



**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2001 AND JUNE 30, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Marion Local School District  
Mercer County  
1901 State Route 716  
Maria Stein, Ohio 45860

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Marion Local School District (the School District), Mercer County, as of and for the years ended June 30, 2001 and June 30, 2000, 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 Local School District, Mercer County, as of June 30, 2001 and June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2001, the School District adopted Governmental Accounting Statements No. 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2002 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

**Jim Petro**  
Auditor of State

January 14, 2002

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**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2001**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Assets and Other Debits:</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,194,988	\$223,660	\$228,855	\$5,710,700
Receivables:				
Property Taxes	1,436,444	29,043	273,805	60,948
Intergovernmental	352	18,561		1,568,921
Accrued Interest	16,883	301		
Interfund	16,704			
Prepaid Items	48,293			
Inventory Held for Resale				
Materials and Supplies Inventory				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	205,383			
Cash and Cash Equivalents with Escrow Agent				98,888
Fixed Assets (net, where applicable, of accumulated depreciation)				
<b>Other Debits:</b>				
Amount Available in Debt Service				
Fund for Retirement of General Obligation Debt				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	<u>3,919,047</u>	<u>271,565</u>	<u>502,660</u>	<u>7,439,457</u>
<b>Liabilities, Fund Equity, and Other Credits:</b>				
<b>Liabilities:</b>				
Accounts Payable	23,419	8,377		20,937
Contracts Payable				1,183,174
Retainage Payable				51,065
Accrued Wages and Benefits	581,884			
Compensated Absences Payable	9,835			
Intergovernmental Payable	98,646	143		2,074
Interfund Payable		16,704		
Deferred Revenue	1,408,524	29,049	267,451	1,623,416
Due to Students				
Payable from Restricted Assets:				
Retainage Payable				98,888
Asbestos Removal Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>2,122,308</u>	<u>54,273</u>	<u>267,451</u>	<u>2,979,554</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Contributed Capital				
Fund Balance:				
Reserved for Property Taxes	34,377	567	6,354	1,383
Reserved for Textbooks	87,076			
Reserved for Capital Improvements	75,381			
Reserved for Budget Stabilization	16,607			
Reserved for Bus Purchase	26,319			
Reserved for Encumbrances	13,735	1,926		1,240,230
Designated for Textbooks	2,456			
Designated for Capital Improvements	189,671			
Unreserved, Undesignated	1,351,117	214,799	228,855	3,218,290
Total Fund Equity and Other Credits	<u>1,796,739</u>	<u>217,292</u>	<u>235,209</u>	<u>4,459,903</u>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b><u>\$3,919,047</u></b>	<b><u>\$271,565</u></b>	<b><u>\$502,660</u></b>	<b><u>\$7,439,457</u></b>

See Accompanying Notes to the General Purpose Financial Statements.



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$119,535	\$52,965			\$8,530,703
				1,800,240
				1,587,834
				17,184
				16,704
1,434				49,727
4,374				4,374
591				591
				205,383
				98,888
77,925		13,952,396		14,030,321
			235,209	235,209
			4,192,349	4,192,349
<u>203,859</u>	<u>52,965</u>	<u>13,952,396</u>	<u>4,427,558</u>	<u>30,769,507</u>
1,546				54,279
				1,183,174
				51,065
18,019				599,903
14,890			351,895	376,620
15,006			33,085	148,954
				16,704
3,392				3,331,832
	52,965			52,965
				98,888
			103,251	103,251
			3,939,327	3,939,327
<u>52,853</u>	<u>52,965</u>		<u>4,427,558</u>	<u>9,956,962</u>
		13,952,396		13,952,396
89,444				89,444
61,562				61,562
				42,681
				87,076
				75,381
				16,607
				26,319
				1,255,891
				2,456
				189,671
				5,013,061
<u>151,006</u>		<u>13,952,396</u>		<u>20,812,545</u>
<u>\$203,859</u>	<u>\$52,965</u>	<u>\$13,952,396</u>	<u>\$4,427,558</u>	<u>\$30,769,507</u>

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Revenues:</b>					
Property Taxes	\$1,540,486	\$26,164	\$321,411	\$51,351	\$1,939,412
Intergovernmental	3,743,077	291,501	40,624	6,229,847	10,305,049
Interest	181,498	1,541		122,877	305,916
Tuition and Fees	15,162				15,162
Extracurricular Activities	3,890	200,469			204,359
Miscellaneous	25,305	6,707		52,900	84,912
<b>Total Revenues</b>	<u>5,509,418</u>	<u>526,382</u>	<u>362,035</u>	<u>6,456,975</u>	<u>12,854,810</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	2,898,094	157,965			3,056,059
Special	388,265	86,103			474,368
Vocational	128,069				128,069
Support Services:					
Pupils	159,438	4,720			164,158
Instructional Staff	196,975	13,374			210,349
Board of Education	22,086				22,086
Administration	452,168	19,365			471,533
Fiscal	160,328		6,249	1,908	168,485
Business	2,150				2,150
Operation and Maintenance of Plant	392,323				392,323
Pupil Transportation	290,389				290,389
Central	109,457	121			109,578
Extracurricular Activities	134,557	146,347			280,904
Capital Outlay	2,011			3,787,954	3,789,965
Debt Service:					
Principal Retirement			95,994		95,994
Interest and Fiscal Charges			234,817		234,817
<b>Total Expenditures</b>	<u>5,336,310</u>	<u>427,995</u>	<u>337,060</u>	<u>3,789,862</u>	<u>9,891,227</u>
 Excess of Revenues Over Expenditures	 173,108	 98,387	 24,975	 2,667,113	 2,963,583
 Fund Balances at Beginning of Year	 <u>1,623,631</u>	 <u>118,905</u>	 <u>210,234</u>	 <u>1,792,790</u>	 <u>3,745,560</u>
<b>Fund Balances at End of Year</b>	<u><u>\$1,796,739</u></u>	<u><u>\$217,292</u></u>	<u><u>\$235,209</u></u>	<u><u>\$4,459,903</u></u>	<u><u>\$6,709,143</u></u>

*See Accompanying Notes to the General Purpose Financial Statements.*

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**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$1,480,734	\$1,541,278	\$60,544	\$25,171	\$26,193	\$1,022
Intergovernmental	3,713,887	3,746,277	32,390	227,228	212,133	(15,095)
Interest	89,000	180,116	91,116	1,800	2,363	563
Tuition and Fees	9,000	15,162	6,162			
Extracurricular Activities	8,000	3,890	(4,110)	166,967	201,618	34,651
Miscellaneous	7,000	26,401	19,401	3,000	6,707	3,707
<b>Total Revenues</b>	<b>5,307,621</b>	<b>5,513,124</b>	<b>205,503</b>	<b>424,166</b>	<b>449,014</b>	<b>24,848</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	3,356,249	2,877,268	478,981	165,896	159,649	6,247
Special	422,625	382,891	39,734	31,023	23,881	7,142
Vocational	166,024	126,344	39,680			
Other	1,500		1,500			
Support Services:						
Pupils	200,286	154,839	45,447	6,100	4,720	1,380
Instructional Staff	259,700	206,314	53,386	18,694	14,224	4,470
Board of Education	39,070	23,550	15,520			
Administration	503,692	448,253	55,439	21,165	19,365	1,800
Fiscal	195,789	159,920	35,869			
Business	3,000	2,150	850			
Operation and Maintenance of Plant	472,888	389,598	83,290			
Pupil Transportation	420,797	279,027	141,770	500		500
Central	127,773	117,148	10,625	1,700	121	1,579
Extracurricular Activities	148,215	134,306	13,909	181,220	139,099	42,121
Capital Outlay	257,196	4,866	252,330	12,000		12,000
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
<b>Total Expenditures</b>	<b>6,574,804</b>	<b>5,306,474</b>	<b>1,268,330</b>	<b>438,298</b>	<b>361,059</b>	<b>77,239</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,267,183)</b>	<b>206,650</b>	<b>1,473,833</b>	<b>(14,132)</b>	<b>87,955</b>	<b>102,087</b>
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year Expenditures		1,064	1,064			
Other Financing Uses	(48,000)		48,000			
Advances In	65,000	11,963	(53,037)		26,271	26,271
Advances Out	(65,000)	(26,271)	38,729	(14,842)	(11,963)	2,879
Operating Transfers Out	(37,297)		37,297			
<b>Total Other Financing Sources (Uses)</b>	<b>(85,297)</b>	<b>(13,244)</b>	<b>72,053</b>	<b>(14,842)</b>	<b>14,308</b>	<b>29,150</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(1,352,480)</b>	<b>193,406</b>	<b>1,545,886</b>	<b>(28,974)</b>	<b>102,263</b>	<b>131,237</b>
Fund Balances at Beginning of Year	2,043,502	2,043,502		114,645	114,645	
Prior Year Encumbrances Appropriated	128,002	128,002		4,826	4,826	
<b>Fund Balances at End of Year</b>	<b>\$819,024</b>	<b>\$2,364,910</b>	<b>\$1,545,886</b>	<b>\$90,497</b>	<b>\$221,734</b>	<b>\$131,237</b>

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$318,278	\$322,758	\$4,480	\$48,711	\$51,397	\$2,686
45,849	40,624	(5,225)	6,225,738	6,224,777	(961)
			92,500	122,877	30,377
<u>364,127</u>	<u>363,382</u>	<u>(745)</u>	<u>6,366,949</u>	<u>6,399,051</u>	<u>32,102</u>
			75,189	59,459	15,730
			667		667
8,200	6,249	1,951	2,400	1,908	492
			5,697,315	4,836,271	861,044
97,000	95,994	1,006			
248,000	234,817	13,183			
<u>353,200</u>	<u>337,060</u>	<u>16,140</u>	<u>5,775,571</u>	<u>4,897,638</u>	<u>877,933</u>
10,927	26,322	15,395	591,378	1,501,413	910,035
			52,900	52,900	
			<u>52,900</u>	<u>52,900</u>	
10,927	26,322	15,395	644,278	1,554,313	910,035
202,533	202,533		1,740,746	1,740,746	
			50,615	50,615	
<u>\$213,460</u>	<u>\$228,855</u>	<u>\$15,395</u>	<u>\$2,435,639</u>	<u>\$3,345,674</u>	<u>\$910,035</u>

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND EQUITY  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

<b>Operating Revenues:</b>	
Sales	<u>\$269,349</u>
<b>Operating Expenses:</b>	
Salaries	86,106
Fringe Benefits	26,773
Purchased Services	3,876
Materials and Supplies	58,152
Cost of Sales	173,892
Depreciation	<u>7,369</u>
Total Operating Expenses	<u>356,168</u>
Operating Loss	<u>(86,819)</u>
<b>Non-Operating Revenues (Expenses):</b>	
Federal Donated Commodities	23,484
Operating Grants	30,140
Interest	5,284
Loss on Disposal of Fixed Assets	<u>(236)</u>
Total Non-Operating Revenues (Expenses)	<u>58,672</u>
Net Loss	(28,147)
Retained Earnings at Beginning of Year	<u>117,591</u>
Retained Earnings at End of Year	89,444
Contributed Capital at Beginning and End of Year	<u>61,562</u>
<b>Total Fund Equity at End of Year</b>	<u><u>\$151,006</u></u>

*See Accompanying Notes to the General Purpose Financial Statements.*

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Sales	\$257,500	\$269,349	\$11,849
Operating Grants	35,350	30,140	(5,210)
Interest	<u>3,500</u>	<u>5,284</u>	<u>1,784</u>
Total Revenues	<u>296,350</u>	<u>304,773</u>	<u>8,423</u>
<b>Expenses:</b>			
Salaries	105,400	85,512	19,888
Fringe Benefits	26,775	21,884	4,891
Purchased Services	7,900	3,876	4,024
Materials and Supplies	161,447	157,832	3,615
Capital Outlay	<u>63,900</u>	<u>53,041</u>	<u>10,859</u>
Total Expenses	<u>365,422</u>	<u>322,145</u>	<u>43,277</u>
Excess of Revenues Under Expenses	(69,072)	(17,372)	51,700
Fund Balances at Beginning of Year	75,831	75,831	0
Prior Year Encumbrances Appropriated	<u>58,347</u>	<u>58,347</u>	<u>0</u>
<b>Fund Balances at End of Year</b>	<u><u>\$65,106</u></u>	<u><u>\$116,806</u></u>	<u><u>\$51,700</u></u>

*See Accompanying Notes to the General Purpose Financial Statements.*

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities:**

Cash Received from Customers	\$269,349
Cash Payments for Salaries	(85,512)
Cash Payments for Fringe Benefits	(21,884)
Cash Payments for Goods and Services	<u>(212,020)</u>
Net Cash Used for Operating Activities	<u>(50,067)</u>

**Cash Flows from Noncapital Financing Activities:**

Cash Received from Operating Grants	<u>30,140</u>
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**Cash Flows from Investing Activities:**

Cash Received from Interest	<u>5,284</u>
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Net Decrease in Cash and Cash Equivalents (14,643)

Cash and Cash Equivalents at Beginning of Year 134,178

Cash and Cash Equivalents at End of Year 119,535

**Reconciliation of Operating Loss to Net**

**Cash Used for Operating Activities:**

Operating Loss (86,819)

**Adjustments to Reconcile Operating Loss to Net**

**Cash Used for Operating Activities**

Depreciation	7,369
Donated Commodities Used During Year	23,484
Changes in Assets and Liabilities:	
Increase in Prepaid Items	(713)
Decrease in Inventory Held for Resale	70
Increase in Materials and Supplies Inventory	(166)
Increase in Accounts Payable	512
Increase in Accrued Wages and Benefits	2,021
Increase in Compensated Absences Payable	3,064
Increase in Intergovernmental Payable	<u>1,111</u>

**Net Cash Used for Operating Activities** (\$50,067)

*See Accompanying Notes to the General Purpose Financial Statements.*



**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1955. The School District serves an area of approximately ninety-one square miles. It is located in Auglaize, Darke, and Mercer Counties. The School District is the 488th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-eight classified employees, fifty-nine certified teaching personnel, and six administrative employees who provide services to nine hundred eighty-two students and other community members. The School District currently operates two instructional buildings.

**A. Reporting Entity**

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

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

The School District participates in four jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, the Mercer County Local Professional Development Committee, the West Central Regional Professional Development Center, the West Central Ohio Special Education Regional Resource Center, the NOACSC Workers' Compensation Group Rating Plan, and the Mercer Auglaize Employee Benefit Trust. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

**1. Governmental Fund Types**

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

**General Fund**

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

**Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure 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 obligation principal, interest, and related costs.

**Capital Projects Funds**

Capital projects funds are 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).

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Proprietary Fund Type**

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

**Enterprise Funds**

Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent 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 where it has been 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.

**3. Fiduciary Fund Type**

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

**4. 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 a general nature, the following account groups are used:

**General Fixed Assets Account Group**

This account group is established to account for all fixed assets of the School District, except those accounted for in proprietary funds.

**General Long-Term Obligations Account Group**

This account group is established to account for all long-term obligations of the School District, except those accounted for in proprietary funds.

**B. Measurement Focus and Basis of Accounting**

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

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The enterprise funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed for the enterprise funds.

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

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

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

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**C. Budgetary Process**

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

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

The Title VI-B special revenue fund is a flow through grant in which the Mercer County Educational Service Center is the primary recipient. Budgetary information for this fund is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

**1. Tax Budget**

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

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

**2. Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2001.

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Appropriations**

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

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds and funds held by Mercer County Educational Service Center, consistent with statutory provisions.

**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and reported in the notes to the financial statements for the enterprise funds.

**5. Lapsing of Appropriations**

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

**D. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Cash and cash equivalents that are held separately for the School District by an escrow agent and not held within the School District treasury are recorded on the combined balance sheet as "Cash and Cash Equivalents with Escrow Agent".

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

During fiscal year 2001, investments were limited to nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 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 was \$181,498, which included \$36,696 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

**F. Inventory**

Inventory in the enterprise funds is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory in the enterprise funds consists of donated and purchased food and is expensed when used.

**G. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials, for the acquisition and construction of capital improvements, and to create a reserve for budget stabilization. Restricted assets also include unexpended revenues restricted for the purchase of school buses.

Restricted assets in the capital projects funds represent the escrow accounts established for the payment of retainage on construction projects upon completion.

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds are computed using the straight-line method over an estimated useful life of five to twenty years.

**I. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "Interfund Receivables/Payables" on the combined balance sheet.

**J. Compensated Absences**

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise funds, the entire amount of compensated absences is reported as a fund liability.



**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments for these obligations made more than sixty days after fiscal year end are considered not to have used current available expendable resources. Long-term loans and bonds are reported as liabilities in the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise funds are reported as liabilities in the appropriate fund.

**L. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to the enterprise funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end.

Because the School District had not prepared financial statements in accordance with generally accepted accounting principles prior to fiscal year 1997, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the enterprise funds have been classified as retained earnings.

**M. Fund Balance Reserves and Designations**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, textbooks, capital improvements, budget stabilization, bus purchase, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The designation for textbooks and capital improvements represents revenues set aside that exceed statutorily required amounts.

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and 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.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**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.

**P. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations 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.

**3. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the School District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.

**4. COMPLIANCE**

The Electronic Management Information System, Drug Free, Title VI-R, and Miscellaneous Federal Grants special revenue funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2001, in the amount of \$2,952, \$2,879, \$6,001, and \$566, respectively.

The Title VI special revenue fund support services/instructional/staff materials and supplies account had expenditures in excess of appropriations for the fiscal year ended June 30, 2001, in the amount of \$16.

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

**5. BUDGETARY BASIS OF ACCOUNTING**

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

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise funds (GAAP basis).
- d. Although not part of the appropriated budget the Title VI-B special revenue fund is included as part of the reporting entity when preparing financial statements that conform with GAAP.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues and Other Financing Sources  
Over Expenditures and Other Financing Uses  
All Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$173,108	\$98,387	\$24,975	\$2,667,113
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 2000, Received in Cash FY 2001	50,986	2,745	7,701	1,429
Accrued FY 2001, Not Yet Received in Cash	(45,155)	(18,856)	(6,354)	(6,453)
Expenditure Accruals:				
Accrued FY 2000, Paid in Cash FY 2001	(641,894)	(1,737)	0	0
Accrued FY 2001, Not Yet Paid in Cash	713,784	8,520	0	1,257,250
Cash Adjustments:				
Unrecorded Activity FY 2000	130	822	0	0
Unrecorded Activity FY 2001	(107)	0	0	0
Prepaid Items	(7,784)	0	0	0
Advances In	11,963	26,271	0	0
Advances Out	(26,271)	(11,963)	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(35,354)	(1,926)	0	(2,365,026)
Budget Basis	<u>\$193,406</u>	<u>\$102,263</u>	<u>\$26,322</u>	<u>\$1,554,313</u>

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

**Net Loss/Excess of Revenues Under Expenses  
Enterprise Funds**

GAAP Basis	(\$28,147)
<u>Increase (Decrease) Due To:</u>	
Expense Accruals:	
Accrued FY 2000, Paid in Cash FY 2001	(42,753)
Accrued FY 2001, Not Yet Paid in Cash	49,461
Prepaid Items	(713)
Inventory Held for Resale	70
Materials and Supplies Inventory	(166)
Depreciation Expense	7,369
Loss on Disposal of Fixed Assets	236
Encumbrances Outstanding at Year End (Budget Basis)	<u>(2,729)</u>
Budget Basis	<u><u>(\$17,372)</u></u>

**6. DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of 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 monies deposited with the institution.

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

**6. DEPOSITS AND INVESTMENTS (Continued)**

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

- a. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. Written repurchase agreements in the 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 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- f. The State Treasurer's investment pool (STAR Ohio).

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

At fiscal year end, the School District had \$450 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 Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was \$6,257,868 and the bank balance was \$6,419,219. Of the bank balance, \$598,888 was covered by federal depository insurance and \$5,820,331 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

**6. DEPOSITS AND INVESTMENTS (Continued)**

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2001, the fair value of funds on deposit with STAR Ohio was \$2,576,656.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$8,834,974	\$0
Cash on Hand	(450)	0
Investments:		
STAR Ohio	(2,576,656)	2,576,656
GASB Statement No. 3	<u>\$6,257,868</u>	<u>\$2,576,656</u>

**7. PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes received in calendar year 2001 were levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

**MARION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**7. PROPERTY TAXES (Continued)**

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Auglaize, Darke, and Mercer Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is recognized as revenue at year end. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$34,377 in the General Fund, \$567 in the Classroom Facilities special revenue fund, \$6,354 in the Bond Retirement debt service fund, and \$1,383 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2000, was \$35,169 in the General Fund, \$596 in the Classroom Facilities special revenue fund, \$7,701 in the Bond Retirement debt service fund, and \$1,429 in the Permanent Improvement capital projects fund.

The assessed values upon which fiscal year 2001 taxes were collected are:

	<b>2000 Second - Half Collections</b>		<b>2001 First - Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$44,780,120	91.22%	\$54,912,830	92.30%
Public Utility	2,683,570	5.47	2,460,600	4.14
Tangible Personal	1,628,140	3.31	2,117,571	3.56
Total Assessed Value	<u>\$49,091,830</u>	<u>100.00%</u>	<u>\$59,491,001</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$38.21		\$36.71	

**8. RECEIVABLES**

Receivables at June 30, 2001, consisted of property taxes, intergovernmental, accrued interest, and interfund receivables. 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.

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

**8. RECEIVABLES (Continued)**

A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
General Fund	
Erate	\$352
Special Revenue Funds	
Eisenhower	
Grant	272
Title I	
Grant	9,915
Title VI	
Grant	4,025
Drug Free	
Grant	2,879
Title VI-R	
Grant	1,470
Total Special Revenue Funds	18,561
Capital Projects Funds	
Video Distance Learning	
Grant	5,070
Ohio School Facilities	
Grant	1,563,851
Total Capital Projects Funds	1,568,921
Total Intergovernmental Receivables	\$1,587,834

**9. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$190,206
Less Accumulated Depreciation	(112,281)
Net Fixed Assets	\$77,925

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<b>Asset Category</b>	<b>Balance at 6/30/00</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/01</b>
Land and Improvements	\$468,984	\$0	\$0	\$468,984
Buildings and Improvements	7,582,276	5,982	0	7,588,258
Furniture, Fixtures, and Equipment	1,504,318	266,198	100,452	1,670,064
Vehicles	673,513	151,246	83,200	741,559
Construction in Progress	39,000	3,444,531	0	3,483,531
Totals	\$10,268,091	\$3,867,957	\$183,652	\$13,952,396



**MARION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**10. INTERFUND ASSETS/LIABILITIES**

At June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Funds</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$16,704	\$0
Special Revenue Funds		
Title I	0	9,800
Title VI	0	4,025
Drug Free	0	2,879
Total Special Revenue Funds	<u>0</u>	<u>16,704</u>
Totals	<u>\$16,704</u>	<u>\$16,704</u>

**11. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted for the following insurance coverages.

Coverages provided by Indiana Insurance are as follows:

Buildings and Contents - replacement cost (\$500 deductible)	\$12,755,000
Builder's Risk	
High School	3,325,000
Elementary	3,675,000

Coverages provided by Harcum-Hyre Insurance are as follows:

General Liability	
Per Occurrence (\$1,000 deductible)	\$2,000,000
Aggregate (\$1,000 deductible)	5,000,000

Coverages provided by Auto-Owners Insurance are as follows:

Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Underinsured Motorist	1,000,000

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

**MARION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

For fiscal year 2001, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of Acordia Workers' Compensation Services provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

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

**12. CONTRACTUAL COMMITMENTS**

At June 30, 2001, the School District had the following significant contractual commitments:

<u>Company</u>	<u>Project</u>	<u>Contract Remaining Amount</u>
Burns Building & Development	Building Renovations	\$2,342,861
Koester Electric	Building Renovations	1,132,804
Slagle Mechanical Contractors	Building Renovations	1,703,946
Vulcan Enterprises	Building Renovations	298,163
Frost Inc.	Building Renovations	155,138
Farnham Equipment Co.	Building Renovations	162,750

**13. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School 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 retirement and disability benefits, annual cost-of-living adjustments, and death benefits 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

**13. DEFINED BENEFIT PENSION PLANS (Continued)**

Plan members are required to contribute 9.3 percent of their annual covered salary and the School 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 STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$275,624, \$164,364, and \$147,810, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$47,177, is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan 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 School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used 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 SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$23,133, \$31,365, and \$39,274, respectively; 45 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$12,686, is recorded as a liability within the respective funds and the general long-term obligations account group.

**C. Social Security System**

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

**MARION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**14. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified 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 obligation 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 the health care cost in the form of a monthly premium. By 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 School District, this amount equaled \$130,559.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million 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 had 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, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. 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 2001, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$71,317 for fiscal year 2001.

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.

**15. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**MARION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**15. OTHER EMPLOYEE BENEFITS (Continued)**

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one hundred ninety-three days for eligible personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave to a maximum of forty-eight days.

**B. Health Care Benefits**

The School District provides medical and dental insurance to employees through the Mercer Auglaize Employee Benefit Trust. The premium varies with each employee depending on marital and family status. The School District provides life insurance to employees through CoreSource.

**16. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	<u>Interest Rates</u>	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/01</u>
<b><u>General Long-Term Obligations</u></b>					
General Obligation Bonds					
2000 School Improvement					
Serial and Term Bonds	4.4 -5.750%	\$1,225,000	\$0	\$0	\$1,225,000
Capital Appreciation Bonds	12.2	89,296	5,031	0	94,327
1997 Construction					
Serial and Term Bonds	3.4 - 5.375	2,705,000	0	85,000	2,620,000
1993 Asbestos Removal Loan	0	114,245	0	10,994	103,251
Total General Obligation Debt		<u>4,133,541</u>	<u>5,031</u>	<u>95,994</u>	<u>4,042,578</u>
Compensated Absences Payable		353,027	0	1,132	351,895
Intergovernmental Payable		33,873	33,085	33,873	33,085
Total General Long-Term Obligations		<u>\$4,520,441</u>	<u>\$38,116</u>	<u>\$130,999</u>	<u>\$4,427,558</u>

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

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on December 1, in the years and respective principal amounts as follows:

**MARION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**16. LONG-TERM OBLIGATIONS (Continued)**

<u>Year</u>	<u>Amount</u>
2014	\$65,000
2015	70,000
2016	70,000
2017	75,000
2018	80,000
2019	85,000
2020	90,000
2021	95,000

Unless previously redeemed, the remaining principal amount of \$100,000 will mature at stated maturity on December 1, 2022.

The term bonds maturing on or after December 1, 2010, are subject to optional redemption, in whole or in part on any date, in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000, at the option of the School District on or after December 1, 2008, at the redemption prices (expressed as percentages of the principal amount to be redeemed) plus accrued interest to the redemption date as follows:

<u>Redemption Dates (Dates Inclusive)</u>	<u>Redemption Prices</u>
December 1, 2010 through November 30, 2011	101%
December 1, 2011 and thereafter	100

The capital appreciation bonds will mature in fiscal years 2011 through 2013 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$180,000. For fiscal year 2001, \$5,031 was accreted for total bond value of \$94,327.

**1997 Construction General Obligation Bonds** - On March 17, 1997, the School District issued \$2,940,000 in voted general obligation bonds for building construction. The bonds were issued for a twenty-two year period with final maturity on December 1, 2019. The bonds are being retired from the Bond Retirement debt service fund.

**1993 Asbestos Removal Loan** - On January 7, 1993, the School District obtained an interest free loan for asbestos removal. The loan was issued for a seventeen year period, with final maturity during fiscal year 2010. The loan is being retired from the Bond Retirement debt service fund.

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

The School District's overall debt margin was \$1,650,072 with an unvoted debt margin of \$59,491 at June 30, 2001.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001, were as follows:

**MARION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**16. LONG-TERM OBLIGATIONS (Continued)**

<u>Fiscal Year Ending June 30,</u>	<u>2000 General Obligation Bonds</u>	<u>1997 General Obligation Bonds</u>	<u>1993 Asbestos Removal Loan</u>	<u>Interest</u>	<u>Total</u>
2002	\$40,000	\$95,000	\$10,994	\$219,104	\$365,098
2003	40,000	105,000	10,994	212,381	368,375
2004	45,000	120,000	10,994	204,506	380,500
2005	45,000	135,000	10,994	195,731	386,725
2006	50,000	150,000	10,994	185,781	396,775
2007 - 2011	275,000	545,000	48,281	743,628	1,611,909
2012 - 2016	385,000	730,000	0	574,327	1,689,327
2017 - 2021	425,000	740,000	0	167,288	1,332,288
2022	100,000	0	0	5,750	105,750
	<u>\$1,405,000</u>	<u>\$2,620,000</u>	<u>\$103,251</u>	<u>\$2,508,496</u>	<u>\$6,636,747</u>

In fiscal year 2000, the School District was awarded \$6,646,820 for improvements to its facilities under the State's "Classroom Facilities Program". Under this program, the School District entered into an agreement with the State of Ohio in which the State paid for a portion of the estimated project costs. Additionally, the School District was required to issue bonds, and levy a property tax for the payment of those bonds, for the School District's portion of construction and maintenance costs. Any funds provided by the State Classroom Facilities Commission, in excess of construction costs, shall be returned to the Commission. Any funds remaining from the issuance of the bonds, in excess of construction costs, must be used solely for maintaining the constructed facilities. The constructed facilities must be used for school purposes as long as the Commission retains any interest in the project, or for a period of twenty-three years, whichever is less.

**17. SET ASIDE REQUIREMENTS**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2001.

**MARION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**17. SET ASIDE REQUIREMENTS (Continued)**

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2000	\$30,225	\$26,385	\$76,885
Current Year Set Aside Requirement	122,017	122,017	0
Legislative Reduction	0	0	(60,278)
Current Year Offsets	0	(73,021)	0
Qualifying Expenditures	(65,166)	0	0
Amount Carried Forward to Fiscal Year 2002	<u>\$87,076</u>	<u>\$75,381</u>	<u>\$16,607</u>
Set Aside Reserve Balance June 30, 2001	<u>\$87,076</u>	<u>\$75,381</u>	<u>\$16,607</u>

The total reserve balance for set asides at the end of the fiscal year was \$179,064.

**18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Marion Local School District as of and for the fiscal year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating Revenues	\$228,380	\$40,969	\$269,349
Depreciation Expense	7,369	0	7,369
Operating Income (Loss)	(92,054)	5,235	(86,819)
Federal Donated Commodities	23,484	0	23,484
Operating Grants	30,140	0	30,140
Net Income (Loss)	(33,382)	5,235	(28,147)
Fixed Asset Reductions	770	0	770
Net Working Capital	69,306	18,665	87,971
Total Assets	183,648	20,211	203,859
Total Equity	132,341	18,665	151,006
Encumbrances Outstanding at Year End (Budget Basis)	0	2,729	2,729

**19. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative**

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



**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

**19. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**B. Mercer County Local Professional Development Committee**

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

**C. West Central Regional Professional Development Center**

The West Central Regional Professional Development Center (the Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Brad Browne, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**D. West Central Ohio Special Education Regional Resource Center**

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

**20. INSURANCE POOLS**

**A. NOACSC Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (the Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool. The Safety Coordinator, Robert Lotz, of NOACSC, or his designee, serves as coordinator of the Plan. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

**20. INSURANCE POOLS (Continued)**

**B. Mercer Auglaize Employee Benefit Trust**

The Mercer Auglaize Employee Benefit Trust (the Trust) is a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision benefits to the employees of the participants. Each participants superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Jim Mauntler; J.M. Consulting, 3457 Beechway Boulevard, Toledo, Ohio 43614.

**21. CONTINGENT LIABILITIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

**B. Litigation**

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

**22. STATE 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 require 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 was 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.

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

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

**22. STATE SCHOOL FUNDING DECISION (Continued)**

In general, it is expected that the decision will result in an increase in State funding for most Ohio school districts. However, as of January 14, 2002, 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 Supreme Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

**23. RELATED PARTY TRANSACTIONS**

During fiscal year 2000, the School District hired Garman/Miller & Associates, Inc. as the architectural for the School District's Ohio School Facilities Commission building project. One of the partners in the firm is the brother of one of the School District's Board of Education members. The School District went through a bidding process, in which each bidder was ranked on a point system, included their bond counsel in the decision making process, and the Board member abstained from the vote regarding retention of the firm. The contract indicates that the firm is to receive 6.85% of the total estimated cost of the project, \$7,912,820, or \$542,028, for professional design services. During fiscal year 2001, a total of \$242,682 was paid to the firm, for a total of \$454,682 being paid on the contract, with \$87,346 remaining due.

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits:</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,940,845	\$120,293	\$202,533	\$1,791,361
Receivables:				
Property Taxes	1,517,601	29,313	359,822	50,551
Accounts	2,512	1,149		
Intergovernmental	3,200	1,000		
Accrued Interest	9,021			
Interfund	2,396			
Due from Other Funds	1,084			
Prepaid Items	40,509			
Inventory Held for Resale				
Materials and Supplies Inventory				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	230,789			
Fixed Assets (net, where applicable, of accumulated depreciation)				
<b>Other Debits:</b>				
Amount Available in Debt Service				
Fund for Retirement of General Obligation Debt				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	3,747,957	151,755	562,355	1,841,912
<b>Liabilities, Fund Equity, and Other Credits:</b>				
<b>Liabilities:</b>				
Accounts Payable	23,610	653		
Contracts Payable	39,000			
Accrued Wages and Benefits	464,631			
Compensated Absences Payable	26,727			
Intergovernmental Payable	87,926			
Interfund Payable		2,396		
Due to Other Funds		1,084		
Deferred Revenue	1,482,432	28,717	352,121	49,122
Due to Students				
Asbestos Removal Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	2,124,326	32,850	352,121	49,122
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Contributed Capital				
Fund Balance:				
Reserved for Property Taxes	35,169	596	7,701	1,429
Reserved for Textbooks	30,225			
Reserved for Capital Improvements	26,385			
Reserved for Budget Stabilization	76,885			
Reserved for Bus Purchase	97,294			
Reserved for Encumbrances	31,291	4,173		50,615
Designated for Textbooks	2,456			
Designated for Capital Improvements	114,707			
Designated for Budget Stabilization	18,377			
Unreserved, Undesignated	1,190,842	114,136	202,533	1,740,746
Total Fund Equity and Other Credits	1,623,631	118,905	210,234	1,792,790
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$3,747,957</b>	<b>\$151,755</b>	<b>\$562,355</b>	<b>\$1,841,912</b>

*See Accompanying Notes to the General Purpose Financial Statements.*

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$134,178	\$44,366			\$4,233,576
				1,957,287
				3,661
				4,200
				9,021
				2,396
				1,084
721				41,230
3,862				3,862
425				425
				230,789
85,530		10,268,091		10,353,621
			210,234	210,234
			4,310,207	4,310,207
<u>224,716</u>	<u>44,366</u>	<u>10,268,091</u>	<u>4,520,441</u>	<u>21,361,593</u>
1,034				\$25,297
				39,000
15,998				480,629
11,826			353,027	391,580
13,895			33,873	135,694
				2,396
				1,084
2,810				1,915,202
	44,366			44,366
			114,245	114,245
			4,019,296	4,019,296
<u>45,563</u>	<u>44,366</u>		<u>4,520,441</u>	<u>7,168,789</u>
		10,268,091		10,268,091
117,591				117,591
61,562				61,562
				44,895
				30,225
				26,385
				76,885
				97,294
				86,079
				2,456
				114,707
				18,377
				3,248,257
<u>179,153</u>		<u>10,268,091</u>		<u>14,192,804</u>
<u>\$224,716</u>	<u>\$44,366</u>	<u>\$10,268,091</u>	<u>\$4,520,441</u>	<u>\$21,361,593</u>

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Revenues:</b>					
Property Taxes	\$1,474,138	\$14,029	\$307,520	\$51,831	\$1,847,518
Intergovernmental	3,468,857	119,893	34,593	527,381	4,150,724
Interest	158,034	2,650		57,470	218,154
Tuition and Fees	10,412				10,412
Extracurricular Activities	4,142	173,100			177,242
Miscellaneous	18,104	2,832	13,330		34,266
<b>Total Revenues</b>	<b>5,133,687</b>	<b>312,504</b>	<b>355,443</b>	<b>636,682</b>	<b>6,438,316</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	2,878,146	44,713			2,922,859
Special	367,290	81,842			449,132
Vocational	130,838				130,838
Support Services:					
Pupils	156,849	5,649			162,498
Instructional Staff	250,399	6,686			257,085
Board of Education	19,118				19,118
Administration	377,934	12,292			390,226
Fiscal	164,795		6,256	6,255	177,306
Business	503				503
Operation and Maintenance of Plant	372,325				372,325
Pupil Transportation	170,031				170,031
Central	94,587	323			94,910
Extracurricular Activities	126,620	103,085			229,705
Capital Outlay	44,663	5,000		258,746	308,409
Debt Service:					
Principal Retirement			85,994		85,994
Interest and Fiscal Charges			164,241	68,141	232,382
<b>Total Expenditures</b>	<b>5,154,098</b>	<b>259,590</b>	<b>256,491</b>	<b>333,142</b>	<b>6,003,321</b>
Excess of Revenues Over (Under) Expenditures	(20,411)	52,914	98,952	303,540	434,995
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Bonds				1,313,121	1,313,121
Operating Transfers Out	(30,000)				(30,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(30,000)</b>			<b>1,313,121</b>	<b>1,283,121</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses					
	(50,411)	52,914	98,952	1,616,661	1,718,116
Fund Balances at Beginning of Year	1,674,042	65,991	111,282	176,129	2,027,444
<b>Fund Balances at End of Year</b>	<b>1,623,631</b>	<b>118,905</b>	<b>210,234</b>	<b>1,792,790</b>	<b>3,745,560</b>

See Accompanying Notes to the General Purpose Financial Statements.

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**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$1,322,223	\$1,468,641	\$146,418	\$14,341	\$13,433	(\$908)
Intergovernmental	3,480,179	3,465,657	(14,522)	73,573	71,168	(2,405)
Interest	75,000	148,883	73,883	1,600	1,828	228
Tuition and Fees	9,900	10,412	512			
Extracurricular Activities	8,000	4,142	(3,858)	158,650	171,950	13,300
Miscellaneous	6,033	7,243	1,210	3,600	2,832	(768)
<b>Total Revenues</b>	<b>4,901,335</b>	<b>5,104,978</b>	<b>203,643</b>	<b>251,764</b>	<b>261,211</b>	<b>9,447</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	3,091,469	2,918,379	173,090	45,911	44,227	1,684
Special	379,484	369,263	10,221	34,259	34,259	
Vocational	164,892	131,597	33,295			
Other	1,000		1,000			
Support Services:						
Pupils	182,123	160,333	21,790	6,500	5,649	851
Instructional Staff	258,305	249,465	8,840	7,704	6,686	1,018
Board of Education	35,660	20,536	15,124			
Administration	425,552	382,802	42,750	15,225	13,499	1,726
Fiscal	188,876	168,285	20,591			
Business	2,500	503	1,997			
Operation and Maintenance of Plant	474,372	387,659	86,713			
Pupil Transportation	356,102	227,316	128,786			
Central	113,908	110,284	3,624	2,300	323	1,977
Extracurricular Activities	138,362	126,903	11,459	132,150	105,453	26,697
Capital Outlay	139,041	12,858	126,183	12,000	5,000	7,000
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
<b>Total Expenditures</b>	<b>5,951,646</b>	<b>5,266,183</b>	<b>685,463</b>	<b>256,049</b>	<b>215,096</b>	<b>40,953</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,050,311)</b>	<b>(161,205)</b>	<b>889,106</b>	<b>(4,285)</b>	<b>46,115</b>	<b>50,400</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Bonds						
Proceeds from Sale of Notes						
Refund of Prior Year Expenditures		8,347	8,347			
Other Financing Uses	(47,930)		47,930			
Advances In	65,000	86,599	21,599	5,422	22,015	16,593
Advances Out	(60,000)	(22,015)	37,985	(24,368)	(25,194)	(826)
Operating Transfers Out	(52,045)	(30,000)	22,045			
<b>Total Other Financing Sources (Uses)</b>	<b>(94,975)</b>	<b>42,931</b>	<b>137,906</b>	<b>(18,946)</b>	<b>(3,179)</b>	<b>15,767</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(1,145,286)</b>	<b>(118,274)</b>	<b>1,027,012</b>	<b>(23,231)</b>	<b>42,936</b>	<b>66,167</b>
Fund Balances at Beginning of Year	2,074,952	2,074,952		60,761	60,760	(1)
Prior Year Encumbrances Appropriated	86,824	86,824		10,949	10,949	
<b>Fund Balances at End of Year</b>	<b>\$1,016,490</b>	<b>\$2,043,502</b>	<b>\$1,027,012</b>	<b>\$48,479</b>	<b>\$114,645</b>	<b>\$66,166</b>

See Accompanying Notes to the General Purpose Financial Statements.



Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$292,196	\$300,983	\$8,787	\$47,321	\$50,698	\$3,377
37,664	34,593	(3,071)	398,756	527,381	128,625
			35,000	57,470	22,470
<u>13,330</u>	<u>13,330</u>				
<u>343,190</u>	<u>348,906</u>	<u>5,716</u>	<u>481,077</u>	<u>635,549</u>	<u>154,472</u>
			52,189		52,189
			667		667
8,000	6,256	1,744	2,400	1,634	766
			482,823	309,361	173,462
87,000	85,994	1,006	1,266,000	1,266,000	
170,000	164,241	5,759	68,141	68,141	
<u>265,000</u>	<u>256,491</u>	<u>8,509</u>	<u>1,872,220</u>	<u>1,645,136</u>	<u>227,084</u>
<u>78,190</u>	<u>92,415</u>	<u>14,225</u>	<u>(1,391,143)</u>	<u>(1,009,587)</u>	<u>381,556</u>
			1,313,121	1,313,121	
			1,266,000	1,266,000	
			52,900		(52,900)
			(4,621)	(4,621)	
			(37,305)	(37,305)	
			<u>2,590,095</u>	<u>2,537,195</u>	<u>(52,900)</u>
78,190	92,415	14,225	1,198,952	1,527,608	328,656
110,118	110,118		213,138	213,138	
<u>\$188,308</u>	<u>\$202,533</u>	<u>\$14,225</u>	<u>\$1,412,090</u>	<u>\$1,740,746</u>	<u>\$328,656</u>

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND EQUITY  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

<b>Operating Revenues:</b>	
Sales	<u>\$257,667</u>
<b>Operating Expenses:</b>	
Salaries	89,462
Fringe Benefits	36,865
Purchased Services	2,248
Materials and Supplies	8,992
Cost of Sales	176,024
Depreciation	<u>6,519</u>
Total Operating Expenses	<u>320,110</u>
Operating Loss	<u>(62,443)</u>
<b>Non-Operating Revenues (Expenses):</b>	
Federal Donated Commodities	27,882
Operating Grants	35,925
Interest	5,416
Loss on Disposal of Fixed Assets	<u>(435)</u>
Total Non-Operating Revenues (Expenses)	<u>68,788</u>
Income Before Operating Transfers	6,345
Operating Transfers In	<u>30,000</u>
Net Income	36,345
Retained Earnings at Beginning of Year	<u>81,246</u>
Retained Earnings at End of Year	117,591
Contributed Capital at Beginning and End of Year	<u>61,562</u>
<b>Total Fund Equity at End of Year</b>	<b><u><u>\$179,153</u></u></b>

*See Accompanying Notes to the General Purpose Financial Statements.*

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Sales	\$257,900	\$257,667	(\$233)
Operating Grants	29,200	35,925	6,725
Interest	4,000	5,416	1,416
Total Revenues	291,100	299,008	7,908
<b>Expenses:</b>			
Salaries	106,100	101,197	4,903
Fringe Benefits	28,825	24,401	4,424
Purchased Services	5,400	2,248	3,152
Materials and Supplies	167,633	157,398	10,235
Capital Outlay	69,658	67,528	2,130
Total Expenses	377,616	352,772	24,844
Excess of Revenues Under Expenses	(86,516)	(53,764)	32,752
Advances Out	(24,100)	(24,100)	
Operating Transfers In	30,000	30,000	
Excess of Revenues Under Expenses, Advances, and Transfers	(80,616)	(47,864)	32,752
Fund Balances at Beginning of Year	95,404	95,404	
Prior Year Encumbrances Appropriated	28,291	28,291	
<b>Fund Balances at End of Year</b>	<b>\$43,079</b>	<b>\$75,831</b>	<b>\$32,752</b>

*See Accompanying Notes to the General Purpose Financial Statements.*

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities:**

Cash Received from Customers	\$257,667
Cash Payments for Salaries	(101,197)
Cash Payments for Fringe Benefits	(24,401)
Cash Payments to Suppliers for Goods and Services	<u>(158,054)</u>
Net Cash Used for Operating Activities	<u>(25,985)</u>

**Cash Flows from Noncapital Financing Activities:**

Cash Received from Operating Grants	35,925
Cash Payments for Advances Out	(24,100)
Cash Received from Operating Transfers In	<u>30,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>41,825</u>

**Cash Flows from Capital and Related Financing Activities:**

Cash Payments for Fixed Assets	<u>(10,773)</u>
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**Cash Flows from Investing Activities:**

Cash Received from Interest	<u>5,416</u>
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Net Increase in Cash and Cash Equivalents	10,483
Cash and Cash Equivalents at Beginning of Year	<u>123,695</u>
Cash and Cash Equivalents at End of Year	<u><u>134,178</u></u>

**Reconciliation of Operating Loss to Net**

**Cash Used for Operating Activities:**

Operating Loss	(62,443)
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**Adjustments to Reconcile Operating Loss to Net**

**Cash Used for Operating Activities**

Depreciation	6,519
Donated Commodities Used During Year	27,882
Changes in Assets and Liabilities:	
Increase in Prepaid Items	(721)
Decrease in Inventory Held for Resale	116
Decrease in Materials and Supplies Inventory	178
Increase in Accounts Payable	1,034
Decrease in Accrued Wages and Benefits	(1,913)
Increase in Compensated Absences Payable	2,097
Increase in Intergovernmental Payable	<u>1,266</u>

<b>Net Cash Used for Operating Activities</b>	<u><u>(\$25,985)</u></u>
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*See Accompanying Notes to the General Purpose Financial Statements.*

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1955. The School District serves an area of approximately ninety-one square miles. It is located in Auglaize, Darke, and Mercer Counties. The School District is the 502nd largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by thirty-five classified employees, sixty certified teaching personnel, and six administrative employees who provide services to one thousand four students and other community members. The School District currently operates two instructional buildings.

**A. Reporting Entity**

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

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

The School District is associated with four jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, the Mercer County Local Professional Development Committee, the West Central Regional Professional Development Center, the West Central Ohio Special Education Regional Resource Center, the NOACSC Workers' Compensation Group Rating Plan, and the Mercer Auglaize Employee Benefit Trust. These organizations are presented in Notes 18 and 19 to the general purpose financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

**1. Governmental Fund Types**

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

**General Fund**

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

**Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure 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 obligation principal, interest, and related costs.

**Capital Projects Funds**

Capital projects funds are 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 or trust funds).

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Proprietary Fund Type**

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

**Enterprise Funds**

Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent 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 where it has been 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.

**3. Fiduciary Fund Type**

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

**4. 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 a general nature, the following account groups are used:

**General Fixed Assets Account Group**

This account group is established to account for all fixed assets of the School District, except those accounted for in proprietary funds or trust funds.

**General Long-Term Obligations Account Group**

This account group is established to account for all long-term obligations of the School District, except those accounted for in proprietary funds or trust funds.

**B. Measurement Focus and Basis of Accounting**

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

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The enterprise funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: grants, interest, tuition, and student fees.

The School District reports deferred revenues 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. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

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



**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The Title VI-B special revenue fund is a flow through grant in which the Mercer County Educational Service Center is the primary recipient. Budgetary information for this fund is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

**1. Tax Budget**

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

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

**2. Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2000.

**3. Appropriations**

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

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and reported in the notes to the financial statements for the enterprise funds.

**5. Lapsing of Appropriations**

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

**D. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2000, investments were limited to nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2000.

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 2000 was \$158,034, which included \$24,672 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

**F. Inventory**

Inventory in the enterprise funds is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory in the enterprise funds consists of donated and purchased food and is expensed when used.

**G. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials, for the acquisition and construction of capital improvements, and to create a reserve for budget stabilization. Restricted assets also include unexpended revenues restricted for the purchase of school buses.

**H. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year.

Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds are computed using the straight-line method over an estimated useful life of five to twenty years.

**I. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "Interfund Receivables/Payables" on the combined balance sheet. Receivables and payables arising between funds for goods provided or services rendered are classified as "Due from/to Other Funds".

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Compensated Absences**

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise funds, the entire amount of compensated absences is reported as a fund liability.

**K. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments for these obligations made more than sixty days after fiscal year end are considered not to have used current available expendable resources. Long-term loans and bonds are reported as liabilities in the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise funds are reported as liabilities in the appropriate fund.

**L. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to the enterprise funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings.

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Because the School District had not prepared financial statements in accordance with generally accepted accounting principles prior to fiscal year 1997, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the enterprise funds have been classified as retained earnings.

**M. Fund Balance Reserves and Designations**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, textbooks, capital improvements, budget stabilization, bus purchase, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The designation for textbooks, capital improvements, and budget stabilization represents revenues set aside that exceed statutorily required amounts.

**N. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

**Entitlements**

**General Fund**

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allocation

**Non-Reimbursable Grants**

**Special Revenue Funds**

- Professional Development
- Education Management Information Systems
- SchoolNet Professional Development
- Textbook/Instructional Materials
- Ohio Reads

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- Eisenhower
- Title VI-B
- Title I
- Title VI
- Drug Free
- Title VI-R Reducing Class Size

**Capital Projects Funds**

- Classroom Facilities
- Vocational Education Equipment
- SchoolNet
- Technology Equity
- Emergency School Building Repair

**Reimbursable Grants**

**General Fund**

- Driver Education

**Special Revenue Fund**

- E-Rate

**Enterprise Fund**

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements were 64 percent of the revenues of the School District's governmental fund types during the 2000 fiscal year.

**O. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and 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.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**P. 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.

**Q. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations 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 LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2000, the Drug Free special revenue fund had a deficit fund balance of \$995, which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**B. Compliance**

The Eisenhower, Title I, Title VI, and Drug Free special revenue funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2000, in the amount of \$1,957, \$9,020, \$57, and \$2,397, respectively.

**4. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise funds (GAAP basis).
- d. For enterprise funds, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- e. Although not part of the appropriated budget the Title VI-B special revenue fund is included as part of the reporting entity when preparing financial statements that conform with GAAP.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

**Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	(\$50,411)	\$52,914	\$98,952	\$1,616,661
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 1999, Received in Cash FY 2000	30,754	0	1,164	296
Accrued FY 2000, Not Yet Received in Cash	(50,986)	(2,745)	(7,701)	(1,429)
Expenditure Accruals:				
Accrued FY 1999, Paid in Cash FY 2000	(585,468)	(143)	0	0
Accrued FY 2000, Not Yet Paid in Cash	641,894	1,737	0	0
Cash Adjustments:				
Unrecorded Activity FY 2000	(130)	(822)	0	0
Prepaid Items	(40,509)	0	0	0
Proceeds of Notes	0	0	0	1,266,000
Note Principal Retirement	0	0	0	(1,266,000)
Advances In	86,599	22,015	0	0
Advances Out	(22,015)	(25,194)	0	(37,305)
Encumbrances Outstanding at Year End (Budget Basis)	<u>(128,002)</u>	<u>(4,826)</u>	<u>0</u>	<u>(50,615)</u>
Budget Basis	<u>(\$118,274)</u>	<u>\$42,936</u>	<u>\$92,415</u>	<u>\$1,527,608</u>

**Net Income/Excess of Revenues Under,  
Expenses, Advances, and Transfers  
Enterprise Funds**

GAAP Basis	\$36,345
<u>Increase (Decrease) Due To:</u>	
Expense Accruals:	
Accrued FY 1999, Paid in Cash FY 2000	(40,269)
Accrued FY 2000, Not Yet Paid in Cash	42,753
Prepaid Items	(721)
Inventory Held for Resale	116
Materials and Supplies Inventory	178
Acquisition of Fixed Assets	(10,773)
Depreciation Expense	6,519
Loss on Disposal of Fixed Assets	435
Advances Out	(24,100)
Encumbrances Outstanding at Year End (Budget Basis)	<u>(58,347)</u>
Budget Basis	<u>(\$47,864)</u>



**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**5. DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of 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 monies deposited with the institution.

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

- a. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. Written repurchase agreements in the 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 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- f. The State Treasurer's investment pool (STAR Ohio).

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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

At fiscal year end, the School District had \$500 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 Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was \$2,031,905 and the bank balance was \$2,205,844. Of the bank balance, \$500,000 was covered by federal depository insurance and \$1,705,844 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2000, the fair value of funds on deposit with STAR Ohio was \$2,431,960.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$4,464,365	\$0
Cash on Hand	(500)	0
Investments:		
STAR Ohio	(2,431,960)	2,431,960
GASB Statement No. 3	<u>\$2,031,905</u>	<u>\$2,431,960</u>

**MARION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2000 represent the collection of calendar year 1999 taxes. Real property taxes for 2000 were levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2000 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2000 (other than public utility property) represent the collection of calendar year 2000 taxes. Tangible personal property taxes for 2000 were levied after April 1, 1999, on the value as of December 31, 1999. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Auglaize, Darke, and Mercer Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$35,169 in the General Fund, \$596 in the Classroom Facilities special revenue fund, \$7,701 in the Bond Retirement debt service fund, and \$1,429 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 1999, was \$29,672 in the General Fund, \$1,164 in the Bond Retirement debt service fund, and \$296 in the Permanent Improvement capital projects fund.

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The assessed values upon which the fiscal year 2000 taxes were collected are:

	<u>1999 Second - Half Collections</u>		<u>2000 First - Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$42,840,580	91.58%	\$44,780,120	91.22%
Public Utility	2483730	5.31	2683570	5.47
Tangible Personal	1455500	3.11	1628140	3.31
Total Assessed Value	<u>\$46,779,810</u>	<u>100.00%</u>	<u>\$49,091,830</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$38.19		\$38.21	

**7. RECEIVABLES**

Receivables at June 30, 2000, consisted of property taxes, accounts (student fees and billings for user charged services), intergovernmental, accrued interest, interfund, and charges to other funds for services provided. 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. Accounts receivable at June 30 were \$3,661. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
General Fund	
Driver Education	\$3,200
Special Revenue Fund	
SchoolNet Professional Development	1,000
Total Intergovernmental Receivables	<u>\$4,200</u>

**8. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$190,976
Less Accumulated Depreciation	(105,446)
Net Fixed Assets	<u>\$85,530</u>

**MARION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**8. FIXED ASSETS (Continued)**

A summary of the changes in general fixed assets during fiscal year 2000 follows:

<u>Asset Category</u>	<u>Balance at 6/30/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/00</u>
Land and Improvements	\$427,013	\$41,971	\$0	\$468,984
Buildings and Improvements	7,557,169	25,107	0	7,582,276
Furniture, Fixtures, and Equipment	1,400,703	113,028	9,413	1,504,318
Vehicles	664,458	20,000	10,945	673,513
Construction in Progress	0	39,000	0	39,000
<b>Totals</b>	<u><b>\$10,049,343</b></u>	<u><b>\$239,106</b></u>	<u><b>\$20,358</b></u>	<u><b>\$10,268,091</b></u>

**9. INTERFUND ASSETS/LIABILITIES**

At June 30, 2000, the General Fund had an interfund receivable and the Drug Free special revenue fund had a interfund payable, in the amount of \$2,396.

At June 30, 2000, the Professional Development special revenue fund owed the General Fund \$1,084 for services provided. This amount is represented as "Due from/to Other Funds" on the combined balance sheet.

**10. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted for the following insurance coverages.

Coverages provided by Indiana Insurance are as follows:

Buildings and Contents - replacement cost (\$500 deductible) \$12,755,000

Coverages provided by Harcum-Hyre Insurance are as follows:

General Liability

Per Occurrence (\$1,000 deductible) 2,000,000

Aggregate (\$1,000 deductible) 5,000,000

Coverages provided by Auto-Owners Insurance are as follows:

Automobile Liability 1,000,000

Uninsured Motorists 1,000,000

Underinsured Motorist 1,000,000

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

**MARION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

For fiscal year 2000, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of Acordia Workers' Compensation Services provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

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

**11. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School 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 retirement and disability benefits, annual cost-of-living adjustments, and death benefits 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. 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 School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$164,364, \$147,810, and \$235,338, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$28,521, is recorded as a liability within the respective funds.

**MARION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan 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 School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 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 SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$31,365, \$39,274, and \$45,915, respectively; 50 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$15,511, is recorded as a liability within the respective funds and the general long-term obligations account group.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2000, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**12. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified 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 obligation 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 the health care cost in the form of a monthly premium. By 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 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$219,512 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000, and STRS had 95,796 eligible benefit recipients.

**MARION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**12. POSTEMPLOYMENT BENEFITS (Continued)**

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, 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 this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. 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 School District, the amount to fund health care benefits, including the surcharge, was \$63,132 for fiscal year 2000.

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 at June 30, 1999, were \$126,380,984, and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**13. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one hundred ninety-three days for eligible personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave to a maximum of forty-eight days.

**B. Health Care Benefits**

The School District provides medical and dental insurance to employees through the Mercer Auglaize Employee Benefit Trust. The premium varies with each employee depending on marital and family status. The School District provides life insurance to employees through CoreSource.

**14. NOTES PAYABLE**

On January 18, 2000, the School District issued bond anticipation notes, in the amount of \$1,266,000, for improvements to buildings and structures. The notes had an interest rate of 4.99 percent and matured on June 13, 2000. The notes were retired from the Classroom Facilities capital projects fund.



**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**15. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	<u>Interest Rates</u>	<u>Balance at 6/30/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/00</u>
<u>General Long-Term Obligations</u>					
General Obligation Bonds					
2000 School Improvement					
Serial and Term Bonds	4.4 - 5.750%	\$0	\$1,225,000	\$0	\$1,225,000
Capital Appreciation Bonds	12.2	0	89,296	0	89,296
1997 Construction					
Serial and Term Bonds	3.4 - 5.375	2,780,000	0	75,000	2,705,000
1993 Asbestos Removal Loan	0	125,239	0	10,994	114,245
Total General Obligation Debt		<u>2,905,239</u>	<u>1,314,296</u>	<u>85,994</u>	<u>4,133,541</u>
Compensated Absences Payable		275,374	77,653	0	353,027
Intergovernmental Payable		25,957	33,873	25,957	33,873
Total General Long-Term Obligations		<u>\$3,206,570</u>	<u>\$1,425,822</u>	<u>\$111,951</u>	<u>\$4,520,441</u>

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

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, on December 1, in the years and respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2014	\$65,000
2015	70000
2016	70000
2017	75000
2018	80000
2019	85000
2020	90000
2021	95000

Unless previously redeemed, the remaining principal amount of \$100,000 will mature at stated maturity on December 1, 2022.

**MARION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**15. LONG-TERM OBLIGATIONS (Continued)**

The term bonds maturing on or after December 1, 2010, are subject to optional redemption, in whole or in part on any date, in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000, at the option of the School District on or after December 1, 2008, at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus accrued interest to the redemption date:

<b>Redemption Dates (Dates Inclusive)</b>	<b>Redemption Prices</b>
December 1, 2010 through November 30, 2011	101%
December 1, 2011 and thereafter	100

The capital appreciation bonds will mature in fiscal years 2011 through 2013 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$180,000. For fiscal year 2000, \$1,175 was accreted for total bond value of \$89,296.

**1997 Construction General Obligation Bonds** - On March 17, 1997, the School District issued \$2,940,000 in voted general obligation bonds for building construction. The bonds were issued for a twenty-two year period with final maturity on December 1, 2019. The bonds are being retired from the Bond Retirement debt service fund.

**1993 Asbestos Removal Loan** - On January 7, 1993, the School District obtained an interest free loan for asbestos removal. The loan was issued for a seventeen year period, with final maturity during fiscal year 2010. The loan is being retired from the Bond Retirement debt service fund.

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

The School District's overall debt margin was \$609,203 with an unvoted debt margin of \$49,092 at June 30, 2000.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2000, were as follows:

<b>Fiscal Year Ending June 30,</b>	<b>2000 General Obligation Bonds</b>	<b>1997 General Obligation Bonds</b>	<b>1993 Asbestos Removal Loan</b>	<b>Interest</b>	<b>Total</b>
2001	\$40,000	\$85,000	\$10,994	\$225,186	\$361,180
2002	40,000	95,000	10,994	219,104	365,098
2003	45,000	105,000	10,994	212,381	373,375
2004	45,000	120,000	10,994	204,506	380,500
2005	50,000	135,000	10,994	195,731	391,725
2006 - 2010	275,000	570,000	54,970	763,581	1,663,551
2011 - 2015	184,296	695,000	4,305	666,167	1,549,768
2016 - 2020	440,000	900,000	0	230,063	1,570,063
2021	195,000	0	0	16,963	211,963
	<b>\$1,314,296</b>	<b>\$2,705,000</b>	<b>\$114,245</b>	<b>\$2,733,682</b>	<b>\$6,867,223</b>

**MARION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**15. LONG-TERM OBLIGATIONS (Continued)**

In fiscal year 2000, the School District was awarded \$6,646,820 for improvements to its facilities under the State's "Classroom Facilities Program". Under this program, the School District entered into an agreement with the State of Ohio in which the State paid for a portion of the estimated project costs. Additionally, the School District was required to issue bonds, and levy a property tax for the payment of those bonds, for the School District's portion of construction and maintenance costs. Any funds provided by the State Classroom Facilities Commission, in excess of construction costs, shall be returned to the Commission. Any funds remaining from the issuance of the bonds, in excess of construction costs, must be used solely for maintaining the constructed facilities. The constructed facilities must be used for school purposes as long as the Commission retains any interest in the project, or for a period of twenty-three years, whichever is less.

**16. SET ASIDE REQUIREMENTS**

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2000.

	<b>Textbooks</b>	<b>Capital Improvements</b>	<b>Budget Stabilization</b>
Balance June 30, 1999	\$7,533	\$6,754	\$54,318
Current Year Set Aside Requirement	117,522	117,522	39,174
Current Year Offsets	0	(52,588)	(16,607)
Qualifying Expenditures	(94,830)	-45303	0
Amount Carried Forward to Fiscal Year 2001	<u>\$30,225</u>	<u>\$26,385</u>	<u>\$76,885</u>
Set Aside Reserve Balance June 30, 2000	<u>\$30,225</u>	<u>\$26,385</u>	<u>\$76,885</u>

The total reserve balance for set asides at the end of the fiscal year was \$133,495.

**MARION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Marion Local School District as of and for the fiscal year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating Revenues	\$223,076	\$34,591	\$257,667
Depreciation Expense	6,519	0	6,519
Operating Loss	54,331	8,112	62,443
Federal Donated Commodities	27,882	0	27,882
Operating Grants	35,925	0	35,925
Operating Transfers In	0	30,000	30,000
Net Income	14,458	21,887	36,345
Fixed Asset Additions	10,773	0	10,773
Fixed Asset Reductions	1,140	0	1,140
Net Working Capital	92,019	13,430	105,449
Total Assets	210,252	14,464	224,716
Total Equity	165,723	13,430	179,153
Encumbrances Outstanding at Year End (Budget Basis)	52,900	5,447	58,347

**18. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative**

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

**B. Mercer County Local Professional Development Committee**

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

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**18. JOINTLY GOVERNED ORGANIZATIONS (continued)**

**C. West Central Regional Professional Development Center**

The West Central Regional Professional Development Center (the Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Brad Browne, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**D. West Central Ohio Special Education Regional Resource Center**

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

**19. INSURANCE POOLS**

**A. NOACSC Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (the Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool. The Safety Coordinator, Robert Lotz, of NOACSC, or his designee, serves as coordinator of the Plan. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

**B. Mercer Auglaize Employee Benefit Trust**

The Mercer Auglaize Employee Benefit Trust (the Trust) is a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision benefits to the employees of the participants. Each participants superintendent is appointed to an Administrative Committee which advises the Trustee, Ohio Bank, concerning aspects of the administration of the Trust.

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**19. INSURANCE POOLS (Continued)**

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Jim Mauntler; Schmidt, Long, and Associates, Inc., 4159 Holland-Sylvania Road, Suite 103, Toledo, Ohio 43623.

**20. STATE 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 require 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 was 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 will result in an increase in State funding for most Ohio school districts. However, as of January 14, 2002, 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 Supreme Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

**21. CONTINGENT LIABILITIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

**B. Litigation**

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

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**22. RELATED PARTY TRANSACTIONS**

The School District hired Garman/Miller & Associates, Inc. as the architectural firm for the Ohio School Facilities Commission building project. One of the partners in the firm is the brother of one of the School District's Board of Education members. The School District went through a bidding process, in which each bidder was ranked on a point system, included their bond counsel in the decision making process, and the related Board member abstained from the vote regarding retention of the firm. The contract indicates that the firm is to receive 6.85% of the total estimated cost of the project, \$7,912,820, or \$542,028, for professional design services. During fiscal year 2000, a total of \$212,000 was paid to the firm, with \$330,028 remaining due on the contract.

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STATE OF OHIO  
OFFICE OF THE AUDITOR

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

Marion Local School District  
Mercer County  
1901 State Route 716  
Maria Stein, Ohio 45860

To The Board of Education:

We have audited the financial statements of Marion Local School District (the School District), Mercer County, as of and for the years ended June 30, 2001 and June 30, 2000, and have issued our report thereon dated January 14, 2002, wherein, we noted the School District implemented Governmental Accounting Standards Board Statements number 33 and 36 during the fiscal year ended June 30, 2001. 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 School 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 the management of the School District in a separate letter dated January 14, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 School District in a separate letter dated January 14, 2002.

Marion Local School District  
Mercer County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the audit committee, management and the board of education and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

January 14, 2002

**MARION LOCAL SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED JUNE 30, 2001 AND JUNE 30, 2000**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Plan Taken; or No Longer <u>Valid</u> ; <b><u>Explain</u></b>
1999-10254-001	General Fixed Assets	No	Some progress made. Similar recommendation made in current year moved to management letter.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**MARION LOCAL SCHOOL DISTRICT**

**MERCER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 12, 2002**