

Marion City School District

* * * *

Financial Statements

June 30, 2008



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Marion City School District, Marion County, prepared by Rea & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 3, 2008

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Marion City School District
 General Purpose External Financial Statements
 For the Fiscal Year Ended June 30, 2008

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 28, 2008

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Marion City School District (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2008 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 11 are not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Rea & Associates, Inc.

Marion City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The discussion and analysis of Marion City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2008 are as follows:

Net assets for governmental activities increased \$805,799 from the prior fiscal year, or less than 1 percent. Net assets for business-type activities decreased \$111,051, or 1 percent.

General revenues were \$37,302,367 or 71 percent of all governmental activities revenues. This reflects the School District's significant dependence on property taxes and unrestricted state entitlements.

For business-type activities, 99 percent of total revenues were generated by the programs in the form of charges for services and operating grants and contributions.

Using the Basic Financial Statements

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

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in a single column. For Marion City School District, the General Fund and the Food Service enterprise fund are the most significant funds.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2008. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

Marion City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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

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

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

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

Reporting the School District's Most Significant Funds

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

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

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

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

Marion City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2008 and fiscal year 2007:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	Restated 2007	2008	2007	2008	Restated 2007
<u>Assets</u>						
Current and Other Assets	\$28,428,248	\$26,081,584	\$506,681	\$411,079	\$28,934,929	\$26,492,663
Capital Assets, Net	84,807,566	86,585,680	7,898,918	8,067,946	92,706,484	94,653,626
Total Assets	<u>113,235,814</u>	<u>112,667,264</u>	<u>8,405,599</u>	<u>8,479,025</u>	<u>121,641,413</u>	<u>121,146,289</u>
<u>Liabilities</u>						
Current and Other Liabilities	12,059,383	11,921,379	162,138	138,122	12,221,521	12,059,501
Long-Term Liabilities	16,337,441	16,712,694	71,662	58,053	16,409,103	16,770,747
Total Liabilities	<u>28,396,824</u>	<u>28,634,073</u>	<u>233,800</u>	<u>196,175</u>	<u>28,630,624</u>	<u>28,830,248</u>
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	73,089,982	74,312,320	7,898,918	8,067,946	79,832,803	82,380,266
Restricted	5,089,992	5,437,676	0	0	5,089,992	5,437,676
Unrestricted	6,659,016	4,283,195	272,881	214,904	8,087,994	4,498,099
Total Net Assets	<u>\$84,838,990</u>	<u>\$84,033,191</u>	<u>\$8,171,799</u>	<u>\$8,282,850</u>	<u>\$93,010,789</u>	<u>\$92,316,041</u>

A review of the above table demonstrates that for governmental activities, the overall change in total assets and total liabilities was not significant; there were only two changes worth noting. Within current and other assets, cash and cash equivalents increased over \$2 million from the prior fiscal. This is simply from not spending resources received during the fiscal year. This increase is also reflected in the increase in unrestricted net assets. The other change of note is the decrease in capital assets and invested in capital assets of almost \$1.8 million. This decrease is the result of annual depreciation expense.

The overall change for total assets and liabilities was not significant for business-type activities.

Marion City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 2 reflects the change in net assets for fiscal year 2008 and fiscal year 2007.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	Restated 2007	2008	2007	2008	Restated 2007
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$2,397,779	\$2,295,792	\$534,311	\$595,852	\$2,932,090	\$2,891,644
Operating Grants, Contributions, and Interest	13,102,579	11,751,498	1,595,857	1,525,217	14,698,436	13,276,715
Capital Grants and Contributions	17,340	26,037	0	0	17,340	26,037
Total Program Revenues	<u>15,517,698</u>	<u>14,073,327</u>	<u>2,130,168</u>	<u>2,121,069</u>	<u>17,647,866</u>	<u>16,194,396</u>
General Revenues						
Property Taxes Levied for General Purposes	9,285,398	9,934,911	0	0	9,285,398	9,934,911
Property Taxes Levied for Classroom Facilities Purposes	133,030	154,161	0	0	133,030	154,161
Property Taxes Levied for Debt Service Purposes	1,095,418	1,172,760	0	0	1,095,418	1,172,760
Payment in Lieu of Taxes	73,694	487,550	0	0	73,694	487,550
Grants and Entitlements	25,744,939	26,316,920	0	0	25,744,939	26,316,920
Interest	640,835	694,097	0	0	640,835	694,097
Gifts and Donations	5,968	5,319	0	0	5,968	5,319
Miscellaneous	323,085	229,884	23,219	21,751	346,304	251,635
Total General Revenues	<u>37,302,367</u>	<u>38,995,602</u>	<u>23,219</u>	<u>21,751</u>	<u>37,325,586</u>	<u>39,017,353</u>
Total Revenues	<u>52,820,065</u>	<u>53,068,929</u>	<u>2,153,387</u>	<u>2,142,820</u>	<u>54,973,452</u>	<u>55,211,749</u>
<u>Expenses</u>						
Instruction:						
Regular	26,116,441	24,525,066	0	0	26,116,441	24,525,066
Special	5,985,016	6,803,555	0	0	5,985,016	6,803,555
Vocational	484,731	425,633	0	0	484,731	425,633
Adult/Continuing	66,429	81,129	0	0	66,429	81,129
Support Services:						
Pupils	2,205,034	2,154,839	0	0	2,205,034	2,154,839
Instructional Staff	4,733,291	3,809,912	0	0	4,733,291	3,809,912
Board of Education	33,112	47,923	0	0	33,112	47,923
Administration	3,443,832	3,171,444	0	0	3,443,832	3,171,444
Fiscal	665,885	619,369	0	0	665,885	619,369
Business	381,671	343,916	0	0	381,671	343,916
Operation of Maintenance of Plant	4,242,280	4,185,997	0	0	4,242,280	4,185,997
Pupil Transportation	928,443	825,864	0	0	928,443	825,864
Central	3,750	2,274	0	0	3,750	2,274
Non-Instructional Services	1,124,847	868,097	0	0	1,124,847	868,097
Extracurricular Activities	927,139	773,160	0	0	927,139	773,160
Interest and Fiscal Charges	672,365	760,261	0	0	672,365	760,261
Food Service	0	0	2,200,978	2,110,720	2,200,978	2,110,720
Uniform School Supplies	0	0	14,941	17,975	14,941	17,975
Adult Education	0	0	48,519	40,158	48,519	40,158
Total Expenses	<u>52,014,266</u>	<u>49,398,439</u>	<u>2,264,438</u>	<u>2,168,853</u>	<u>54,278,704</u>	<u>51,567,292</u>

(continued)

Marion City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 2
Change in Net Assets
(continued)

	Governmental Activities		Business-Type Activities		Total	
	Restated				Restated	
	2008	2007	2008	2007	2008	2007
Increase (Decrease) in Net Assets	\$805,799	\$3,670,490	(\$111,051)	(\$26,033)	694,748	\$3,644,457
Net Assets at Beginning of Year	84,033,191	80,362,701	8,282,850	8,308,883	92,316,041	88,671,584
Net Assets at End of Year	\$84,838,990	\$84,033,191	\$8,171,799	\$8,282,850	\$93,010,789	\$92,316,041

For governmental activities, revenues were very comparable to the prior fiscal year with just a slight decrease of less than 1 percent. Program revenues had a slight 10 percent increase primarily from additional resources provided for the Ohio Reads Program, Poverty Based Assistance, and Limited English Proficiency grant monies as well as receiving an Early Childhood Education grant in fiscal year 2008. The School District also received some additional special education monies in fiscal year 2008. General revenues were consistent with the prior fiscal year.

Expenses for governmental activities were also comparable to fiscal year 2007 with a modest 5 percent increase overall.

For business-type activities, there was almost no change in program revenues or in general revenues. Expenses also did not change significantly.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
	Instruction:			
Regular	\$26,116,441	\$24,525,066	\$18,232,390	\$17,276,516
Special	5,985,016	6,803,555	(803,550)	702,081
Vocational	484,731	425,633	315,991	271,415
Adult/Continuing	66,429	81,129	(72,708)	(58,008)

(continued)

Marion City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 3
Governmental Activities
(continued)

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Support Services:				
Pupils	\$2,205,034	\$2,154,839	\$2,205,034	\$2,154,839
Instructional Staff	4,733,291	3,809,912	4,733,291	3,809,912
Board of Education	33,112	47,923	33,112	47,923
Administration	3,443,832	3,171,444	3,443,832	3,170,944
Fiscal	665,885	619,369	665,885	619,369
Business	381,671	343,916	381,671	343,916
Operation and Maintenance of Plant	4,242,280	4,185,997	4,242,280	4,185,997
Pupil Transportation	928,443	825,864	733,107	747,840
Central	3,750	2,274	3,750	2,274
Non-Instructional Services	1,124,847	868,097	959,174	716,763
Extracurricular Activities	927,139	773,160	750,944	573,070
Interest and Fiscal Charges	672,365	760,261	672,365	760,261
Total Expenses	<u>\$52,014,266</u>	<u>\$49,398,439</u>	<u>\$36,496,568</u>	<u>\$35,325,112</u>

The School District's dependence on tax revenues and unrestricted state entitlements is and will continue to be significant. The special instruction and adult/continuing programs provided over 100 percent of its costs through grants restricted for these specific programs. The remainder of the School District's programs had to be primarily supported through general revenues.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District's only major governmental fund is the General Fund which had a 29 percent increase in fund balance from the prior fiscal year. Although revenues remained about the same as the prior fiscal year, expenditures did increase a modest 4 percent. However, the fact the revenues continue to exceed expenditures accounts for the fund balance increase.

Business-Type Activities

The School District's major enterprise fund accounts for food service operations. While this fund continues to reflect an operating loss, federal and state subsidies generally make up for this difference. The decrease in net assets was just one percent.

Marion City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

General Fund Budgeting Highlights

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

For revenues, there was no change from the original budget to the final budget; however, while not that significant, there was an almost 7 percent increase from the final budget to actual revenues. This was mainly due to conservative estimates for intergovernmental revenues.

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$84,807,566 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of 2 percent. This decrease is the result of annual depreciation expense in excess of capital asset additions.

Business-type activities had \$7,898,918 invested in capital assets (net of accumulated depreciation), also a decrease of 2 percent and also the result of accumulated depreciation.

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

Debt

At June 30, 2008, the School District had outstanding general obligation bonds, in the amount of \$12,932,308, and capital leases in the amount of \$166,269. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Notes 16 and 17 to the basic financial statements.

Current Issues

In November 2006, the School District renewed a 5.53 mill five-year operating levy that generates a little over \$2 million. Due to projected deficits in the School District's five-year forecast for fiscal years 2012 and 2013, the School District may need to ask the taxpayers for a new emergency levy.

Marion City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Robert Wood, Treasurer, Marion City School District, 910 East Church Street, Marion, Ohio 43302.

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Marion City School District
Statement of Net Assets
June 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Marion City Digital Academy
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$14,856,863	\$422,961	\$15,279,824	\$379,992
Accounts Receivable	494,836	0	494,836	0
Accrued Interest Receivable	13,929	0	13,929	0
Internal Balances	(538)	538	0	0
Intergovernmental Receivable	1,604,804	42,163	1,646,967	11,828
Prepaid Items	49,721	0	49,721	68
Inventory Held for Resale	0	32,002	32,002	0
Materials and Supplies Inventory	54,750	9,017	63,767	0
Property Taxes Receivable	10,908,526	0	10,908,526	0
Payment in Lieu of Taxes Receivable	307,229	0	307,229	0
Unamortized Issuance Cost	138,128	0	138,128	0
Nondepreciable Capital Assets	1,965,229	151,853	2,117,082	0
Depreciable Capital Assets, Net	82,842,337	7,747,065	90,589,402	82,063
Total Assets	<u>113,235,814</u>	<u>8,405,599</u>	<u>121,641,413</u>	<u>473,951</u>
<u>Liabilities:</u>				
Accounts Payable	442,048	2,646	444,694	1,744
Accrued Wages and Benefits Payable	4,120,448	93,873	4,214,321	14,848
Matured Compensated Absences Payable	194,883	4,364	199,247	0
Intergovernmental Payable	1,060,217	61,255	1,121,472	54,924
Separation Benefits Payable	317,000	0	317,000	0
Deferred Revenue	5,879,326	0	5,879,326	0
Accrued Interest Payable	45,461	0	45,461	0
Long-Term Liabilities:				
Due Within One Year	795,541	2,343	797,884	0
Due in More Than One Year	15,541,900	69,319	15,611,219	0
Total Liabilities	<u>28,396,824</u>	<u>233,800</u>	<u>28,630,624</u>	<u>71,516</u>
<u>Net Assets:</u>				
Invested in Capital Assets, Net of Related Debt	73,089,982	7,898,918	79,832,803	82,063
Restricted For:				
Debt Service	1,038,350	0	1,038,350	0
Capital Projects	210,318	0	210,318	0
Setasides	1,934,682	0	1,934,682	0
Other Purposes	1,903,966	0	1,903,966	0
Music Education				
Nonexpendable	2,676	0	2,676	0
Unrestricted	6,659,016	272,881	8,087,994	320,372
Total Net Assets	<u>\$84,838,990</u>	<u>\$8,171,799</u>	<u>\$93,010,789</u>	<u>\$402,435</u>

See Accompanying Notes to Basic Financial Statements

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

Marion City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$26,116,441	\$2,143,892	\$5,740,159	\$0
Special	5,985,016	41,089	6,747,477	0
Vocational	484,731	0	168,740	0
Adult/Continuing	66,429	0	139,137	0
Support Services:				
Pupils	2,205,034	0	0	0
Instructional Staff	4,733,291	0	0	0
Board of Education	33,112	0	0	0
Administration	3,443,832	0	0	0
Fiscal	665,885	0	0	0
Business	381,671	0	0	0
Operation and Maintenance of Plant	4,242,280	0	0	0
Pupil Transportation	928,443	51,179	126,817	17,340
Central	3,750	0	0	0
Non-Instructional Services	1,124,847	0	165,673	0
Extracurricular Activities	927,139	161,619	14,576	0
Interest and Fiscal Charges	672,365	0	0	0
Total Governmental Activities	<u>52,014,266</u>	<u>2,397,779</u>	<u>13,102,579</u>	<u>17,340</u>
<u>Business-Type Activities:</u>				
Food Service	2,200,978	477,747	1,595,857	0
Other Enterprise Funds				
Uniform School Supplies	14,941	19,214	0	0
Adult Education	48,519	37,350	0	0
Total Business-Type Activities	<u>2,264,438</u>	<u>534,311</u>	<u>1,595,857</u>	<u>0</u>
Total Primary Government	<u>\$54,278,704</u>	<u>\$2,932,090</u>	<u>\$14,698,436</u>	<u>\$17,340</u>
<u>Component Unit</u>				
Marion City Digital Academy	<u>\$667,979</u>	<u>\$0</u>	<u>\$58,417</u>	<u>\$0</u>

General Revenues:

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

Change in Net Assets

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

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Marion City Digital Academy
(\$18,232,390)	\$0	(\$18,232,390)	\$0
803,550	0	803,550	0
(315,991)	0	(315,991)	0
72,708		72,708	0
(2,205,034)	0	(2,205,034)	0
(4,733,291)	0	(4,733,291)	0
(33,112)	0	(33,112)	0
(3,443,832)	0	(3,443,832)	0
(665,885)	0	(665,885)	0
(381,671)	0	(381,671)	0
(4,242,280)	0	(4,242,280)	0
(733,107)	0	(733,107)	0
(3,750)	0	(3,750)	0
(959,174)	0	(959,174)	0
(750,944)	0	(750,944)	0
(672,365)	0	(672,365)	0
<u>(36,496,568)</u>	<u>0</u>	<u>(36,496,568)</u>	<u>0</u>
0	(127,374)	(127,374)	0
0	4,273	4,273	0
0	(11,169)	(11,169)	0
0	(134,270)	(134,270)	0
<u>(36,496,568)</u>	<u>(134,270)</u>	<u>(36,630,838)</u>	<u>0</u>
0	0	0	(609,562)
9,285,398	0	9,285,398	0
133,030	0	133,030	0
1,095,418	0	1,095,418	0
73,694	0	73,694	0
25,744,939	0	25,744,939	689,976
640,835	0	640,835	2,492
5,968	0	5,968	0
323,085	23,219	346,304	213
<u>37,302,367</u>	<u>23,219</u>	<u>37,325,586</u>	<u>692,681</u>
805,799	(111,051)	694,748	83,119
84,033,191	8,282,850	92,316,041	319,316
<u>\$84,838,990</u>	<u>\$8,171,799</u>	<u>\$93,010,789</u>	<u>\$402,435</u>

Marion City School District
Balance Sheet
Governmental Funds
June 30, 2008

	General	Other Governmental	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$10,338,688	\$2,562,416	\$12,901,104
Accounts Receivable	494,836	0	494,836
Accrued Interest Receivable	13,929	0	13,929
Interfund Receivable	31,369	0	31,369
Intergovernmental Receivable	18,869	1,585,935	1,604,804
Prepaid Items	49,721	0	49,721
Materials and Supplies Inventory	54,750	0	54,750
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	1,955,759	0	1,955,759
Property Taxes Receivable	9,358,987	1,549,539	10,908,526
Payment in Lieu of Taxes Receivable	307,229	0	307,229
Total Assets	<u>\$22,624,137</u>	<u>\$5,697,890</u>	<u>\$28,322,027</u>
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$288,288	\$153,760	\$442,048
Accrued Wages and Benefits Payable	3,256,497	863,951	4,120,448
Matured Compensated Absences Payable	155,066	39,817	194,883
Interfund Payable	538	31,369	31,907
Intergovernmental Payable	860,011	200,206	1,060,217
Deferred Revenue	7,213,933	2,034,006	9,247,939
Total Liabilities	<u>11,774,333</u>	<u>3,323,109</u>	<u>15,097,442</u>
<u>Fund Balances:</u>			
Reserved for Property Taxes	2,945,486	414,868	3,360,354
Reserved for Textbooks	1,934,682	0	1,934,682
Reserved for Bus Purchase	21,077	0	21,077
Reserved for Encumbrances	240,598	388,059	628,657
Reserved for Music Education	0	2,676	2,676
Unreserved Reported in:			
General Fund	5,707,961	0	5,707,961
Special Revenue Funds	0	831,133	831,133
Debt Service Fund	0	527,727	527,727
Capital Projects Funds	0	210,318	210,318
Total Fund Balances	<u>10,849,804</u>	<u>2,374,781</u>	<u>13,224,585</u>
Total Liabilities and Fund Balances	<u>\$22,624,137</u>	<u>\$5,697,890</u>	<u>\$28,322,027</u>

See Accompanying Notes to the Basic Financial Statements

Marion City School District
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 June 30, 2008

Total Governmental Fund Balances \$13,224,585

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 84,807,566

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

Accounts Receivable	490,649	
Accrued Interest Receivable	2,267	
Intergovernmental Receivable	899,622	
Property Taxes Receivable	1,668,846	
Payment in Lieu of Taxes Receivable	307,229	
		3,368,613

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds. 138,128

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

Separation Benefits Payable	(317,000)	
Accrued Interest Payable	(45,461)	
General Obligation Bonds Payable	(12,932,308)	
Compensated Absences Payable	(3,238,864)	
Capital Leases Payable	(166,269)	
		(16,699,902)

Net Assets of Governmental Activities \$84,838,990

See Accompanying Notes to the Basic Financial Statements

Marion City School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Other Governmental	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$9,253,843	\$1,229,539	\$10,483,382
Payment in Lieu of Taxes	74,236	0	74,236
Intergovernmental	28,840,235	9,645,906	38,486,141
Interest	633,518	5,166	638,684
Tuition and Fees	2,046,145	0	2,046,145
Extracurricular Activities	74,975	79,042	154,017
Gifts and Donations	0	12,369	12,369
Miscellaneous	187,217	214,988	402,205
Total Revenues	<u>41,110,169</u>	<u>11,187,010</u>	<u>52,297,179</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	20,742,224	4,063,777	24,806,001
Special	4,120,057	1,687,115	5,807,172
Vocational	450,520	44	450,564
Adult/Continuing	17,004	49,108	66,112
Support Services:			
Pupils	1,974,353	186,007	2,160,360
Instructional Staff	997,087	3,641,116	4,638,203
Board of Education	33,112	0	33,112
Administration	2,957,556	391,283	3,348,839
Fiscal	624,829	36,939	661,768
Business	376,044	0	376,044
Operation and Maintenance of Plant	4,060,721	263,940	4,324,661
Pupil Transportation	792,527	66,666	859,193
Central	3,750	0	3,750
Non-Instructional Services	961,139	163,667	1,124,806
Extracurricular Activities	616,834	155,750	772,584
Capital Outlay	33,050	137,862	170,912
Debt Service:			
Principal Retirement	54,710	575,000	629,710
Interest and Fiscal Charges	15,948	576,623	592,571
Total Expenditures	<u>38,831,465</u>	<u>11,994,897</u>	<u>50,826,362</u>
Excess of Revenues Over (Under) Expenditures	<u>2,278,704</u>	<u>(807,887)</u>	<u>1,470,817</u>
<u>Other Financing Sources (Uses):</u>			
Inception of Capital Lease	89,849	0	89,849
Transfers In	99,117	0	99,117
Transfers Out	0	(99,117)	(99,117)
Total Other Financing Sources (Uses)	<u>188,966</u>	<u>(99,117)</u>	<u>89,849</u>
Changes in Fund Balances	2,467,670	(907,004)	1,560,666
Fund Balances at Beginning of Year	<u>8,382,134</u>	<u>3,281,785</u>	<u>11,663,919</u>
Fund Balances at End of Year	<u>\$10,849,804</u>	<u>\$2,374,781</u>	<u>\$13,224,585</u>

See Accompanying Notes to the Basic Financial Statements

Marion City School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2008

Changes in Fund Balances - Total Governmental Funds \$1,560,666

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

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

Capital Outlay - Depreciable Capital Assets	236,624	
Depreciation	<u>(1,948,191)</u>	(1,711,567)

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (66,547)

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

Property Taxes	30,464	
Payment in Lieu of Taxes	(542)	
Intergovernmental	319,264	
Interest	2,267	
Tuition and Fees	<u>171,433</u>	522,886

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

General Obligation Bonds	575,000	
Capital Leases Payable	<u>54,710</u>	629,710

The termination of a capital lease is not reflected in the governmental funds but the termination reduces long-term liabilities on the statement of net assets. 67,711

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

Amortization of Accounting Loss		(1,954)
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Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net assets.

Accrued Interest Payable	707	
Annual Accretion on Capital Appreciation Bonds	(80,512)	
Amortization of Premium	<u>2,564</u>	(77,241)

(continued)

Marion City School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2008
 (continued)

Issuance costs are reported as an expenditure when paid in the governmental funds but are amortized over the life of the debt on the statement of activities.		(\$599)
The inception of a capital lease is reported as an other financing source in governmental funds but increases long-term liabilities on the statement of net assets		(89,849)
Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Separation Benefits Payable	125,000	
Compensated Absences Payable	<u>(152,417)</u>	
		<u>(27,417)</u>
Change in Net Assets of Governmental Activities		<u><u>\$805,799</u></u>
See Accompanying Notes to the Basic Financial Statements		

Marion City School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$8,608,396	\$8,608,396	\$9,138,867	\$530,471
Payment in Lieu of Taxes	165,000	165,000	74,236	(90,764)
Intergovernmental	27,786,660	27,699,623	28,820,857	1,121,234
Interest	500,000	500,000	586,954	86,954
Tuition and Fees	1,860,526	1,860,526	2,048,840	188,314
Extracurricular Activities	75,000	75,000	74,975	(25)
Miscellaneous	55,000	142,037	179,879	37,842
Total Revenues	<u>39,050,582</u>	<u>39,050,582</u>	<u>40,924,608</u>	<u>1,874,026</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	21,078,198	20,680,570	20,674,200	6,370
Special	3,877,159	4,099,727	4,070,916	28,811
Vocational	392,462	454,156	454,095	61
Adult/Continuing	18,900	17,170	17,170	0
Support Services:				
Pupils	2,018,387	1,967,352	1,967,352	0
Instructional Staff	840,974	973,841	995,533	(21,692)
Board of Education	45,510	35,126	33,916	1,210
Administration	2,937,929	2,993,951	2,985,889	8,062
Fiscal	625,876	627,703	627,703	0
Business	418,698	381,542	381,542	0
Operation and Maintenance of Plant	4,374,111	4,165,608	4,162,396	3,212
Pupil Transportation	779,638	809,898	810,325	(427)
Central	0	3,750	3,750	0
Non-Instructional Services	773,915	960,899	960,899	0
Extracurricular Activities	504,940	584,140	586,101	(1,961)
Capital Outlay	32,466	37,152	37,152	0
Total Expenditures	<u>38,719,163</u>	<u>38,792,585</u>	<u>38,768,939</u>	<u>23,646</u>
Excess of Revenues Over Expenditures	<u>331,419</u>	<u>257,997</u>	<u>2,155,669</u>	<u>1,897,672</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	0	579	579
Refund of Prior Year Receipts	0	(1,578)	(1,578)	0
Transfers In	0	0	99,117	99,117
Transfers Out	(75,000)	0	0	0
Total Other Financing Sources (Uses)	<u>(75,000)</u>	<u>(1,578)</u>	<u>98,118</u>	<u>99,696</u>
Changes in Fund Balance	256,419	256,419	2,253,787	1,997,368
Fund Balance at Beginning of Year	8,900,892	8,900,892	8,900,892	0
Prior Year Encumbrances Appropriated	616,275	616,275	616,275	0
Fund Balance at End of Year	<u>\$9,773,586</u>	<u>\$9,773,586</u>	<u>\$11,770,954</u>	<u>\$1,997,368</u>

See Accompanying Notes to the Basic Financial Statements

Marion City School District
Statement of Fund Net Assets
Enterprise Funds
June 30, 2008

	Food Service	Other Enterprise	Total Enterprise Funds
<u>Assets:</u>			
<u>Current Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$302,889	\$120,072	\$422,961
Interfund Receivable	538	0	538
Intergovernmental Receivable	42,163	0	42,163
Inventory Held for Resale	32,002	0	32,002
Materials and Supplies Inventory	9,017	0	9,017
Total Current Assets	<u>386,609</u>	<u>120,072</u>	<u>506,681</u>
<u>Non-Current Assets:</u>			
Nondepreciable Capital Assets	151,853	0	151,853
Depreciable Capital Assets, Net	7,744,517	2,548	7,747,065
Total Non-Current Assets	<u>7,896,370</u>	<u>2,548</u>	<u>7,898,918</u>
Total Assets	<u>8,282,979</u>	<u>122,620</u>	<u>8,405,599</u>
<u>Liabilities:</u>			
<u>Current Liabilities:</u>			
Accounts Payable	146	2,500	2,646
Accrued Wages and Benefits Payable	86,351	7,522	93,873
Matured Compensated Absences Payable	4,364	0	4,364
Intergovernmental Payable	60,145	1,110	61,255
Compensated Absences Payable	2,343	0	2,343
Total Current Liabilities	<u>153,349</u>	<u>11,132</u>	<u>164,481</u>
<u>Non-Current Liabilities</u>			
Compensated Absences Payable	55,367	13,952	69,319
Total Liabilities	<u>208,716</u>	<u>25,084</u>	<u>233,800</u>
<u>Net Assets:</u>			
Invested in Capital Assets	7,896,370	2,548	7,898,918
Unrestricted	177,893	94,988	272,881
Total Net Assets	<u>\$8,074,263</u>	<u>\$97,536</u>	<u>\$8,171,799</u>

See Accompanying Notes to the Basic Financial Statements

Marion City School District
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Enterprise Funds
For the Fiscal Year Ended June 30, 2008

	Food Service	Other Enterprise	Total Enterprise Funds
<u>Operating Revenues:</u>			
Sales	\$477,747	\$19,214	\$496,961
Charges for Services	0	37,350	37,350
Other Operating Revenues	23,219	0	23,219
Total Operating Revenues	<u>500,966</u>	<u>56,564</u>	<u>557,530</u>
<u>Operating Expenses:</u>			
Salaries	526,375	21,598	547,973
Fringe Benefits	238,482	1,069	239,551
Purchased Services	108,053	9,661	117,714
Materials and Supplies	91,092	15,813	106,905
Cost of Sales	1,068,560	14,707	1,083,267
Depreciation	168,416	612	169,028
Total Operating Expenses	<u>2,200,978</u>	<u>63,460</u>	<u>2,264,438</u>
Operating Loss	<u>(1,700,012)</u>	<u>(6,896)</u>	<u>(1,706,908)</u>
<u>Non-Operating Revenues</u>			
Federal Donated Commodities	67,273	0	67,273
Operating Grants	1,524,628	0	1,524,628
Interest Revenue	3,956	0	3,956
Total Non-Operating Revenues	<u>1,595,857</u>	<u>0</u>	<u>1,595,857</u>
Changes in Net Assets	(104,155)	(6,896)	(111,051)
Net Assets at Beginning of Year	8,178,418	104,432	8,282,850
Net Assets at End of Year	<u>\$8,074,263</u>	<u>\$97,536</u>	<u>\$8,171,799</u>

See Accompanying Notes to the Basic Financial Statements

Marion City School District
Statement of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 2008

	Food Service	Other Enterprise	Total Enterprise Funds
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$477,747	\$56,564	\$534,311
Cash Received from Other Revenues	22,894	0	22,894
Cash Payments for Salaries	(515,823)	(124)	(515,947)
Cash Payments for Fringe Benefits	(234,431)	0	(234,431)
Cash Payments for Goods and Services	(1,206,143)	(39,848)	(1,245,991)
Net Cash Provided by (Used for) Operating Activities	(1,455,756)	16,592	(1,439,164)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Cash Received from Operating Grants	1,666,161	0	1,666,161
<u>Cash Flows from Investing Activities:</u>			
Interest	3,956	0	3,956
Net Increase in Cash and Cash Equivalents	214,361	16,592	230,953
Cash and Cash Equivalents at Beginning of Year	88,528	103,480	192,008
Cash and Cash Equivalents at End of Year	\$302,889	\$120,072	\$422,961
<u>Reconciliation of Operating Loss</u>			
<u>to Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Loss	(\$1,700,012)	(\$6,896)	(\$1,706,908)
<u>Adjustments to Reconcile Operating Loss</u>			
<u>to Net Cash Provided by (Used for) Operating Activities:</u>			
Depreciation	168,416	612	169,028
Donated Commodities Received During Year	67,273	0	67,273
<u>Changes in Assets and Liabilities:</u>			
Increase in Interfund Receivable	(325)	0	(325)
Increase in Inventory Held for Resale	(4,872)	0	(4,872)
Increase in Materials and Supplies Inventory	(985)	0	(985)
Increase in Accounts Payable	146	333	479
Increase in Accrued Wages and Benefits Payable	5,015	7,522	12,537
Increase in Matured Compensated Absences Payable	4,364	0	4,364
Increase in Intergovernmental Payable	5,567	1,069	6,636
Increase (Decrease) in Compensated Absences Payable	(343)	13,952	13,609
Net Cash Provided by (Used for) Operating Activities	(1,455,756)	\$16,592	(1,439,164)

Non-Cash Transactions

During fiscal year 2008, the Food Service enterprise fund received donated commodities, in the amount of \$67,273.

See Accompanying Notes to the Basic Financial Statements

Marion City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$111,270	\$46,616
	0	\$46,616
<u>Liabilities:</u>		
Due to Students	0	\$46,616
	12,827	
	98,443	
Total Net Assets	\$111,270	

See Accompanying Notes to the Basic Financial Statements

Marion City School District
Statement of Change in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2008

	Private Purpose Trust
<u>Additions:</u>	
Interest	\$4,861
Gifts and Donations	1,050
Total Additions	5,911
 <u>Deductions:</u>	
Non-Instructional Services	5,500
Change in Net Assets	411
Net Assets at Beginning of Year	110,859
Net Assets at End of Year	\$111,270

See Accompanying Notes to the Basic Financial Statements

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1853. The School District serves an area of approximately nine square miles. It is located in Marion County. The School District is the 67th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by one hundred sixty-nine classified employees, three hundred eighty-three certified teaching personnel, and twenty-six administrative employees who provide services to 4,981 students and other community members. The School District currently operates six elementary schools, a middle school, and a high school.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

The component unit column on the financial statements identifies the financial data of the School District’s component unit, Marion City Digital Academy (MCDA). It is reported separately to emphasize that it is legally separate from the School District. Information about this component unit is presented in Note 24 to the basic financial statements.

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

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

Governmental Funds

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

Proprietary Funds

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

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

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

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Revenues

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

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (continued)

Property taxes for which there was an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Investments

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

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (continued)

During fiscal year 2008, the School District invested in nonnegotiable certificates of deposit, federal agency securities, and STAR Ohio. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2008.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2008 was \$633,518, which includes \$121,703 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials, as well as unexpended revenues restricted for bus purchases.

J. Capital Assets

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

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

K. Interfund Receivables/Payables

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

L. Compensated Absences

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Unamortized Issuance Costs and Premiums

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

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

O. Unamortized Loss on Advance Refunding

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

P. Net Assets

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

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2008, the School District did not have any net assets restricted by enabling legislation.

Note 2 - Summary of Significant Accounting Policies (continued)

Q. Fund Balance Reserves

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

R. Operating Revenues and Expenses

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

S. Interfund Transactions

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

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

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

T. Estimates

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

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 3 - Changes in Accounting Principles, Correction of an Error, and Restatement of Net Assets

A. Changes in Accounting Principles

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this statement for both the State Teachers Retirement System and the School Employees Retirement System postemployment healthcare plans, in the amount of \$38,665 and \$91,948, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

B. Correction of an Error and Restatement of Net Assets

In the prior fiscal year, the School District incorrectly recorded payment in lieu of taxes receivable.

	Governmental Activities
Net Assets at June 30, 2007	<u>\$83,725,420</u>
Payment in Lieu of Taxes Receivable	<u>307,771</u>
Restated Net Assets at June 30, 2007	<u><u>\$84,033,191</u></u>

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2008, the Adult Basic Education, Title I, and Preschool special revenue funds had deficit fund balances, in the amount of \$89,628, \$106,024, and \$3,039, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 4 - Accountability and Compliance (continued)

B. Compliance

The Title II-D special revenue fund had final appropriations in excess of estimated resources plus available balances, in the amount of \$40,602, for the fiscal year ended June 30, 2008.

The following funds had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 2008.

Fund	Appropriations	Expenditures Plus Encumbrances	Excess
Special Revenue Funds			
Early Childhood Education	\$168,970	\$171,916	\$2,946
Ohio Reads	99,149	121,308	22,159
Title V	12,176	17,893	5,717
Preschool	54,794	57,641	2,847
Miscellaneous Federal Grants	1,871,960	2,037,473	165,513

The Treasurer will monitor budgetary transactions to ensure appropriations are within estimated resources and that expenditures are within appropriations.

Note 5 - Budgetary Basis of Accounting

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

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

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 5 - Budgetary Basis of Accounting (continued)

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

Changes in Fund Balance	
GAAP Basis	\$2,467,670
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2007, Received in Cash FY 2008	2,871,566
Accrued FY 2008, Not Yet Received in Cash	(2,972,564)
Cash Adjustments:	
Unrecorded Cash Activity FY 2007	307
Unrecorded Cash Activity FY 2008	(84,053)
Expenditure Accruals:	
Accrued FY 2007, Paid in Cash FY 2008	(4,140,920)
Accrued FY 2008, Not Yet Paid in Cash	4,553,047
Prepaid Items	(1,585)
Materials and Supplies Inventory	31,128
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(470,809)
Budget Basis	\$2,253,787

Note 6 - Deposits and Investments

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

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

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

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 6 - Deposits and Investments (continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptance if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$3,522,718 of the School District's bank balance of \$13,983,211 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 6 - Deposits and Investments (continued)

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

Investments

As of June 30, 2008, the School District had the following investments:

	Fair Value	Maturity
Federal National Mortgage Association Notes	\$500,625	05/12/10
Federal Home Loan Mortgage Corporation Notes	500,165	02/19/10
STAR Ohio	1,008,359	Average 53.8 days
	\$2,009,149	

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Both the Federal National Mortgage Association Notes and the Federal Home Loan Mortgage Corporation Notes carry a rating of Aaa by Moody's while STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no policy regarding interest rate or credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of each investment to the School District's total portfolio.

	Fair Value	Percentage of Portfolio
Federal National Mortgage Association Notes	\$500,100	24.92%
Federal Home Loan Mortgage Corporation Notes	500,165	24.89

Note 7 - Receivables

Receivables at June 30, 2008, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, intergovernmental, income taxes, property taxes, and payment in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes and payment in lieu of taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 7 - Receivables (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Marion County	\$287
Mt. Gilead EVSD	9,754
State of Ohio	8,828
Total General Fund	18,869
Other Governmental Funds	
Classroom Facilities	4
Early Childhood Education	4,121
Ohio Reads	100,851
Miscellaneous State Grants	5,969
Adult Basic Education	14,460
Special Education Idea-B	81,278
Title III	351
Title I	787,044
Title V	10,352
Title IV	3,110
Preschool	30,510
Improving Teacher Quality	202,493
Title II-D	5,816
Miscellaneous Federal Grants	339,542
Bond Retirement	34
Total Other Governmental Funds	1,585,935
Total Governmental Activities	\$1,604,804
Business-Type Activities	
Food Service	\$42,163

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, 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.

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 8 - Property Taxes (continued)

Public utility property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after October 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2008 is 6.25 percent and will be zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Marion County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2008, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008, was \$2,945,486 in the General Fund, \$371,503 in the Classroom Facilities special revenue fund, and \$43,365 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2007, was \$2,830,510 in the General Fund, \$363,718 in the Classroom Facilities special revenue fund, and \$45,773 in the Bond Retirement debt service fund.

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

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$315,917,090	85.83%	\$341,464,020	86.82%
Public Utility	24,012,990	6.52	23,773,980	6.04
Tangible Personal	28,157,740	7.65	28,070,600	7.14
Total Assessed Value	\$368,087,820	100.00%	\$393,308,600	100.00%
Tax rate per \$1,000 of assessed valuation	\$44.66		\$45.15	

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 9 - Payment in Lieu of Taxes

According to State law, the City of Marion has entered into agreements with a number of property owners under which the City has granted property tax abatements to those property owners. The property owners have agreed to make payments to the City which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The agreements require a portion of these payments to be made to the School District. The payment is received annually either as an agreed upon flat amount per year or the amount of estimated taxes that would have been due in that fiscal year. The agreements are for a ten to twelve year period. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$1,965,229	\$0	\$0	\$1,965,229
Construction in Progress	11,521	98,255	(109,776)	0
Total Nondepreciable Capital Assets	<u>1,976,750</u>	<u>98,255</u>	<u>(109,776)</u>	<u>1,965,229</u>
Depreciable Capital Assets				
Land Improvements	957,587	0	0	957,587
Buildings and Building Improvements	90,643,967	109,776	0	90,753,743
Furniture, Fixtures, and Equipment	563,507	117,389	(137,682)	543,214
Vehicles	1,228,205	20,980	0	1,249,185
Total Depreciable Capital Assets	<u>93,393,266</u>	<u>248,145</u>	<u>(137,682)</u>	<u>93,503,729</u>
Less Accumulated Depreciation				
Land Improvements	(166,544)	(35,057)	0	(201,601)
Buildings and Building Improvements	(7,793,270)	(1,772,827)	0	(9,566,097)
Furniture, Fixtures, and Equipment	(243,668)	(60,890)	71,135	(233,423)
Vehicles	(580,854)	(79,417)	0	(660,271)
Total Accumulated Depreciation	<u>(8,784,336)</u>	<u>(1,948,191)</u>	<u>71,135</u>	<u>(10,661,392)</u>
Depreciable Capital Assets, Net	<u>84,608,930</u>	<u>(1,700,046)</u>	<u>(66,547)</u>	<u>82,842,337</u>
Governmental Activities Capital Assets, Net	<u>\$86,585,680</u>	<u>(\$1,601,791)</u>	<u>(\$176,323)</u>	<u>\$84,807,566</u>

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 10 - Capital Assets (continued)

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08
Business-Type Activities				
Nondepreciable Capital Assets				
Land	\$151,853	\$0	\$0	\$151,853
Depreciable Capital Assets				
Buildings and Building Improvements	8,616,936	0	0	8,616,936
Less Accumulated Depreciation				
Buildings and Building Improvements	(700,843)	(169,028)	0	(869,871)
Depreciable Capital Assets, Net	7,916,093	(169,028)	0	7,747,065
Capital Assets, Net	\$8,067,946	(\$169,028)	\$0	\$7,898,918

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,238,158
Special	159,832
Vocational	27,111
Adult/Continuing	317
Support Services:	
Pupils	22,078
Instructional Staff	85,521
Administration	112,815
Fiscal	2,778
Operation and Maintenance of Plant	91,320
Pupil Transportation	67,077
Extracurricular Activities	141,184
Total Depreciation Expense	<u>\$1,948,191</u>

Depreciation expense was charged to other enterprise funds as follows:

Other Enterprise Funds	
Adult Education	<u>\$612</u>

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 11 - Interfund Assets/Liabilities

At June 30, 2008, the General Fund had an interfund receivable, in the amount of \$31,369 from other governmental funds for short-term loans made to those funds. The Food Service enterprise fund had an interfund receivable, in the amount of \$538 from the General Fund for services provided. Amounts are expected to be repaid within one year.

Note 12 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted for the following insurance coverage:

Coverage provided by The Netherlands Insurance Company:

Buildings and Contents - replacement cost	\$159,255,908
Auto Liability	2,000,000

Coverage provided by the Ohio School Plan:

General Liability	
Each Occurrence	1,000,000
Aggregate	3,000,000
Excess Liability	2,000,000

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

For fiscal year 2008, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

Note 13 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

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

A DBP or CP member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 was \$2,941,069, \$2,801,228, and \$2,923,923 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DCP and CP for fiscal year 2008 were \$39,070 made by the School District and \$69,467 made by the plan members.

Note 13 - Defined Benefit Pension Plans (continued)

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 was \$364,429, \$394,873, and \$387,309 respectively; 45 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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, 2008, one of the Board of Education members has selected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$229,241, \$217,435, and \$225,654, respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 14 - Postemployment Benefits (continued)

B. School Employees Retirement System

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan, and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2008, this amount was \$245,870.

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

The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$166,300, \$131,098, and \$135,163 respectively; 45 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2008, this actuarially required allocation was .66 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 was \$26,258, \$26,851, and \$30,827 respectively; 45 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 15 - Other Employee Benefits

A. Compensated Absences

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

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 15 - Other Employee Benefits (continued)

Employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to two hundred sixty-five days for twelve month classified employees, two hundred twenty days for less than twelve month classified employees, and two hundred two days for certified employees. Upon retirement, payment is made for one-third of their accrued but unused sick leave credit to the maximum of forty-four and one-third days for classified employees and forty-seven days for certified employees. Employees earn extra days if they have more than one hundred twenty days of accumulated sick leave. Depending on length of service, classified employees can earn from four to eight extra days and certified employees can earn from two to ten extra days.

B. Health Care Benefits

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

C. Separation Benefits

The School District offers a separation benefit to certified employees eligible to retire under STRS. The employee must submit their resignation for retirement to the Board no later than March 1 of the fiscal year in which they plan to retire. A separation benefit of \$20,000 will be paid between July 1 and August 1 of the year following retirement. At June 30, 2008, the liability for separation benefits was \$317,000 for governmental activities. At June 30, 2007, the liability for separation benefits was \$442,000. During fiscal year 2008, there were additional separation benefits, in the amount of \$200,000, and separation benefits paid, in the amount of \$325,000.

Note 16 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
FY 2001 School Facilities Construction and Improvement					
Serial Bonds 4.375 - 6.5%	\$5,180,000	\$0	\$540,000	\$4,640,000	\$565,000
					(continued)

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 16 - Long-Term Obligations (continued)

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08	Amounts Due Within One Year
FY 2007 School Facilities Construction and Improvement Refunding					
Serial Bonds 4 -5%	\$7,295,000	\$0	\$35,000	\$7,260,000	\$75,000
Capital Appreciation Bonds	805,000	0	0	805,000	0
Accretion on Capital Appreciation Bonds	6,256	80,512	0	86,768	0
Premium	593,370	0	2,564	590,806	0
Accounting Loss	(452,220)	1,954	0	(450,266)	0
	<u>8,247,406</u>	<u>82,466</u>	<u>37,564</u>	<u>8,292,308</u>	<u>75,000</u>
Total General Obligation Bonds	13,427,406	82,466	577,564	12,932,308	640,000
Compensated Absences Payable	3,086,447	199,191	46,774	3,238,864	100,769
Capital Leases Payable	198,841	89,849	122,421	166,269	54,772
Total Governmental Activities Long-Term Obligations	<u>\$16,712,694</u>	<u>\$371,506</u>	<u>\$746,759</u>	<u>\$16,337,441</u>	<u>\$795,541</u>
Business-Type Activities					
Compensated Absences Payable	<u>\$58,053</u>	<u>\$13,609</u>	<u>\$0</u>	<u>\$71,662</u>	<u>\$2,343</u>

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

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

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 16 - Long-Term Obligations (continued)

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2015, and December 1, 2016, in the amount of \$960,000 and \$960,000, respectively. For fiscal year 2008, \$80,512 was accreted on the capital appreciation bonds for a total bond value of \$891,768 at fiscal year end.

At June 30, 2008, \$8,065,000 of the refunded bonds was still outstanding.

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

The School District's overall debt margin was \$18,042,037 with an unvoted debt margin of \$341,634 at June 30, 2008.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2008, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial	Capital Appreciation	Interest	Total
2009	\$640,000	\$0	\$556,971	\$1,196,971
2010	665,000	0	525,815	1,190,815
2011	695,000	0	492,860	1,187,860
2012	800,000	0	452,060	1,252,060
2013	850,000	0	402,746	1,252,746
2014-2018	2,810,000	805,000	2,532,641	6,147,641
2018-2023	5,440,000	0	561,400	6,001,400
	\$11,900,000	\$805,000	\$5,524,493	\$18,229,493

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 17 - Capital Leases - Lessee Disclosure

The School District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Operation and Maintenance of Plant" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2008 were \$54,710. During fiscal year 2008, a capital lease was terminated which resulted in a reduction in the capital lease liability of \$67,711.

	Governmental Activities
Equipment	\$260,714
Less Accumulated Depreciation	(111,428)
Total June 30, 2008	\$149,286

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2008.

Fiscal Year	Principal	Interest
2009	\$54,772	\$14,050
2010	45,137	8,723
2011	32,972	5,081
2012	19,357	2,921
2013	14,031	826
	\$166,269	\$31,601

Note 18 - Set Asides

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2008.

	Textbooks	Capital Improvements
Balance June 30, 2007	\$1,870,824	\$0
Current Year Set Aside Requirement	750,214	750,214
Qualifying Expenditures	(686,356)	0
Offsets	0	(750,214)
Balance June 30, 2008	\$1,934,682	\$0

Note 19 - Interfund Transfers

During fiscal year 2008, the General Fund received transfers from other governmental funds, in the amount of \$99,117, to close out a fund.

Note 20 - Donor Restricted Endowments

The School District's private purpose trust fund includes donor restricted endowments. Endowments, in the amount of \$98,443 represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$12,827 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

Note 21 - Jointly Governed Organizations

A. Tri-Rivers Educational Computer Association

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2008, the School District paid \$229,580 to TRECA for various services. Financial information can be obtained from TRECA, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

B. Tri-Rivers Joint Vocational School

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

Note 22 - Insurance Pools

A. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Shuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

B. Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

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

Note 23 - Related Organization

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

Note 24 - Marion City Digital Academy

A. Basis of Presentation

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

Marion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 24 - Marion City Digital Academy (continued)

B. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08
Depreciable Capital Assets				
Equipment	\$164,342	\$0	\$0	\$164,342
Less Accumulated Depreciation	(50,298)	(31,981)	0	(82,279)
Capital Assets, Net	<u>\$114,044</u>	<u>(\$31,981)</u>	<u>\$0</u>	<u>\$82,063</u>

Note 25 - Fiscal Watch

On June 17, 2004, the School District was declared in fiscal watch by the State Department of Education due to projected deficits. The School District's current five-year forecast, which is currently serving as the recovery plan, reflects positive fund balances through fiscal year 2011 and deficit balances in fiscal years 2012 and 2013. In November 2006, the voters renewed a 5.53 mill five-year operating levy which will generate approximately \$2 million a year. On March 13, 2008, the School District submitted a request to the Ohio Department of Education to be released from fiscal watch; however, as of the date of this report, the analysis to determine the School District's eligibility for release from fiscal watch has not been completed.

Note 26 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

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

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Marion City School District

* * * *

Report Letters

June 30, 2008

MARION CITY SCHOOL DISTRICT

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 28, 2008

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

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

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Marion City School District as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marion City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

However, we noted certain internal control matters that we reported to the management of Marion City School District in a separate letter dated December 28, 2008.

Compliance and Other Matters

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

However, we noted certain immaterial instances of noncompliance that we reported to management of Marion City School District in a separate letter dated December 28, 2008.

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

Rea & Associates, Inc.



December 28, 2008

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Marion City School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Marion City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Marion City School District's management. Our responsibility is to express an opinion on Marion City School District's compliance based on our audit.

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

In our opinion, Marion City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

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

Schedule of Expenditures of Federal Awards – Non GAAP Budgetary Basis

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Marion City School District as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 28, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Hea & Associates, Inc.

MARION CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
JUNE 30, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Year	Federal Receipts	Federal Disbursements
U.S. Department of Education (Passed through Ohio Department of Education):				
Able	84.002	2007	\$ 11,227	\$ 5,089
Able	84.002	2008	124,677	119,630
Total Able			135,904	124,719
Title I	84.010	2007	190,183	274,709
Title I	84.010	2008	1,398,227	1,564,162
Total Title I			1,588,410	1,838,871
<i>Special Education Cluster</i>				
IDEA-B	84.027	2007	0	71,804
IDEA-B	84.027	2008	1,473,882	1,463,339
Total IDEA-B			1,473,882	1,535,143
Preschool Grants	84.173	2007	0	328
Preschool Grants	84.173	2008	50,947	57,313
Total Preschool Grants			50,947	57,641
<i>Total Special Education Cluster</i>			1,524,829	1,592,784
Safe and Drug-Free Schools and Communities	84.186	2007	4,338	5,344
Safe and Drug-Free Schools and Communities	84.186	2008	35,549	29,617
Total Safe and Drug-Free Schools and Communities			39,887	34,961
Title V	84.298	2007	0	1,084
Title V	84.298	2008	818	16,809
Total Title V			818	17,893
Title II-D	84.318	2007	6,833	0
Title II-D	84.318	2008	21,118	21,763
Total Title II-D			27,951	21,763
Title I - CSR	84.332	2007	49,892	56,846
Total Title I - CSR			49,892	56,846
Reading First	84.357	2007	433,574	507,320
Reading First	84.357	2008	1,322,001	1,249,872
Total Reading First			1,755,575	1,757,192
Title III	84.365	2007	0	857
Title III	84.365	2008	13,451	14,249
Total Title III			13,451	15,106

Title II-A	84.367	2007	\$	44,807	\$	47,582
Title II-A	84.367	2008		293,772		278,964
Total Title II-A				338,579		326,546

Total Department of Education

5,475,296

5,786,681

**U.S. Department of Agriculture
(Passed through Ohio Department
of Education):**

Child Nutrition Cluster

National School Breakfast Program	(B)	10.553	2008	464,908	464,908
Total National School Breakfast Program				464,908	464,908

National School Lunch Program	(B)	10.555	2008	1,091,312	1,091,312
Total National School Lunch Program				1,091,312	1,091,312

Summer Food Service Program for Children	(B)	10.559	2008	52,382	52,382
Total Summer Food Service Program Children				52,382	52,382

Food Distribution Program	(A)	10.555	2008	59,789	59,789
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Total Child Nutrition Cluster

1,668,391

1,668,391

DOD Fresh Fruit Program	(A)	N/A	2008	17,980	17,980
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Total Department of Agriculture-Nutrition Cluster

1,686,371

1,686,371

Total Federal Financial Assistance

7,161,667

7,473,052

- (A) Government commodities are reported at the fair market value of the commodities received and disbursed.
- (B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

**MARION CITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 , Section .505
 JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any significant deficiencies or material weaknesses reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Reading First CFDA # 84.357 Title II-A CFDA # 84.367
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted

**MARION CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2008**

**Not Corrected, Partially
Corrected, Significantly
Different Corrective Action Taken
or Finding No Longer Valid
Explain**

Finding Number	Finding Summary	Fully Corrected?	Explain
2007-01	A restatement of prior period's net assets was necessary to properly account for intergovernmental receivables. Because of this restatement, total net assets at June 30, 2006 increased by \$634,386.	Yes	
2007-02	For the audit period, the School District had appropriations (\$9,450,000) exceeding the certified estimated revenues (\$1,469,024), violation of 5705.39, for the Bond Retirement Fund. The District should certify all estimated revenues, to include proceeds related to the refunding of outstanding debt, to be received by the School District so that appropriated amounts are not in excess of the Official Certificate of Estimated Resources, as certified by the budget commission.	No	Reduced to management letter comment



Mary Taylor, CPA
Auditor of State

MARION CITY SCHOOL DISTRICT

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 17, 2009**