.	34,073		34,073
Increase(Decrease) in capital lease payable	734		734
Increase(Decrease) in deferred revenue.	1,780		1,780
Net cash provided by (used in) operating activities.	(\$1,146,988)	\$3,236	(\$1,143,752)
Reconciliation of Nonexpendable trust fund cash and cash equivalents to balance sheet			
All Fiduciary Fund Types		190,068	
Less: Agency		(64,250)	
Less: Expendable Trust		(11,017)	
Cash and Cash Equivalents - Nonexpendable trust fund		114,801	

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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**MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The School District is located in Central Marion County in North Central Ohio, approximately 50 miles north of Columbus, 90 miles southeast of Toledo, and 115 miles southwest of Cleveland. The District encompasses approximately 8 square miles.

The District is organized under sections 2 and 3, article vi of the constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the district is vested in the board of education, consisting of five members elected at large for staggered four year terms.

The District ranks as the 47th largest by enrollment among the 612 districts in the state. It currently operates 11 elementary schools, 3 middle schools, and 1 comprehensive high school. The district employs 220 non-certified, 487 certified, and 30 administrative full-time and part-time employees to provide services to approximately 5,675 students in grades k through 12, more than 3,000 adult education students, and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Marion City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity", effective for financial statements for periods beginning after December 15, 1992. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

Related Organization:

Marion Public Library - The District is not involved in the budgeting process or operational management of the Library, nor does it subsidize or finance

**MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

its operations. The selection of directors and approval of the annual budget by the District is conducted only to comply with statutory requirements.

Jointly Governed Organization:

Tri-Rivers Career Center (TRCC) - The TRCC is a jointly governed organization, established by the Ohio Revised Code (ORC) to provide vocational and special needs to students. The TRCC accepts non-tuition students from the District as a member school. The District does not retain an ongoing financial interest or responsibility in the TRCC.

The District is a member of the Tri-Rivers Educational Computer Association, one of over two-dozen such consortiums in the State. This consortium was organized as a council-of-governments entity in accordance with Ohio statute.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

**MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

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

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where 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; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust, Nonexpendable Trust and Agency Funds.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

**MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds and Trust Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary funds and Trust funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds and Expendable Trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary and Nonexpendable Trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the fiscal year include interest, fees, grants and entitlements (if the grants and entitlements meet timing, eligibility, and contingency requirements), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2001, and which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. 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 fiscal year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

**MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary and Nonexpendable Trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2001 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Marion County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the 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 total contemplated expenditures from any fund during the ensuing fiscal

**MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding fiscal year as reported by the District Treasurer. The Certificate may be further amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the object level of expenditures, which is the legal level of budgetary control. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the fiscal year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the fiscal year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the fiscal year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations during fiscal 2001 were legally enacted by the Board as follows:

	<u>INCREASE/ (DECREASE)</u>
General	\$1,784,457
Special Revenue	711,692
Debt Service	450,000
Capital Projects	5,271,766
Enterprise	7,107
Internal Service	42,398
Trusts	11,815

**MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Agency	<u>24,275</u>
TOTAL	<u>\$8,303,510</u>

8. Unencumbered appropriations lapse at fiscal year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at fiscal yearend (not recognized as accounts payable) appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Proprietary Funds are disclosed in the notes to the financial statements.

E. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds, except a portion of the Capital Project fund, are maintained in this pool. Individual fund balance integrity maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in pooled cash" on the combined balance sheet.

During fiscal year 2001, investments were limited to STAROhio, repurchase agreements, certificates of deposit, treasury notes and federal agency securities.

Except for nonparticipating investments, investments are reported at fair value which is based on quoted market prices. Nonparticipating investments contracts such as repurchased agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Assets Reserve of Ohio (STAROhio) during fiscal year 2001. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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.

**MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2001..

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$588,484.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool are considered to be cash equivalents.

An analysis of the Treasurer's investment account at fiscal year end is provided in Note 4.

F. Inventory

Inventories for all Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets. Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the fiscal year. Estimated historical cost for land is based on the Marion County Auditor's market value at the time of the initial GAAP conversion. Donated fixed assets are recorded at their fair market values as of the date donated. The District has a policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group. Interest on debt issued to construct general fixed assets is not capitalized in the account group.

2. Proprietary Funds

**MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Buildings	25-50
Furniture, Fixtures and Minor Equipment	5-20
Vehicles	4-6

H. Intergovernmental Revenues

In Governmental funds, entitlements and non-reimbursable grants are recorded as receivables and revenue when timing, eligibility, and contingency requirements have been met. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Special Revenue Funds

Disadvantaged Pupil Impact Aid
Auxiliary Services

Non-Reimbursable Grants

Special Revenue Funds

Reading Recovery
Professional Development
Training Ohio Parents For Success
Management Information Systems
Data Communications
School Net Professional Development
Ohio Reads
Summer Intervention

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

Extended Learning Opportunity
Adult Basic Education
Education for Economic Security
Title VI-B
Title I
Title VI
Drug-Free Schools
Pre-school for the Handicapped
Goals 2000
Comprehensive School Reform
Class Size Reduction

Capital Project Funds
School Net
Classroom Facilities
Technology Equity

Reimbursable Grants

General Fund
School Bus Purchases
CAFS

Proprietary

National School Lunch Program
National Summer School Lunch Program
Adult Education

Grants and entitlements amounted to approximately 74% of the District's operating revenue during the 2001 fiscal year.

I. Short-Term Interfund Receivables/Payables

At June 30, 2001 the District had short-term interfund loans which are classified as "interfund loans receivable/payable." All such short-term interfund loans are made pursuant to Board of Education resolution and are repaid in the following fiscal year. An analysis of interfund balances is reflected in Note 5.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

**MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service; or twenty (20) years' service at any age were considered expected to become eligible to retire in accordance with GASB 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance liability of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and severance liability for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

K. Long-Term Obligations

Long-term debt is recognized as a liability of a Governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from Proprietary fund operations are accounted for in those funds.

L. Fund Equity

**MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepaids, and tax revenue unavailable for appropriation. In addition, although the Nonexpendable Trust Fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/ expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. An analysis of the District's operating transfers for fiscal 2001 is presented in Note 5.

N. Prepaids and Deferrals

Prepayments and deferrals for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayment and deferrals are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

O. Estimates

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

**MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

P. Statement of Cash Flows

In September 1989, the Governmental Accounting Standards Board (GASB) issued Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." The District has presented a statement of cash flows for its Enterprise and Nonexpendable Trust funds.

R. Parochial Schools

Within the District boundaries, St. Mary's Elementary and Marion Catholic High School are operated through the Columbus Catholic Diocese. Current state legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial school. The receipt and expenditure of these state monies by the District are reflected in a Special Revenue fund for financial reporting purposes.

S. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

T. Memorandum Only - Total Columns

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 3 - OTHER FUND DISCLOSURES

A. Accountability

Deficit Fund Balances/Retained Earnings

Fund balance/retained earnings at June 30, 2001 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
DPIA	(11,457)
Summer Intervention	(536)
<u>Enterprise Funds</u>	
Food Service	(121,010)

These GAAP deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

Statutes require the classification of monies held by the District into three categories.

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

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

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

**MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

Interim monies may be invested in the following:

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United State Treasury or any other obligation guaranteed as to principle and interest by the United States;
2. Bonds, notes, debentures, or other obligations of 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 the Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above provided 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 must mature within five years from the date of purchased;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions mentioned in section 135.03 of the Revised Code;
6. The State Treasurer's Investment pool;
7. Certain commercial paper and bankers' acceptances up to twenty-five percent of interim money available for investment at any one time subject to various limitations; and
8. Under limited circumstances, corporate debt interest rated in either of the two highest rated classifications by at least two nationally recognized agencies;

**MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Cash on Hand. At fiscal year end, the School District had \$1,935 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchased Agreements), and Reverse Repurchased Agreements."

Deposits: At year end, the carrying amount of the District's deposits was \$5,173,932 and the bank balance was \$6,113,382.

Of the bank balance and CDs, \$504,792 was covered by federal depository insurance and \$5,608,590 was covered by collateral held by third party trustees pursuant to Section 135.181 of the Ohio Revised Code, in collateral pools securing all public funds on deposit with the District's depositories.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states.

Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: Investments are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name.

	<u>Carrying Value</u>	<u>Fair Value</u>
Category 2:		
U.S. Government Securities	\$13,546,919	\$13,546,919
Repurchase Agreements	10,615,000	10,615,000

**MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Not Subject to Categorization:

Investment in State		
Treasurer's Investment Pool	<u>3,828,018</u>	<u>3,828,018</u>
Total Investments	<u>\$27,989,937</u>	<u>\$27,989,937</u>

A reconciliation between the classifications Cash and Cash Equivalents and Investments on the Combined Balance Sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Pooled /Cash and Cash Equivalents Investments</u>	
Combined Balance Sheet	\$19,619,251	\$13,546,919
<u>Reclassifications:</u>		
Repurchase Agreements	(10,615,000)	10,615,000
Bond & Coupon Account	(366)	-0-
Cash on Hand	(1,935)	-0-
State Treasurer's Investment Pool	<u>(3,828,018)</u>	<u>3,828,018</u>
Per GASB Statement No. 3	<u>\$5,173,932</u>	<u>\$27,989,937</u>

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a reconciliation of the District's operating transfers for fiscal year 2001:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund	21,576	\$(980,921)
<u>Special Revenue Funds</u>		
District-Managed Activity	85,000	
Miscellaneous State Grants	6,336	(354)
Auxiliary Service		(14,986)
Textbook/Instructional Material		(1,051)
Adult Basic Education		(587)
Title VI-B		(577)
Title VI		(231)
Miscellaneous Federal Grants		(82)
<u>Capital Project Funds</u>		
Permanent Improvement	500,000	
Building	7,985	
Vocational Equipment		(1,019)
<u>Enterprise Funds</u>		
Food Service	381,600	(2,689)
Totals	<u>\$1,002,497</u>	<u>\$(1,002,497)</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and

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personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 2000 taxes were collected was \$328,208,420. Agricultural/Residential and public utility real estate represented 56.7% or \$186,068,420 of this total; Commercial & Industrial real estate represented 19.2% or \$62,931,570; public utility tangible 7.8% or \$25,573,270; and general tangible property 16.3% or \$53,635,160. The voted general tax rate for operations at the fiscal year ended June 30, 2001 was \$46.21 per \$1,000.00 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of real tax advances of the August settlement available June 30) intended to finance current fiscal year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accounts (other local revenue and transportation fees), and intergovernmental grants and entitlements (to the extent such grants and entitlements meet the timing, eligibility, and contingency requirements). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds. A summary of the principal items of receivables follows:

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	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current & Delinquent	\$10,587,306
Accounts Receivable	28,191
Accrued Interest Receivable	143,173
Due from Other Governments	48,500
 <u>Special Revenue Funds</u>	
Taxes - Current & Delinquent	\$174,896
Accounts Receivable	523
Due from Other Governments	12,922
 <u>Debt Service Funds</u>	
Taxes - Current & Delinquent	\$1,170,732
 <u>Capital Project Funds</u>	
Accrued Interest Receivable	\$36,286
Accounts Receivable	\$25,241,029
 <u>Enterprise Funds</u>	
Accounts Receivable	\$10,909
Due from Other Governments	117,128

NOTE 8 - FIXED ASSETS

A summary of the changes in the General Fixed Asset Account Group during the fiscal year follows:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2001</u>
Land/ Improvements	\$ 2,451,672	2,188,913	0	\$ 4,640,585
Buildings	14,787,144	2,703,913	0	17,491,057
Furniture/ Equipment	7,151,782	665,725	0	7,817,507
Vehicles	179,086	120,452	0	299,538
Buses	<u>583,689</u>	<u>0</u>	<u>0</u>	<u>583,689</u>
Total	<u>\$25,153,373</u>	<u>\$5,679,003</u>	<u>\$ 0</u>	<u>\$30,832,376</u>

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A summary of the Proprietary Funds fixed assets at June 30, 2001 follows:

	<u>Proprietary</u>
Furniture and Equipment	\$261,113
Less Accumulated Depreciation	<u>(218,319)</u>
Net Fixed Assets	<u>\$ 42,794</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The District has entered into capitalized leases for the acquisition of reproduction equipment, food service equipment and school buses.

The terms of each agreement provide options to purchase the 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 at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Financial Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types and Expendable Trust Funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Asset Account Group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2001 fiscal year totaled \$4,308. This amount is reflected as Debt Service Principal Retirement in the General Fund.

Also, a fund liability exists for the Enterprise Fund Types for a lease entered into in the Food Service Fund. Principal payments in the 2001 fiscal year totaled \$8,110.

The following is an analysis of equipment leased under capital leases as of June 30, 2001:

	<u>General Fixed Assets</u>
Equipment (copiers & food service)	\$59,219
Carrying Value	<u>\$59,219</u>

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2001:

	<u>Fund Liability</u>	
June 30 Year Ending	General Long-Term <u>Obligation</u>	Food <u>Service</u>
2002	\$ 9,683	\$720
2003	9,683	
2004	9,683	
2005	9,684	
2006	<u>2,227</u>	_____
Total Minimum Lease Payments	\$40,960	\$720
Less: Amount Representing Interest	<u>8,657</u>	<u>7</u>
Present Value of Future Minimum Lease Payment	<u>\$32,303</u>	<u>\$713</u>

The District does not have capitalized lease obligations after fiscal year 2006.

NOTE 10 - LONG-TERM DEBT

A. During the 2001 fiscal year, the District issued General Obligation Bonds to provide funds for constructing a high school and three elementary schools; renovating, remodeling and improving existing school buildings and facilities, including converting the existing middle school to an elementary school, improving access for the disabled and health and safety upgrades; furnishing and equipping the same, including technology for classroom instruction; and landscaping and improving the sites thereof. The General Obligation Bonds is a general obligation of the District and the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Debt Account Group. Payments of principal and interest relating to the General Obligation Bonds are recorded as an expenditure in the Debt Service Fund. The source of payment is derived from a current 3.69 mill bonded debt tax levy.

This General Obligation Bonds represents the amount of the construction project that the District itself was required to finance, in accordance with the terms of the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed.

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In conjunction with the 3.69 mills which supports the General Obligation Bonds, the District also passed in fiscal year 2000 a .5 mill levy to ultimately fund the maintenance costs of the new facility. Tax revenue from this levy has been reported in the Special Revenue Funds.

The following is a description of the Marion City School Districts General Obligation Bonds outstanding as of June 30, 2001:

<u>Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
School Facilities Construction & Improvement Bonds	4.4% -5.6%	08/18/00	12/01/22

Principal and interest requirements to retire the School Districts General Obligation Bonds outstanding at June 30, 2001, were as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$255,000	\$843,469	\$ 1,098,469
2003	330,000	830,384	1,160,384
2004	355,000	814,711	1,169,711
2005	380,000	797,711	1,177,711
2006	470,000	777,831	1,247,831
2007-2011	2,820,000	3,507,897	6,327,897
2012-2016	3,700,000	2,586,238	6,286,238
2017-2021	4,905,000	1,363,935	6,268,935
2022-2023	<u>2,360,000</u>	<u>134,438</u>	<u>2,494,438</u>
Totals	<u>\$15,575,000</u>	<u>\$11,656,614</u>	<u>\$27,231,614</u>

- B. During the fiscal year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will ultimately be paid from the fund from which the employee is paid.

	<u>Balance July 1, 2000</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance June 30, 2001</u>
General Obligation Bonds	\$ 0	15,910,000	\$ (335,000)	\$ 15,575,000
Bond Anticipation Note	15,913,000	0	(15,913,000)	0
Compensated Absences	2,341,375	440,976	(257,439)	2,524,912
Pension Obligation	242,599	217,190	(242,599)	217,190
Capital Leases	<u>0</u>	<u>36,611</u>	<u>(4,308)</u>	<u>32,303</u>
TOTAL	<u>\$18,496,974</u>	<u>\$16,604,777</u>	<u>\$(16,752,346)</u>	<u>\$18,349,405</u>

**MARION CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$14,297,813 (including available funds of \$334,055) and an unvoted debt margin of \$328,208.

NOTE 11 - RISK MANAGEMENT

The District does not have a "self-insurance" fund with formalized risk management programs.

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters.

During fiscal year 2001, the District purchased from Nationwide Insurance Company (through the Ohio School Boards' Association) general liability insurance, which carried a \$1 million per occurrence/\$5 million annual aggregate limit.

Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded, as are all benefit plans offered to employees.

OSBA WORKER'S COMPENSATION GROUP RATING

The District is a member of the OSBA Worker's Compensation Group Rating Program established in April 1991. The program was created by the Ohio Schools Boards Association as a result of the Workers' Compensation group rating plan as defined in 4123.29, Ohio Revised Code. The group rating plan will allow school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three Enterprise funds to account for the operations of food service, uniform school supplies, and adult education programs. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2001.

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	<u>Food Service</u>	<u>Uniform Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenue	\$778,517	\$16,481	\$	\$794,998
Depreciation	7,041	\$ 0	795	7,836
Operating Income (Loss)	(1,267,883)	(1,200)	(51,011)	(1,320,094)
Operating Grants	913,986		60,264	974,250
Operating Transfers				
In	381,600	0	0	381,600
(Out)	0	0	(2,689)	(2,689)
Net Income (Loss)	(186,620)	1,200	(6,587)	(192,007)
Property, plant and equipment:				
Additions	6,498		0	6,498
Working Capital	(81,413)	10,250	19,524	(51,639)
Total Assets	257,795	10,268	25,741	293,804
Total Liabilities	378,805	18	750	379,573
Total Equity	(121,010)	10,250	24,991	(85,769)
Encumbrances Outstanding as of 6/30/01	12,491	1,512	67	14,070

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determine rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the School Employees

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Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$683,300, \$597,127, and \$565,932, respectively; 50 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$329,820, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. STATE TEACHERS RETIREMENT SYSTEM

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$3,259,795, \$2,939,598, and \$2,808,295, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$546,328, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**MARION CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$1.047 million.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$3.419 billion at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS has 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2000 (the latest information available), employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, equaled \$474,998 for fiscal year 2001.

**MARION CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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**Excess of Revenues and Other Financing
Sources Over (Under) Expenditures and Other
Financing Uses**

Governmental Fund Types

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>
Budget Basis	\$(3,523,772)	\$214,059	\$(317,551)	\$6,805,573
Net Adjustment for Revenue Accruals	(76,450)	(117,885)	(408)	(1)
Net Adjustment for Expenditure Accruals	(344,292)	(98,648)	0	122,283
Net Adjustment for Other Financing Sources/Uses	(203,454)	101,163	0	7,985
Adjustment for Encumbrances	<u>1,007,038</u>	<u>135,277</u>	<u>0</u>	<u>2,956,580</u>
GAAP Basis	<u><u>\$(3,140,930)</u></u>	<u><u>\$233,966</u></u>	<u><u>\$(317,959)</u></u>	<u><u>\$9,892,420</u></u>

NOTE 16 - CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

**MARION CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

C. School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that requires modification if the plan is to be considered constitutional, including

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 16, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such consideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 17 -- STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined into various reserves. During fiscal year ended June 30, 2001, the reserve activity was as follows:

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Textbook Reserves</u>	<u>Capital Maintenance Reserves</u>	<u>Budget Stabilization Reserves</u>	<u>Totals</u>
Balance 7/1/00	-0-	-0-	572,660	572,660
Required Set-Aside	709,739	709,739	-0-	1,419,478
Offset Credits	-0-	(709,739)	-0-	(709,739)
Budget Reserved Transferred to:				
Capital Projects	-0-	-0-	(500,000)	(500,000)
General Fund Unreserved	-0-	-0-	(72,660)	(72,660)
Qualifying Expenditures	<u>(709,739)</u>	<u>-0-</u>	<u>- 0-</u>	<u>(709,793)</u>
Balance 6/30/01	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Restricted Assets				<u>-0-</u>

The Budget Stabilization Reserve has been eliminated and contributions are no longer required beginning with fiscal year 2001.

NOTE 18 - CHANGE IN ACCOUNTING PRINCIPLE

The District adopted GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, and GASB Statement No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues. As a result, beginning fund balance is the special revenue fund type increased by \$144,892 and the excess of revenues over expenditures decreased by \$144,892

NOTE 19 - RESTATEMENT OF FINANCIAL STATEMENT PRESENTATION

The Classroom Facilities Maintenance Fund was previously classified as a Capital Project Fund and should have been classified as a Special Revenue Fund, which had the following effect on the fund balances as was previously reported as of June 30, 2000.

**MARION CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Special Revenue</u>	<u>Capital Projects</u>
Fund Balance, June 30, 2000	\$608,388	\$17,293,649
Cumulative Effect of Reclassification	66,620	(66,620)
GASB 33 Restatement	<u>144,892</u>	<u>0</u>
Fund Balance, June 30, 2000 as Restated	<u>\$819,900</u>	<u>\$17,227,029</u>

NOTE 20 - CONTRACTUAL COMMITMENTS

At June 30, 2001, the District had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
Hamilton Parker	Bricks	\$258,076
Mark Schaffer Exc., Inc.	Site Preparation	\$2,884,000

NOTE 21 - SUBSEQUENT EVENTS

On August 22, and September 6, 2001 the District entered into contracts for the construction of one high school and three elementary buildings, and the plumbing and heating, electric, and fire protection related to the aforementioned buildings. The following is a summary of the contractors, purpose, and contracted amounts for each contract:

Vendor	Purpose	Amount of Contract
Corna Kokosing Construction	erect high school	\$14,919,000
Mosser Construction	erect all elementary buildings	\$14,943,000
Carl's Plumbing & Heating	HVAC	\$1,025,000
Vaughn Industries	Electric	\$3,098,448
Vulcan Enterprise	Fire Protection	\$242,699
Total Contracts		\$34,228,147

**MARION CITY SCHOOL DISTRICT
MARION COUNTY
SCHEDULE OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal C.F.D.A. Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
<u>U.S. Department of Agriculture</u>						
<i>Passed through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster</i>						
Food Donation		10.550	\$0	\$160,944	\$0	\$138,513
School Breakfast Program	05-PU 00	10.553	\$93,322	0	93,322	0
National School Lunch Program	04-PU 00	10.555	577,795	0	577,795	0
Summer Food Service Program for Children	23/24-PU 00	10.559	<u>75,945</u>	<u>0</u>	<u>75,945</u>	<u>0</u>
Total U.S. Department of Agriculture- Child Nutrition Cluster			747,062	160,944	747,062	138,513
<u>U.S. Department of Education</u>						
<i>Pass through the Ohio Department of Education:</i>						
Adult Education State Grant Program	AB-S1 00/01	84.002	81,883	0	102,734	0
Title I Grants to Local Educational Agencies	C1-S1 00/01	84.010	1,421,024	0	1,260,264	0
Safe and Drug Free Schools and Communities	DR-S1 00/01	84.186	42,262	0	48,276	0
Goals 2000 State and Local Educational Systemic Improv.	G2-S1/S2/S3/S4	84.276	206,645	0	169,200	0
Eisenhower Professional Development State Grant	MS-S1 99/00/01	84.281	29,947	0	39,439	0
Innovative Education Program Strategies	C2-S1 99/00	84.298	20,291	0	53,754	0
Technology Literacy Challenge Fund Grants	TF-VM 01	84.318	4,658	\$0	4,658	0
Comprehensive School Reform Demonstration		84.332	35,749	\$0	102,475	
Class Size Reduction	CR-S1-01	84.340	205,927	0	239,057	0
<i>Special Education Cluster</i>						
Special Education-Preschool Grant	PG-S1 99/00	84.173	28,773	0	3,977	0
Special Education-Grants to States	6B-SF 99/00	84.027	<u>488,532</u>	<u>0</u>	<u>439,591</u>	<u>0</u>
Total Special Education Cluster			517,305		443,568	
Total U.S. Department of Education			<u>2,565,691</u>	<u>0</u>	<u>2,463,425</u>	<u>0</u>
<u>U.S. Department of Health and Human Services</u>						
<i>Pass through the Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program		93.778	<u>89,296</u>	<u>0</u>	<u>89,296</u>	<u>0</u>
Total U.S. Department of Health and Human Services			<u>89,296</u>	<u>0</u>	<u>89,296</u>	<u>0</u>
Total Federal Financial Assistance			<u>\$3,402,049</u>	<u>\$160,944</u>	<u>\$3,299,783</u>	<u>\$138,513</u>

The accompanying notes to this schedule are an integral part of this schedule

**MARION CITY SCHOOL DISTRICT
MARION COUNTY
FISCAL YEAR ENDED JUNE 30, 2001**

NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Marion City School District
Marion County
910 East Church Street
Marion, Ohio 43302

To the Board of Education:

We have audited the general purpose financial statements of the Marion City School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 14, 2001, wherein we noted the District implemented GASB Statements No. 33 and 36. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 14, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2001-10651-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2001-10651-001 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 14, 2001.

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

JIM PETRO
Auditor of State

December 14, 2001



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Marion City School District
Marion County
910 East Church Street
Marion, Ohio 43302

To the Board of Education:

Compliance

We have audited the compliance of Marion City School District, Marion County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in items 2001-10651-002, 2001-10651-003, and 2001-10651-004 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding reporting, procurement and suspension and debarment, and special tests and provisions that are applicable to its Child Nutrition Cluster Program. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2001-10651-002, 2001-10651-003, and 2001-10651-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted a certain other matter involving the internal control over federal compliance that does not require inclusion in this report that we have reported to management of the District in a separate letter dated December 14, 2001.

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

JIM PETRO
Auditor of State

December 14, 2001

**MARION CITY SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Child Nutrition Cluster - Qualified Special Education Grants to States - Unqualified Class Size Reduction -Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster (CFDA #10.550/ 10.553/ 10.555/ 10.559) Special Education Grants to States (CFDA #84.027/ 84.173) Class Size Reduction (CFDA #84.340)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**MARION CITY SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001
(Continued)**

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

2001-10651-001	
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Food Service Receipts

Material Weakness

The District does not maintain complete and accurate records to ensure completeness of food service receipts. Cash registers utilized by four schools within the District provide daily tapes, which is sufficient to ensure completeness of daily receipts. The remaining eleven schools utilize tally sheets which list the individual students names. Whether students at these schools pre-pay for lunches or pay on the day they buy lunch, the cashiers make the same mark next to the child's name. As a result, there is no way to determine which students actually paid on a specific day. At the end of the day, cashiers simply count the money in their money box; there is no way to compare the money collected to the number of students who bought lunch for the day to ensure completeness of the revenue. Without procedures in place to ensure the completeness of food service revenue, possible errors or irregularities may occur and go undetected by management.

We recommend the District establish appropriate internal control procedures to ensure the completeness of food service revenue. The District may consider utilizing cash registers at more of the schools buildings, or maintain tally sheets which identify when students pay for their lunch so that the tally sheets can be reconciled to the daily collections.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

Free/Reduced Lunch Reporting

Finding Number	2001-10651-002
CFDA Title and Number	Child Nutrition Cluster - CFDA # 10.550/ 10.553/ 10.555/ 10.559
Federal Award Number / Year	044339 LL-P1 0000/2000 044339 LL-P4 0000/2000 044339 LL-P1 0000/2001
Federal Agency	United States Department of Agriculture
Pass-Through Agency	Ohio Department of Education

Reportable Condition/ Material Noncompliance/ Questioned Cost

7 CFR Section 210.7c states that to be entitled to reimbursement under this part, each school food authority shall ensure that Claims for Reimbursement are limited to the number of free, reduced price and paid lunches and meal supplements that are served to children eligible for free, reduced price and paid lunches and meal supplements, respectively, for each day of operation.

**MARION CITY SCHOOL DISTRICT
JUNE 30, 2001**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Free/Reduced Lunch Reporting (Continued)

Of the days selected for testing, the District reported 255 more free lunches than the actual number served and 138 more reduced price lunches than the actual number served. This resulted in the District being reimbursed \$739 (projected to be approximately \$32,000) for lunches not actually served.

We recommend the District maintain complete and accurate records of the number of free and reduced price lunches served and report for reimbursement only those free and reduced price lunches actually served. For schools utilizing cash registers, the cash register tape with separate free and reduced lunch categories is sufficient evidence of the number of lunches served. For schools utilizing tally sheets, a roster of individual student names to whom free or reduced price lunches were served should be maintained. Furthermore, the head cook at each school building should review the daily CN-7 report to ensure that the amounts reported agree to the register tape/tally sheets.

Procurement and Suspension and Debarment

Finding Number	2001-10651-003
CFDA Title and Number	Child Nutrition Cluster - CFDA # 10.550/ 10.553/ 10.555/ 10.559
Federal Award Number / Year	044339 LL-P1 0000/2000 044339 LL-P4 0000/2000 044339 LL-P1 0000/2001
Federal Agency	United States Department of Agriculture
Pass-Through Agency	Ohio Department of Education

Material Noncompliance/ Reportable Condition

7 CFR Section 210.21 and A-102 Common Rule provide that formal competitive bidding must be used for certain transactions which equal or exceed \$100,000. Also, non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 and all nonprocurement transactions (e.g. subawards to subrecipients).

The District did not competitively bid food service purchases in excess of \$100,000. Also, the District did not obtain suspension and debarment certifications from contractors receiving individual awards of more than \$100,000.

For all food service contracts exceeding \$100,000, we recommend the District utilize formal competitive bidding procedures and obtain the required suspension and debarment certifications. Furthermore, we recommend the Food Service Director establish procedures to periodically monitor all food service contracts entered into by the District to ensure that these requirements are met.

**MARION CITY SCHOOL DISTRICT
JUNE 30, 2001**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Commodities Inventory

Finding Number	2001-10651-004
CFDA Title and Number	Child Nutrition Cluster - CFDA # 10.550/ 10.553/ 10.555/ 10.559
Federal Award Number / Year	044339 LL-P1 0000/2000 044339 LL-P4 0000/2000 044339 LL-P1 0000/2001
Federal Agency	United States Department of Agriculture
Pass-Through Agency	Ohio Department of Education

Material Noncompliance

7 CFR Section 250.16 states accurate and complete records shall be maintained with respect to the receipt and distribution/use of donated foods.

Accurate inventory records were not maintained. When the District receives donated commodities, the amount posted as a receipt is at cost, but when the District utilizes the commodities, the use is posted at fair market value, which may result in inaccuracies in the commodity records. Pursuant to instruction provided by the Ohio Department of Education, the District should be reporting commodities receipts and usage at fair market value.

Furthermore, when the District receives all commodities at its centralized warehouse facility, a receipt is recorded for the high school. Then, when the individual schools request the commodities from the warehouse, the same commodities are reported as a receipt again for the individual schools. Such practice causes the District's commodity receipts and usage to be overstated.

We recommend the District report commodities receipts and usage at fair market value rather than cost. We also recommend the District contact the Ohio Department of Education to determine the proper method to report commodity receipts and usage when the items are transferred between the District's storage facility and the individual school buildings.

Grant Reporting

Finding Number	2001-10651-005
CFDA Title and Number	Special Education Grants to States - CFDA #84.027/84.173 Class Size Reduction - CFDA #84.340
Federal Award Number / Year	044339 6B-SF 2001 044339 CR-S1 2001
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505

MARION CITY SCHOOL DISTRICT
JUNE 30, 2001
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Grant Reporting (Continued)

Reportable Condition

Grant coordinators complete grant cash request forms and grant final expenditure reports. The Treasurer then signs the form. The Treasurer's staff, however, do not compare the amounts on the reports to the accounting ledgers to ensure the accuracy of the reports before the Treasurer signs them. Failure to reconcile the grant reports back to the accounting ledgers actually resulted in a \$26,063 overstatement of expenditures on the final expenditure report for Title VI-B (Special Education Grants to States) for the fiscal year 2000 grant. After this was brought to the attention of the Treasurer, the District subsequently corrected the report and re-submitted it to the Ohio Department of Education prior to the reporting deadline.

We recommend the Treasurer designate a staff member to reconcile all grant reports to the accounting ledgers prior to submission to the grantor/pass-through entity.

MARION CITY SCHOOL DISTRICT
JUNE 30, 2001

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u>; <i><u>Explain:</u></i>
2000-10651-001	Expenditures exceed appropriations	Partially Corrected	This finding was reported to management in the current year audit.

**MARION CITY SCHOOL DISTRICT
JUNE 30, 2001**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-10651-002	The District will begin maintaining complete and accurate records to support the number of free/reduced meals served as reported to the Ohio Department of Education.	Immediately	Brenda Sprinkle, Food Service Director
2001-10651-003	The District will begin following formal competitive bidding requirements and obtain the necessary suspension and debarment certification from vendors.	Immediately	Brenda Sprinkle, Food Service Director
2001-10651-004	The District will begin reporting the commodities inventory at fair market value. The District will also contact the Ohio Department of Education to determine the proper method to report commodity receipts and usage.	Immediately	Brenda Sprinkle, Food Service Director
2001-10651-005	The Treasurer has designated a staff member to review all final expenditure reports prior to submission.	Immediately	Jeri Wires, Treasurer



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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
JANUARY 8, 2002**