

**MARION CITY SCHOOL DISTRICT
GENERAL PURPOSE FINANCIAL STATEMENTS**

**TOGETHER WITH AUDITOR'S REPORT AND
AUDITOR'S REPORTS ON INTERNAL CONTROL,
COMPLIANCE, SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS AND OTHER MATTERS**

JULY 1, 1999 - JUNE 30, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education
Marion City School District

We have reviewed the Independent Auditor's Report of the Marion City School District, Marion County, prepared by Reichert & Associates, CPA's, for the audit period July 1, 1999 to June 30, 2000. 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.

JIM PETRO
Auditor of State

January 25, 2001

MARION CITY SCHOOL DISTRICT
MARION COUNTY

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MARION CITY SCHOOL DISTRICT
910 EAST CHURCH STREET
MARION, OHIO 43302

ELECTED OFFICIALS
AS OF JUNE 30, 2000

<u>Elected Officials</u>	<u>Title</u>	<u>Term of Office</u>	<u>Surety</u>
<u>Board of Education</u>			
Robert L. Gherman	President	1/1/00 - 12/31/03	(A)
Kelly Byrnes	Vice President	1/1/00 - 12/31/03	
Ted M. McKinniss	Member	1/1/00 - 12/31/03	
James E. Stroupe	Member	1/1/98 - 12/31/01	
Kay Mayse Snyder	Member	1/1/98 - 12/31/01	

Statutory Legal Counsel

Mark Russell
233 West Center Street
Marion, Ohio 43302

Marion City Law Director

Bricker and Eckler
100 South Third Street
Columbus, Ohio 43215-4291

(A) Nationwide Mutual Insurance Company for \$20,000, for the period 1/1/00 to 1/1/03.

MARION CITY SCHOOL DISTRICT
910 EAST CHURCH STREET
MARION, OHIO 43302

ADMINISTRATIVE PERSONNEL
AS OF JUNE 30, 2000

<u>Personnel</u>	<u>Term of Office</u>	<u>Surety</u>
<u>Superintendent</u> Robert Thiede	8/1/96-7/31/2001	(A)
<u>Treasurer</u> Jeri S. Wires	1/1/00-12/31/03	(B)

(A) Nationwide Mutual Insurance Company for \$20,000, for the period 1/1/00 to 1/1/2003.

(B) Nationwide Mutual Insurance Company for \$50,000, from January 1, 2000 to Organizational Meeting 2004.

MARION CITY SCHOOL DISTRICT
MARION COUNTY
INDEX OF FUNDS

GOVERNMENTAL FUND TYPES:

General Fund Type:

001 General Fund

Special Revenue Fund Type:

018 Public School Support Funds
019 Staff Development Fund
032 Comprehensive School Reform Grant
300 District Managed Activity Funds
401 Auxiliary Service Funds
402 Reading Recovery
416 Teacher Development Fund
425 Training Ohio's Parents For Success Fund
429 MAPP Fund
432 Educational Management Information Systems Fund
447 Disadvantaged Pupil Impact Aid Fund
455 Textbook Subsidy
459 Ohio Read Grant
499 Other Grant Funds
501 Adult Basic Education-Title III Fund
514 Education for Economic Security Act-Title II Fund
516 Handicapped Preschool & School Programs-Title VI-B Fund
572 Education Consolidation & Improvement Act-Title I Fund
573 Education Consolidation & Improvement Act-Title VI Fund
584 Drug Free School Grant Fund
587 Preschool Grant Fund
590 Comprehensive School Reform
599 Serve America Grant Fund

Debt Service Fund Type:

002 Bond Retirement Fund

Capital Projects Fund Type:

003 Permanent Improvement Fund
004 Building
010 Classroom Facilities
033 Classroom Facilities Maintenance
420 Vocational Equipment
450 School Net Fund
454 Technology Equity
497 Emergency School Repair

PROPRIETARY FUND TYPE:

Enterprise Fund Type:

006 Food Service Fund
009 Uniform School Supplies Fund
012 JOBS/LEAPS Program Fund

Internal Service Fund Type:

014 Rotary Fund

FIDUCIARY FUND TYPES:

Expendable Trust Fund Type:

007 Special Trust Fund
007 David Brammer Scholarship Fund

Nonexpendable Trust Fund Type:

008 Music Foundation Fund
008 F.E. Withrow Scholarship Fund
008 Mella Van Meter Scholarship Fund
008 Barbara F. Smith Scholarship Fund
008 Richard D. & Jane W. Myers Scholarship Fund
008 Harold C. Thomas Estate Scholarship Fund

Agency Fund Type:

200 Student Activities Fund

ACCOUNT GROUPS:

General Fixed Assets Account Group
General Long-Term Debt Account Group

REICHERT & ASSOCIATES, CPA'S

206 West Hardin Street
Findlay, Ohio 45840

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general-purpose financial statements of the Marion City School District, as of and for the fiscal year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Marion City School District, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated December 15, 2000 on our consideration of the Marion City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

December 15, 2000
Findlay, Ohio

Reichert & Associates, CPA'S
Certified Public Accountant

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2000

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
ASSETS AND OTHER DEBITS									
ASSETS:									
Equity in pooled cash and cash equivalents	\$5,267,628	\$996,805	\$651,606	\$18,470,295	\$85,592	\$78,248			\$25,550,174
Equity in pooled cash and cash equivalents - non-expendable trust fund							111,565		111,565
Cash with fiscal agent			366						366
Receivables (net of allowances of uncollectibles):									
Property taxes - current & delinquent	10,282,433		1,378,896						11,661,329
Accounts	32,031	1,689			898				34,618
Accrued interest	80,122								80,122
Interfund loan receivable	192,985								192,985
Due from other governments	27,588	34,281			770				62,639
Prepayments	44,610				720				45,330
Materials and supplies inventory	85,041				69,642				154,683
Restricted assets:									
Equity in pooled cash and cash equivalents	572,660								572,660
Property, plant and equipment (net of accumulated depreciation where applicable)					44,132		25,153,373		25,197,505
OTHER DEBITS:									
Amount available in Debt Service Fund								1,013,926	1,013,926
Amount to be provided for retirement of General Long-Term Obligations								17,483,048	17,483,048
Total assets and other debits	\$16,585,098	\$1,032,775	\$2,030,868	\$18,470,295	\$201,754	\$189,813	\$25,153,373	\$18,496,974	\$82,160,950

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

--Continued

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
 JUNE 30, 2000

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
LIABILITIES, EQUITY AND OTHER CREDITS									
LIABILITIES:									
Accounts payable	\$132,372	\$30,861		\$886,920	\$33,106				\$1,083,259
Accrued wages and benefits.	3,481,957	295,672			148,079				3,925,708
Compensated absences payable.	154,258	2,867			77,788		2,341,375		2,576,288
Pension obligation payable	529,386	34,987			47,926		242,599		854,898
Interfund loan payable		60,000		7,985	125,000				192,985
Deferred revenue	7,115,346		1,016,576		38,810				8,170,732
Due to students						63,363			63,363
Matured interest payable			366						366
Bond anticipation note payable.								15,913,000	15,913,000
Obligation under capital lease					8,823				8,823
Total liabilities	11,413,319	424,387	1,016,942	894,905	479,532	63,363	0	18,496,974	32,789,422
EQUITY AND OTHER CREDITS:									
Investment in general fixed assets.							25,153,373		25,153,373
Retained earnings: unreserved.					(277,778)				(277,778)
Fund balances:									
Reserved for encumbrances.	1,689,641	232,441		135,999					2,058,081
Reserved for supplies inventory	85,041								85,041
Reserved for prepayments	44,610								44,610
Reserved for debt service.			651,606						651,606
Reserved for tax revenue unavailable for appropriation	3,247,209		362,320						3,609,529
Reserved for principal endowment.						101,793			101,793
Reserved for budget stabilization	572,660								572,660
Reserved for scholarships.						24,657			24,657
Unreserved-undesignated.	(467,382)	375,947		17,439,391					17,347,956
Total equity and other credits.	5,171,779	608,388	1,013,926	17,575,390	(277,778)	126,450	25,153,373	0	49,371,528
Total liabilities, equity and other credits	\$16,585,098	\$1,032,775	\$2,030,868	\$18,470,295	\$201,754	\$189,813	\$25,153,373	\$18,496,974	\$82,160,950

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

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2000

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$10,103,804		\$866,546	\$68,324		\$11,038,674
Tuition	57,657					57,657
Earnings on investments	590,820	2,606		448,979	785	1,043,190
Other local revenues	102,220	210,356				312,576
Other revenue		61,793				61,793
Intergovernmental - State	21,496,634	1,235,379	60,792	2,548,053		25,340,858
Intergovernmental - Federal	193,549	2,405,662				2,599,211
Total revenue	32,544,684	3,915,796	927,338	3,065,356	785	40,453,959
Expenditures:						
Current:						
Instruction:						
Regular	17,405,547	1,115,969				18,521,516
Special	3,190,060	1,413,930				4,603,990
Vocational	451,046					451,046
Other	320,191	58,228				378,419
Support services:						
Pupil	1,540,505	205,446				1,745,951
Instructional staff	1,138,306	628,345				1,766,651
Board of Education	175,888	1,359				177,247
Administration	2,838,312	346,524				3,184,836
Fiscal	540,925	23,019	12,529			576,473
Business	350,926					350,926
Operations and maintenance	2,998,429					2,998,429
Pupil transportation	580,080	30,386				610,466
Central		393				393
Community services		152,272			3,000	155,272
Extracurricular activities	382,424	174,296				556,720
Facilities services	1,777,009					1,777,009
Capital Outlay				2,007,669		2,007,669
Debt service:						
Principal retirement	9,648			314,000		323,648
Interest and fiscal charges	264			7,985		8,249
Total expenditures	33,699,560	4,150,167	12,529	2,329,654	3,000	40,194,910
Excess (deficiency) of revenues over (under) expenditures	(1,154,876)	(234,371)	914,809	735,702	(2,215)	259,049
Other financing sources (uses):						
Operating transfers in	16,257	101,662				117,919
Operating transfers out	(176,662)	(16,257)				(192,919)
Proceeds of notes				314,000		314,000
Proceeds of bonds				15,913,000		15,913,000
Proceeds from sale of assets	1,099					1,099
Total other financing sources (uses)	(159,306)	85,405	0	16,227,000	0	16,153,099
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,314,182)	(148,966)	914,809	16,962,702	(2,215)	16,412,148
Fund balance, July 1	6,474,883	757,354	99,117	612,688	17,100	7,961,142
Increase (Decrease) in reserve for inventory	11,078					11,078
Fund balance, June 30	\$5,171,779	\$608,388	\$1,013,926	\$17,575,390	\$14,885	\$24,384,368

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

MARION CITY SCHOOL DISTRICT, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2000

	General Fund			Special Revenue Funds			Debt Service Funds			Capital Projects Funds			Total (Memorandum Only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
REVENUES:															
From local sources:															
Taxes	\$10,709,690	\$9,990,376	(\$719,314)				\$592,661	\$504,226	(\$88,435)	\$85,294	\$68,323	(\$16,971)	\$11,387,645	\$10,562,925	(\$824,720)
Tuition	60,800	50,735	(10,065)										60,800	50,735	(10,065)
Earnings on investments	557,796	556,616	(1,180)		\$2,606	\$2,606				208,726	167,238	(41,488)	766,522	726,460	(40,062)
Other local revenues	41,835	56,750	14,915	\$246,936	209,624	(37,312)							288,771	266,374	(22,397)
Intergovernmental-State	25,249,067	21,496,634	(3,752,433)	1,461,660	1,179,871	(281,789)	71,474	60,792	(10,682)	3,180,185	2,548,053	(632,132)	29,962,386	25,285,350	(4,677,036)
Intergovernmental-Federal	133,871	165,961	32,090	3,121,150	2,574,761	(546,389)							3,255,021	2,740,722	(514,299)
Other revenue				85,489	72,793	(12,696)							85,489	72,793	(12,696)
TOTAL REVENUES	36,753,059	32,317,072	(4,435,987)	4,915,235	4,039,655	(875,580)	664,135	565,018	(99,117)	3,474,205	2,783,614	(690,591)	45,806,634	39,705,359	(6,101,275)
EXPENDITURES:															
Current:															
Instruction:															
Regular	17,456,440	17,786,035	(329,595)	1,142,515	1,106,838	35,677				667,938	730,015	(62,077)	19,266,893	19,622,888	(355,995)
Special	3,067,905	3,173,920	(106,015)	1,446,899	1,447,321	(462)							4,514,764	4,621,241	(106,477)
Vocational	435,128	452,245	(17,117)										435,128	452,245	(17,117)
Other instruction	337,057	341,911	(4,854)	99,255	59,704	39,551							436,312	401,615	34,697
Support services:															
Pupil	1,509,511	1,552,009	(42,498)	264,400	223,068	41,332							1,773,911	1,775,077	(1,166)
Instructional staff	1,206,051	1,208,769	(2,718)	842,097	727,111	114,986							2,048,148	1,935,880	112,268
Board of Education	229,498	236,202	(6,704)										229,498	236,202	(6,704)
Administration	2,784,279	2,894,434	(110,155)	457,114	393,636	63,478							3,241,393	3,288,070	(46,677)
Fiscal	541,590	558,342	(16,752)	18,197	12,164	6,033	13,000	12,529	471	1,522	1,698	(176)	574,309	584,733	(10,424)
Business	390,565	396,952	(6,387)										390,565	396,952	(6,387)
Operation & maintenance of plant	3,737,484	3,866,231	(128,747)										3,737,484	3,866,231	(128,747)
Transportation	727,215	741,321	(14,106)	43,074	35,693	7,381							770,289	777,014	(6,725)
Central				1,046	418	628							1,046	418	628
Community services	2,872	2,872		181,731	176,425	5,306							184,603	176,425	8,178
Extracurricular activities	426,755	381,081	45,674	184,097	188,551	(4,454)							610,852	569,632	41,220
Facilities acquisition & construction	1,719,241	1,794,896	(75,655)	132						1,774,170	1,572,008	202,162	3,493,543	3,366,904	126,639
Debt service:															
Principal retirement										314,000	314,000		314,000	314,000	
Interest and fiscal charges										7,985	7,985		7,985	7,985	
Total expenditures	34,571,591	35,384,348	(812,757)	4,680,517	4,370,929	309,588	13,000	12,529	471	2,765,615	2,625,706	139,909	42,030,723	42,393,512	(362,789)
Excess(Deficiency) of Revenues Over(Under) Expenditures	2,181,468	(3,067,276)	(5,248,744)	234,718	(331,274)	(565,992)	651,135	552,489	(98,646)	708,590	157,908	(550,682)	3,775,911	(2,688,153)	(6,464,064)
OTHER FIN. SOURCES(USES):															
Sale of fixed assets	558	1,099	541										558	1,099	541
Advances-in and not repaid		659,370	659,370		60,000	60,000				7,985	7,985		0	727,355	727,355
Advances-out and not repaid		(192,985)	(192,985)		(159,371)	(159,371)				(436,446)	(500,000)	(63,554)	(436,446)	(852,356)	(415,910)
Refund of prior year expenditure		45,226	45,226	730	816	86							730	46,042	45,312
Refund of prior year receipt				(2,669)	(9,976)	(7,307)							(2,669)	(9,976)	(7,307)
Proceeds from Sale of Notes										314,000	314,000		314,000	314,000	
Sale of Bonds										15,913,000	15,913,000		15,913,000	15,913,000	
Operating transfers in				81,437	67,500	(13,937)							81,437	67,500	(13,937)
Operating transfers (out)	(64,610)	(67,500)	(2,890)										(64,610)	(67,500)	(2,890)
TOT. OTHER FIN. SOURCES(USES)	(64,052)	445,210	509,262	79,498	(41,031)	(120,529)	0	0	0	15,790,554	15,734,985	(55,569)	15,806,000	16,139,164	333,164
Excess(Deficiency)of Revenues& Other Fin. Sources over(under) Expend & Other Financing (Uses)	2,117,416	(2,622,066)	(4,739,482)	314,216	(372,305)	(686,521)	651,135	552,489	(98,646)	16,499,144	15,892,893	(606,251)	19,581,911	13,451,011	(6,130,900)
Fund balance, July 1	5,420,522	5,420,522		943,660	943,660		99,117	99,117		994,098	994,098		7,457,397	7,457,397	
Prior year encumb. appropriated	1,173,169	1,173,169		163,320	163,320					279,265	279,265		1,616,754	1,615,754	
Fund balance, June 30	\$8,711,107	\$3,971,625	(\$4,739,482)	\$1,421,196	\$734,675	(\$686,521)	\$750,252	\$651,606	(\$98,646)	\$17,772,507	\$17,166,256	(\$606,251)	\$28,655,062	\$22,524,162	(\$6,130,900)

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

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating revenues:				
Tuition and fees	\$16,617			\$16,617
Sales/charges for services	719,786	54,845		774,631
Investment earnings			6,264	6,264
Total operating revenues	736,403	54,845	6,264	797,512
Operating expenses:				
Personal services	1,056,825			1,056,825
Contract services	134,548	86,802		221,350
Materials and supplies	870,308		300	870,608
Depreciation	6,842			6,842
Interest expense	1,317			1,317
Other operating expenses			3,000	3,000
Total operating expenses	2,069,840	86,802	3,300	2,159,942
Operating income (loss)	(1,333,437)	(31,957)	2,964	(1,362,430)
Nonoperating revenues (expenses):				
Operating grants	916,722			916,722
Federal donated commodities	168,502			168,502
Miscellaneous nonoperating revenue	10,179			10,179
Total nonoperating revenues(expenses)	1,095,403	0	0	1,095,403
Net income before operating transfers	(238,034)	(31,957)	2,964	(267,027)
Operating transfers in	75,000			75,000
Net income	(163,034)	(31,957)	2,964	(192,027)
Retained earnings/fund balance July 1	(114,744)	31,957	108,601	25,814
Retained earnings/fund balance, June 30	<u>(\$277,778)</u>	<u>\$0</u>	<u>\$111,565</u>	<u>(\$166,213)</u>

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

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Cash flows from operating activities:				
Cash received from tuition and fees	\$16,891			\$16,891
Cash received from sales/service charges	721,669	54,845		776,514
Cash received from interest reported as operating income			6,264	6,264
Cash payments for personal services	(1,044,732)			(1,044,732)
Cash payments for contract services	(127,471)	(86,802)		(214,273)
Cash payments supplies and materials	(681,092)		(300)	(681,392)
Cash payments for other expenses	(7,804)		(3,000)	(10,804)
Net cash provided by (used in) operating activities.	(1,122,539)	(31,957)	2,964	(1,151,532)
Cash flows from noncapital financing activities:				
Cash received from operating grants	1,035,869			1,035,869
Cash received from interfund loans	125,000			125,000
Cash received from nonoperating activities	10,179			10,179
Net cash provided by noncapital financing activities.	1,171,048	0	0	1,171,048
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(22,288)			(22,288)
Net cash used in capital and related financing activities	(22,288)	0	0	(22,288)
Net increase (decrease) in cash and cash equivalents.	26,221	(31,957)	2,964	(2,772)
Cash and cash equivalents at beginning of year	59,371	31,957	108,601	199,929
Cash and cash equivalents at end of year	\$85,592	\$0	\$111,565	\$197,157
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss).	(\$1,333,437)	\$2,964	(\$31,957)	(\$1,362,430)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	6,842			6,842
Federal donated commodities	168,502			168,502
Changes in assets and liabilities:				
(Increase)Decrease in supplies inventory	9,845			9,845
(Increase)Decrease in accounts receivable	1,883			1,883
Increase(Decrease) in accounts payable.	25,775			25,775
Increase(Decrease) in accrued wages & benefits.	10,851			10,851
Increase(Decrease) in compensated absences payable.	4,940			4,940
Increase(Decrease) in pension obligation payable.	(3,698)			(3,698)
Increase(Decrease) in capital lease payable	1,317			1,317
Increase(Decrease) in deferred revenue.	(15,359)			(15,359)
Net cash provided by (used in) operating activities.	(1,122,539)	\$2,964	(\$31,957)	(1,151,532)

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

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District ranks as the 47th largest by enrollment among the 612 districts in the State. It currently operates 11 elementary schools, 3 middle schools, and 1 comprehensive high school. The District employs 247 non-certified, 503 certified, and 30 administrative full-time and part-time employees to provide services to approximately 5,821 students in grades K through 12, more than 3,000 adult education students, and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Related Organization:

Marion Public Library - The District is not involved in the budgeting process or operational management of the Library, nor does it subsidize or finance its operations. The selection of directors and approval of the annual budget by the District is conducted only to comply with statutory requirements.

Joint Venture Without Equity Interest:

The District is a member of the Tri-Rivers Educational Computer Association, one of over two-dozen such consortiums in the State. This consortium was organized as a council-of-governments entity in accordance with Ohio statute. While the District and the other members are assessed annual user fees and (periodically) capital improvement fees, none of the members retain an equity interest in the consortium.

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Jointly Governed Organization:

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

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

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust, Nonexpendable Trust and Agency Funds. Agency Funds are presented on a budgetary basis with note disclosure, if applicable, regarding items which, in other fund types, would be subject to accrual.

ACCOUNT GROUPS

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

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

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

days after the June 30 year end. Revenues accrued at the end of the fiscal year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at fiscal yearend. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal yearend.

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

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

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

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2000 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Marion County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that

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MARION COUNTY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding fiscal year as reported by the District Treasurer. The Certificate may be further amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each fiscal year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the fiscal year for all funds consistent with the general obligation bond indenture and other statutory provisions. Footnote #18 identifies the individual function levels that had expenditures exceeding appropriations..
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the fiscal year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations during fiscal 2000 were legally enacted by the Board as follows:

	<u>INCREASE/ (DECREASE)</u>
General	\$2,660,000
Special Revenue	1,219,224
Debt Service	13,000
Capital Projects	2,414,455
Enterprise	(56,781)
Internal Service	92,160
Trusts	300
Agency	<u>3,567</u>
TOTAL	<u>\$6,345,925</u>

8. Unencumbered appropriations lapse at fiscal yearend. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at fiscal yearend (not recognized as accounts payable) appear as a reserve to the fund balance on a GAAP basis (Exhibit 1) and as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Proprietary Funds are disclosed in the notes to the financial statements.

E. Cash and Investments

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

During fiscal year 2000, investments were limited to STAROhio, repurchase agreements, treasury notes and federal agency securities.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$590,820.

The school district has segregated bank accounts for monies held separate from the School District's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "Cash in Segregated Accounts" since they are not required to be deposited into the School District's treasury.

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

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

F. Inventory

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

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

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

2. Proprietary and Nonexpendable Trust Funds

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

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

H. Intergovernmental Revenues

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund
State Foundation Program
State Property Tax Relief

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Special Revenue Funds

Disadvantaged Pupil Impact Aid
Auxiliary Services

Non-Reimbursable Grants

Special Revenue Funds

Disadvantaged Pupil Program
Reading Recovery
Early Childhood Education
Adolescent Pregnancy Program
School Building Incentive
Management Information Systems
Adult Basic Education
Education for Economic Security
Title VI-B
Excellence in Education
Title I
Title VI
Drug-Free Schools
Pre-school for the Handicapped

Capital Project Funds

School Net
Emergency School Building Repair

Reimbursable Grants

General Fund

School Bus Purchases
Driver Education
Vocational Education Travel/Salary

Capital Project Funds

Vocational Education Equipment

Proprietary

National School Lunch Program
National School Milk Program
Adult Education

Grants and entitlements amounted to approximately 40% of the District's operating revenue during the 2000 fiscal year.

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

I. Short-Term Interfund Receivables/Payables

At June 30, 2000 the District had short-term interfund loans which are classified as "interfund loans receivable/payable." All such short-term interfund loans are made pursuant to Board of Education resolution and are repaid in the following fiscal year. An analysis of interfund balances is reflected in Note 5.

J. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation. An analysis of long-term advances is presented in Note 5.

K. Compensated Absences

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

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

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

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

L. Long-Term Obligations

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

M. Fund Equity

Contributed capital is recorded in Proprietary funds that received capital grants or contributions from other funds. Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, long-term advances, materials and supplies inventory, prepaids, and tax revenue unavailable for appropriation. In addition, although the Nonexpendable Trust Fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment, and for available cash from which student scholarship awards will be made. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

N. Interfund Transactions

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. An analysis of the District's operating transfers for fiscal 2000 is presented in Note 5.

O. Prepaids and Deferrals

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

P. Estimates

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

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Q. Statement of Cash Flows

In September 1989, the Governmental Accounting Standards Board (GASB) issued Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." The District has presented (Exhibit 5) a statement of cash flows for its Enterprise, Internal Service and Nonexpendable Trust funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

R. Parochial Schools

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

S. Financial Reporting for Proprietary and Similar Fund Types

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

T. Memorandum Only - Total Columns

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

**NOTE 3 - CHANGES IN FINANCIAL STATEMENT PRESENTATION AND OTHER
FUND DISCLOSURES**

A. Change in accounting principle

For fiscal year 1998, the District has implemented the provisions of Statement No. 27 of the Governmental Accounting Standards Board, "Financial Reporting for Defined Benefit Pension Plans". GASB Statement No. 27 establishes new reporting requirements for the District's pension obligations. Implementation of GASB Statement No. 27 had no effect on previously reported fund equity/retained earnings.

MARION CITY SCHOOL DISTRICT
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NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

For fiscal year 1998, the District has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investments Pools." The statement established accounting and reporting guidelines for government investments and investment pools. Certain investments which were reported at cost in previous years are now reported at fair value.

B. Accountability and Compliance

Deficit Fund Balances/Retained Earnings

Fund balance/retained earnings at June 30, 2000 included the following individual fund deficits:

<u>Special Revenue Funds</u>	<u>Deficit Balance</u>
DPIA	(11,563)
Ohio Reads Grant	(208)
Title I (87,105)	
<u>Capital Project Funds</u>	
Building	(7,985)
<u>Enterprise Funds</u>	
Food Service	(307,631)

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety

MARION CITY SCHOOL DISTRICT
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company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

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

Cash on Hand. At fiscal year end, the School District had \$2,125 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents.

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

Deposits: At year end, the carrying amount of the District's deposits was \$4,919,747 (including \$4,942,396 in non-negotiable certificates of deposit and \$2,125 in cash on hand) and the bank balance (including non-negotiable certificates of deposit) was \$5,811,526 (both exclusive of payroll clearance accounts).

Of the bank balance and CDs, \$603,706 was covered by federal depository insurance and \$5,207,820

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was covered by collateral held by third party trustees pursuant to Section 135.181 of the Ohio Revised Code, in collateral pools securing all public funds on deposit with the District's depositories.

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

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

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

	<u>Carrying Value</u>	<u>Fair Value</u>
Category 3:		
U.S. Government Securities	\$20,393,769	\$20,740,631
Not Subject to Categorization:		
Investment in State		
Treasurer's Investment Pool	<u>574,021</u>	<u>574,021</u>
Total Investments	<u>\$20,967,790</u>	<u>\$21,314,652</u>

A reconciliation between the classifications of Equity in pooled cash and cash equivalents and investments on the Combined Balance Sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
Combined Balance Sheet	\$26,234,765	\$ -0-
<u>Reclassifications:</u>		
U.S. Government Securities	(20,740,631)	20,740,631
Bond & Coupon Account	(366)	-0-
State Treasurer's Investment Pool	<u>(574,021)</u>	<u>574,021</u>
Per GASB Statement No. 3	<u>\$4,919,747</u>	<u>\$21,314,652</u>

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

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund Loans Payable/Receivable

Interfund balances at June 30, 2000, consist of the following individual interfund loans receivable and/or payable:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans (Payable)</u>
<u>General Fund</u>	\$192,985	
<u>Special Revenue Funds</u>		
Title VI-B		\$(60,000)
<u>Capital Project Funds</u>		
Building		(7,985)
<u>Enterprise Funds</u>		
Food Service	_____	(125,000)
Total	<u>\$192,985</u>	<u>\$ (192,985)</u>

B. The following is a reconciliation of the District's operating transfers for fiscal year 2000:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
<u>General Fund</u>	16,257	\$(176,662)
<u>Special Revenue Funds</u>		
District-Managed Activity	95,662	(16,257)
Children Trust	6,000	
<u>Enterprise Funds</u>		
Food Service	<u>75,000</u>	_____
Totals	<u>\$192,919</u>	<u>\$(192,919)</u>

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NOTE 6 - PROPERTY TAXES

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

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

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

The assessed value upon which the 1998 taxes were collected was \$314,871,480. Agricultural/Residential and public utility real estate represented 58.3% or \$183,516,970 of this total; Commercial & Industrial real estate represented 18.1% or \$57,009,190; public utility tangible 9.1% or \$28,753,620; and general tangible property 14.5% or \$45,591,700. The voted general tax rate for operations at the fiscal year ended June 30, 2000 was \$46.69 per \$1,000.00 of assessed valuation.

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of real tax advances of the August settlement available June 30) intended to finance current fiscal year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accounts (other local revenue and tuition fees), and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds. A summary of the principal items of receivables follows:

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	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current & Delinquent	\$10,282,433
Accounts Receivable	32,031
Accrued Interest Receivable	80,122
Due from Other Governments	27,588
<u>Special Revenue Funds</u>	
Accounts Receivable	1,689
Due from Other Governments	34,281
<u>Enterprise Funds</u>	
Accounts Receivable	898
Due from Other Governments	770

NOTE 8 - FIXED ASSETS

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

	<u>Balance</u> <u>July 1, 2000</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2000</u>
Land/ Improvements	\$ 775,082	1,676,590		\$ 2,451,672
Buildings	14,166,887	620,257		14,787,144
Furniture/ Equipment	6,191,278	1,539,019	(578,515)	7,151,782
Vehicles	165,486	20,000	(6,400)	179,086
Buses	<u>565,243</u>	<u>116,432</u>	<u>(97,986)</u>	<u>583,689</u>
Total	<u>\$21,863,976</u>	<u>\$3,972,298</u>	<u>\$(682,901)</u>	<u>\$25,153,373</u>

A summary of the Proprietary and Similar Fiduciary Funds fixed assets at June 30, 2000 follows:

	<u>Proprietary</u>
Furniture and Equipment	\$254,615
Less Accumulated Depreciation	<u>(210,483)</u>
Net Fixed Assets	<u>\$ 44,132</u>

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NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Financial Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types and Expendable Trust Funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Asset Account Group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2000 fiscal year totaled \$9,648. This amount is reflected as Debt Service Principal Retirement in the General Fund.

Also, a fund liability exists for the Enterprise Fund Types for a lease entered into in the Food Service Fund. Principal payments in the 2000 fiscal year totaled \$7,323.

The following is an analysis of equipment leased under capital leases as of June 30, 2000:

	<u>General Fixed Assets</u>
Equipment (copiers & food service)	\$ 66,377
Vehicles (school buses)	<u>48,280</u>
Carrying Value	<u><u>\$114,657</u></u>

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2000:

<u>June 30 Year Ending</u>	<u>Food Service</u>
2001	8,640
2002	<u>720</u>
Total Minimum Lease Payments	9,360
Less: Amount Representing Interest	<u>(537)</u>
Present Value of Future Minimum Lease Payment	<u><u>\$8,823</u></u>

The District does not have capitalized lease obligations after fiscal year 2002.

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NOTE 10 - LONG-TERM DEBT

1. During the 2000 fiscal year, the District issued General Obligation Bond Anticipation Notes to provide funds for constructing a high school and three elementary schools; renovating, remodeling and improving existing school buildings and facilities, including converting the existing middle school to an elementary school, improving access for the disabled and health and safety upgrades; furnishing and equipping the same, including technology for classroom instruction; and landscaping and improving the sites thereof. The General Obligation Bond Anticipation Notes is a general obligation of the District contains a pledge of the full faith and credit of the District. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Debt Account Group. Payments of principal and interest relating to the General Obligation Bond Anticipation Notes are recorded as an expenditure in the Debt Service Fund. The source of payment is derived from a current 3.69 mill bonded debt tax levy.
- This General Obligation Bond Anticipation Notes represents the amount of the construction project that the District itself was required to finance, in accordance with the terms of the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed.

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

The following is a description of the Marion City School District General Obligation Bond Anticipation Notes outstanding as of June 30, 2000:

<u>Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 6/30/00</u>
School Facilities Construction & Improvement Notes	5.36%	12/21/99	08/17/00	\$ 9,900,000
School Facilities Construction & Improvement Notes	5.36%	02/03/00	08/17/00	<u>6,013,000</u>
				<u>\$15,913,000</u>

- B. During the fiscal year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will ultimately be paid from the fund from which the employee is paid.

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	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2000</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>June 30, 2000</u>
<u>Compensated Absences</u>				
Severance	\$2,122,656	\$294,283	\$ (187,626)	\$2,229,313
Vacation	16,189	223,232	(127,359)	112,062
Pension Obligation	<u>211,978</u>	<u>242,599</u>	<u>(211,978)</u>	<u>242,599</u>
TOTAL	<u>\$2,350,823</u>	<u>\$760,114</u>	<u>\$(526,963)</u>	<u>\$2,583,974</u>

C. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$28,437,550 (including available funds of \$1,013,926) and an unvoted debt margin of \$314,871.

NOTE 11 - RISK MANAGEMENT

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

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

During fiscal year 2000, the District purchased from Nationwide Insurance Company (through the Ohio School Boards' Association) general liability insurance, which carried a \$2 million per occurrence/\$5 million annual aggregate limit.

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

OSBA WORKER'S COMPENSATION GROUP RATING

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

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NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three Enterprise funds to account for the operations of food service, uniform school supplies, and adult education programs. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenue	\$719,786	\$16,617		\$736,403
Depreciation	6,323		\$ 519	6,842
Operating Income (Loss)	(1,303,769)	9,258	(38,926)	(1,333,437)
Operating Grants	877,620		39,102	916,722
Net Income (Loss)	(247,468)	9,258	176	(238,034)
Property, plant and equipment Additions	10,891		2,757	13,648
Working Capital	(345,501)	11,450	12,141	(321,910)
Total Assets	170,021	11,649	20,084	201,754
Total Liabilities	477,652	199	1,681	479,532
Total Equity	(307,631)	11,450	18,403	(277,778)
Encumbrances Outstanding as of 6/30/00	29,120	8,069	1,167	38,356

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2000; 7.70 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$597,127, \$565,932, and \$566,027, respectively; 50 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 2000 and 1998. \$299,256, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

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B. STATE TEACHERS RETIREMENT SYSTEM

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 12 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$2,939,598, \$2,808,295, and \$2,592,327, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 2000 and 1998. \$480,592, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. SOCIAL SECURITY SYSTEM

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

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$419,943 during the 2000 fiscal year. As of June 30, 2000, eligible benefit recipients totaled 95,796. For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$249,929,000.

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

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, equaled \$343,719 during the 2000 fiscal year. The number of participants currently receiving health care benefits is approximately 51,000. For the fiscal year ended June 30, 2000, net health care costs paid by SERS were \$126,380,984.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses**

Governmental Fund Types

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Expendable Trust</u>
Budget Basis	\$(2,622,066)	\$(372,306)	\$552,489	\$15,892,893	\$ -
Net Adjustment for Revenue Accruals	227,612	(123,859)	362,320	281,742	785
Net Adjustment for Expenditure Accruals	(108,753)	(41,364)	-	(726,246)	(3,000)
Net Adjustment for Other Financing Sources/Uses	(604,516)	126,437	-	492,015	-
Adjustment for Encumbrances	<u>1,793,541</u>	<u>262,126</u>	<u>-</u>	<u>1,022,298</u>	<u>-</u>
GAAP Basis	<u>\$(1,314,182)</u>	<u>\$(148,966)</u>	<u>\$914,809</u>	<u>\$16,962,702</u>	<u>\$ (2,215)</u>

NOTE 16 - CONTINGENT LIABILITIES

A. Grants

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

B. Litigation

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

C. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 2000, the District received \$19,788,714 of school foundation support for its General fund, and \$20,463,672 in total (all funds) support.

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Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 2000, determined they are not sufficiently responsive to the constitutional issues raised under the “thorough and efficient” clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The court concluded, “...the mandate of the (Ohio) Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant further attention, study, and development by the General Assembly...,” including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, Which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future state funding under this program and on its financial operation.

NOTE 17 -- STATUTORY RESERVES (Cash Basis)

The District is required by state law to set aside certain general fund revenue amounts, as defined into various reserves. During fiscal year ended June 30, 2000, the reserve activity was as follows:

	Textbook Reserves	Capital Maintenance Reserves	Budget Stabilization Reserves	Totals
Balance 7/1/99	\$ -0-	\$ -0-	\$ 284,694	\$ 284,694
Required Set-Aside	863,899	863,899	287,966	2,015,764
Offset Credits	-0-	-0-	-0-	-0-
Qualifying Expenditures	<u>863,899</u>	<u>863,899</u>	<u>-0-</u>	<u>1,727,798</u>
Balance 6/30/00	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 572,660</u>	<u>\$ 572,660</u>
Cash Balance Carried Forward to FY 2001	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 572,660</u>	<u>\$ 572,660</u>
Total Restricted Assets				<u>\$ 572,660</u>

MARION CITY SCHOOL DISTRICT
MARION COUNTY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 18 - COMPLIANCE, AND ACCOUNTABILITY

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit shall make an expenditure of money unless it has been appropriated. The following individual function levels had expenditures that exceeded appropriations as found on page 5:

General Fund:	
Regular Instruction	\$329,595
Special Instruction	106,015
Vocational Instruction	17,117
Other Instruction	4,854
Pupil Support Services	42,498
Instructional Staff Support Services	2,718
Board of Education	6,704
Administration Support Services	110,155
Fiscal Support Services	16,752
Business	6,387
Operation and Maintenance of Plant Support Services	128,747
Pupil Transportation Support Services	14,106
Facilities Acquisition and Construction	75,655
Special Revenue:	
Special Instruction	462
Extracurricular Activities	4,454
Capital Projects:	
Fiscal	176

**MARION CITY SCHOOL DISTRICT
MARION COUNTY
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Grantor Number	CASH BALANCE 07/01/00	RECEIPTS	ADVANCE IN (OUT)	DISBURSEMENTS	CASH BALANCE 06/30/00
UNITED STATES DEPARTMENT OF EDUCATION							
<i>Passed Through State Department of Education</i>							
Adult Basic Education:							
(501-9000)	84.002	AB-S1-00	\$ 0	\$ 122,974	\$ 0	\$ 81,395	\$ 41,579
(501-9199)	84.002	AB-S1-99C	0	18,466	0	16,593	1,873
			0	141,440	0	97,988	43,452
Title I - Education Consolidation & Improvement Act:							
(572-9098)	84.010	CI-SI-00	0	1,149,697	0	1,036,149	113,548
(572-9000)	84.010	CI-SI-99C	0	82,141	0	82,141	0
(572-9099)	84.010	CI-SI-99	220,213	0	(15,422)	204,791	0
			220,213	1,231,838	(15,422)	1,323,081	113,548
Title VI-B - Handicapped Preschool & School Programs (Special Education Cluster):							
(516-9098)	84.027	6B-SF-98	577	0	0	0	577
(516-9000)	84.027	6B-SF-00	0	370,710	60,000	304,939	125,771
(516-9099)	84.027	6B-SF-99	104,717	22,531	0	117,645	9,603
			105,294	393,241	60,000	422,584	135,951
Title VI-B - Preschool & School Programs (Special Education Cluster):							
(587-9000)	84.173	PG-SI-00	0	31,889	0	29,703	2,186
(587-9099)	84.173	PG-SI-99	22,214	0	(21,294)	920	0
			22,214	31,889	(21,294)	30,623	2,186
Title VI - Innovative Education Program Strategy:							
(573-9000)	84.298	C2-S1-00	0	33,254	0	16,298	16,956
(573-9199)	84.298	C2-S1-99C	0	19,659	0	9,624	10,035
(573-9198)	84.298	C2-SI-98C	11,442	0	(199)	11,013	230
(573-9099)	84.298	C2-SI-99	21,323	0	(12,727)	8,596	0
			32,765	52,913	(12,926)	45,531	27,221
Drug Free School Program:							
(584-9000)	84.186	DR-SI-00	0	58,505	0	34,950	23,555
(584-9198)	84.186	DR-SI-98C	402	0	(385)	17	0
(584-9199)	84.186	DR-SI-99C	0	4,490	0	3,514	976
(584-9099)	84.186	DR-SI-99	9,942	7,455	(11,945)	5,452	0
			10,344	70,450	(12,330)	43,933	24,531
Goals 2000:							
(599-9396)	84.276	G2-SI-96	1,210	0	(10)	0	1,200
(599-9000)	84.276	G2-SI-00	0	225,000	0	170,150	54,850
(599-9000)	84.276	G2-S2-99	0	57,375	0	13,814	43,561
(599-9100)	84.276	G2-S3-00	0	100,000	0	50,483	49,517
(599-9099)	84.276	G2-SI-98	76,500	0	0	76,500	0
(599-9700)	84.276	G2-S8-00	0	3,000	0	2,920	80
(599-9199)	84.276	G2-S4-98	561	0	0	530	31
			78,271	385,375	(10)	314,397	149,239
National Presidential Award:							
(599-9497)	84.276		4,087	0	0	0	4,087
Eisenhower Presidential Award							
(514-9097)	84.281	MS-SI-97	20,357	0	(20,357)	0	0
(514-9199)	84.281	MS-SI-99C	0	10,020	0	7,923	2,097
(514-9200)	84.281	MS-SI-00	0	29,904	0	12,039	17,865
(514-9099)	84.281	MS-SI-99C	21,729	102	(13,495)	8,336	0
			42,086	40,026	(33,852)	28,298	19,962
Comprehensive School Reform:							
(590-9100)	84.332	RF-SI-97	0	34,375	0	0	34,375
(590-9101)	84.332	RF-SI-99C	0	28,125	0	0	28,125
(590-9299)	84.332	NMS-SI-00	50,000	20,500	0	50,324	20,176
(590-9399)	84.332	MS-SI-99	25,000	22,000	0	27,826	19,174
			75,000	105,000	0	78,150	101,850
Class Size Reduction:							
(599-9500)	84.340	CR-SI-00	0	191,784	0	131,901	59,883
Virtual Middle School Grant:							
(599-9600)	84.318	TF-VM-00	0	27,000	0	26,973	27
TOTAL - Department of Education			590,274	2,670,956	(35,834)	2,543,459	681,937

SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CASH BASIS) (CONTINUED)

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Grantor Number	CASH BALANCE 07/01/00	RECEIPTS	ADVANCE IN (OUT)	DISBURSEMENTS	CASH BALANCE 06/30/00
UNITED STATES DEPARTMENT OF AGRICULTURE							
<i>Passed Through State Department of Education</i>							
Child Nutrition Cluster:							
National School Breakfast Program:							
(006-0000)	10.553	PU-00-99	0	35,562	0	35,562	0
(006-0000)	10.553	PU-00-00	0	87,064	0	87,064	0
National School Lunch Program:							
(006-0000)	10.555	PU-00-99	0	291,370	0	291,370	0
(006-0000)	10.555	PU-00-00	0	475,413	0	475,413	0
Summer Food Service Program:							
(006-9098)	10.559	ML-00-99	0	8,915	0	8,915	0
(006-9098)	10.559	ML-00-00	0	27,530	0	27,530	0
(006-9098)	10.559	AD-00-99	0	5,499	0	5,499	0
(006-9099)	10.559	AD-00-00	0	1,443	0	1,443	0
Food Distribution (Commodities)	10.550	N/A	54,517	152,795	0	168,502	38,810
TOTAL - Department of Agriculture			54,517	1,085,591	0	1,101,298	38,810
UNITED STATES DEPARTMENT OF LABOR							
<i>Passed through Marion Private Industry Council</i>							
PIC (501-9200)		N/A	140	0	(39)	101	0
Adult Basic Literacy Education Grant (501-9299)		N/A	0	4,908	0	4,729	179
School - To - Work (501-9397)	17.249	N/A	16,257	0	(16,257)	0	0
TOTAL - Department of Labor			16,397	4,908	(16,296)	4,830	179
TOTAL FEDERAL ASSISTANCE			\$ 661,188	\$ 3,761,455	\$ (52,130)	\$ 3,649,587	\$ 720,926

MARION CITY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SUPPLEMENTAL SCHEDULE**

**ANALYSIS OF COST LIMITATIONS AND BUDGET TO ACTUAL, ABLE
FOR THE YEAR ENDING, JUNE 30, 2000**

<u>CONTRACT NUMBER/COST CENTER</u>	<u>ALLOCATION</u>	<u>ADMINISTRATION MAXIMUM 20%</u>	<u>DIRECT TRAINING MINIMUM 80%</u>
Contract : 501-9299			
TOTAL ALLOCATION	\$4,908	\$ -	\$4,908
Expenditures:			
Expenditures 7/1/99 to 6/30/00	<u>4,729</u>	-	<u>4,729</u>
Unexpended Funds	<u>\$ 179</u>	<u>\$ -</u>	<u>\$ 179</u>
Percentage of Allocation	100%	0%	100 %

MARION CITY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SUPPLEMENTAL SCHEDULE**

**SCHEDULE OF VARIANCES
FOR THE YEAR ENDING, JUNE 30, 2000**

<u>ABLE</u>	<u>PRIVATE INDUSTRY COUNCIL</u>	<u>AUDIT REPORT</u>	<u>VARIANCES</u>
501-9299	\$4,908	\$4,729	\$ 179

MARION CITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(1) Scope of Audit:

The Marion City School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Marion City School is a local school district created under provisions of Section 3311.03 of the Ohio Revised Code. The district is operated under an elected board of education consisting of five members. The school district provides public education to residents of the district.

The district received a significant amount of Federal Program funds from the United States Department of Education pass-through the Ohio Department of Education, the U. S. Department of Agriculture pass-through the Ohio Department of Education, and the U. S. Department of Agriculture.

Single audit testing procedures were performed for program transactions occurring during the fiscal year ended June 30, 2000.

(2) Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards has been prepared in conformity with requirements of Circular A-133 which requires that at least expenditures be shown in the schedule. The schedule has been prepared on the cash basis of accounting, except expenditures of assistance passed through the Marion Private Industry Council Job Training Partnership Programs (ABLE) are presented on an accrual basis.

Some Federal Revenue was received on a reimbursement basis. Expenditures were commingled with other fund monies and could not be segregated by source. An assumption was made that federal expenditures, therefore, equaled federal receipts. Certain Federal Programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

REICHERT & ASSOCIATES, CPA'S

206 West Hardin Street
Findlay, Ohio 45840
Phone 419-422-6131
Fax 419-422-1372

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Marion City School District

We have audited the financial statements of Marion City School District as of and for the fiscal year ended June 30, 2000, and have issued our report thereon dated December 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2000-01. We noted other matters involving compliance that we have reported to management of Marion City School District in a separate letter dated December 15, 2000.

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 opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over financial reporting that we have reported to management of Marion City School District in a separate letter dated December 15, 2000.

This report is intended for the information and use of 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.

December 15, 2000
Findlay, Ohio

REICHERT & ASSOCIATES, CPA'S
CERTIFIED PUBLIC ACCOUNTANTS

REICHERT & ASSOCIATES, CPA'S

206 West Hardin Street
Findlay, Ohio 45840
Phone 419-422-6131
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Marion City Schools

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 fiscal year ended June 30, 2000. 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 each of its major federal programs is the responsibility Marion City School District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 each of its major federal programs for the fiscal year ended June 30, 2000.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk the noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of 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.

December 15, 2000
Findlay, Ohio

REICHERT & ASSOCIATES, CPA'S
CERTIFIED PUBLIC ACCOUNTANTS

MARION CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	National School Lunch Program CFDA # 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

2000-01:

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit shall make an expenditure of money unless it has been appropriated. The following individual function levels had expenditures that exceeded appropriations as found on page 5:

General Fund:	
Regular Instruction	\$329,595
Special Instruction	106,015
Vocational Instruction	17,117
Other Instruction	4,854
Pupil Support Services	42,498
Instructional Staff Support Services	2,718
Board of Education	6,704
Administration Support Services	110,155
Fiscal Support Services	16,752
Business	6,387
Operation and Maintenance of Plant Support Services	128,747
Pupil Transportation Support Services	14,106
Facilities Acquisition and Construction	75,655
Special Revenue:	
Special Instruction	462
Extracurricular Activities	4,454
Capital Projects:	
Fiscal	176

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

MARION CITY SCHOOL DISTRICT

**STATUS OF PRIOR AUDIT'S
FINDINGS, CITATIONS, AND REPORTABLE CONDITIONS**

The prior audit report for the period ending June 30, 1999 did not include any citations or reportable conditions that were considered material weaknesses. Management letter recommendations were made, however, and in most cases were not implemented.

Findings For Recovery:

None

<u>Reportable Condition:</u>	<u>Status</u>	<u>Explanation if not fully Implemented</u>
None	N/A	N/A

Citations:

99-01 and 99-02 Ohio Revised Code Section 117.28 Misappropriation of Public Money	Corrected	N/A
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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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MARION CITY SCHOOL DISTRICT

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 6, 2001**