



Dave Yost • Auditor of State

**MARION CITY SCHOOL DISTRICT
MARION COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
General Purpose External Financial Statements	
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government – Wide Financial Statements:	
Statement of Net Position	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	20
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to The Statement of Activities	24
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	26
Statement of Net Position – Proprietary Funds	28
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	29
Statement of Cash Flows – Proprietary Funds	30
Statement of Net Position – Fiduciary Fund	31
Statement of Changes in Net Position – Fiduciary Fund.....	32
Notes to the Basic Financial Statements	33
Schedule of District's Proportionate Share of the Net Pension Liability	78
Schedule of District's Contributions	79

MARION CITY SCHOOL DISTRICT
MARION COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Schedule of Federal Awards Receipts and Expenditures.....	81
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	82
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	83
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133.....	85
Schedule of Findings.....	89
Corrective Action Plan.....	92
Schedule of Prior Audit Findings.....	93



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Marion City School District, Marion County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Marion City School District, Marion County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

April 25, 2016

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MARION CITY SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

Unaudited

The discussion and analysis of Marion City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2015 are as follows:

- ❑ In total, net position decreased \$1,958,551. Net position of governmental activities decreased \$2,257,148, which represents a 15.2% decrease from 2014. Net position of business-type activities increased \$298,597, a 4.6% increase from 2014.
- ❑ General revenues accounted for \$44,721,171, or 73% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$16,778,710 or 27% of total revenues of \$61,499,881.
- ❑ The District had \$60,242,168 in expenses related to governmental activities; only \$13,264,224 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily unrestricted intergovernmental revenues) of \$44,720,796 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$51,864,317 in revenues and \$54,097,389, including transfers out, in expenditures. The general fund's fund balance decreased from a balance of \$12,177,841 to an ending balance of \$9,944,769.
- ❑ Net position of the enterprise funds increased \$291,375.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

MARION CITY SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015*

Unaudited

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

MARION CITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

Unaudited

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

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net position for 2015 compared to 2014:

	Governmental Activities		Business-type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Current and other assets	\$29,159,584	\$31,168,685	\$1,467,369	\$1,024,547	\$30,626,953	\$32,193,232
Capital assets, Net	73,561,191	75,482,709	6,815,818	6,964,971	80,377,009	82,447,680
Total assets	<u>102,720,775</u>	<u>106,651,394</u>	<u>8,283,187</u>	<u>7,989,518</u>	<u>111,003,962</u>	<u>114,640,912</u>
Deferred outflows of resources	<u>4,500,293</u>	<u>3,720,408</u>	<u>100,287</u>	<u>87,736</u>	<u>4,600,580</u>	<u>3,808,144</u>
Net pension liability	58,088,569	69,069,418	1,096,286	1,288,151	59,184,855	70,357,569
Other long-term liabilities	13,693,604	14,742,035	62,398	64,481	13,756,002	14,806,516
Other liabilities	7,117,609	6,105,397	272,375	254,625	7,389,984	6,360,022
Total liabilities	<u>78,899,782</u>	<u>89,916,850</u>	<u>1,431,059</u>	<u>1,607,257</u>	<u>80,330,841</u>	<u>91,524,107</u>
Deferred inflows of resources	<u>15,775,636</u>	<u>5,652,154</u>	<u>183,821</u>	<u>0</u>	<u>15,959,457</u>	<u>5,652,154</u>
Net position (deficit):						
Net investment in capital assets	66,067,608	66,981,398	6,815,818	6,964,971	72,883,426	73,946,369
Restricted	3,034,808	3,198,142	0	0	3,034,808	3,198,142
Unrestricted	<u>(56,556,766)</u>	<u>(55,376,742)</u>	<u>(47,224)</u>	<u>(494,974)</u>	<u>(56,603,990)</u>	<u>(55,871,716)</u>
Total net deficit	<u>\$12,545,650</u>	<u>\$14,802,798</u>	<u>\$6,768,594</u>	<u>\$6,469,997</u>	<u>\$19,314,244</u>	<u>\$21,272,795</u>

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

MARION CITY SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015***

Unaudited

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

MARION CITY SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015*

Unaudited

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$80,563,831 to a net position of \$14,802,798 in governmental activities and from \$7,670,412 to a net position of \$6,469,997 in business-type activities.

At fiscal year-end for governmental activities, capital assets represented 72% of total assets. Capital assets include land, land improvements, buildings and improvements, machinery and equipment, and vehicles. Net investment in capital assets, at June 30, 2015 was \$66,067,608. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$3,032,583, represents resources that are subject to external restriction on how they may be used. Excluding the effect of implementing GASB 68, the District has approximately \$9 million in unrestricted net position which may be used to meet the District's ongoing obligations to the students and creditors.

MARION CITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

Unaudited

Changes in Net Position – The following table shows the changes in net position for the fiscal year 2015 compared to 2014:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for Services and Sales	\$1,671,349	\$1,838,701	\$84,130	\$80,563	\$1,755,479	\$1,919,264
Operating Grants	11,592,875	11,018,274	3,430,356	2,259,904	15,023,231	13,278,178
Total Program Revenues	<u>13,264,224</u>	<u>12,856,975</u>	<u>3,514,486</u>	<u>2,340,467</u>	<u>16,778,710</u>	<u>15,197,442</u>
General Revenues:						
Property Taxes	9,706,174	9,635,380	0	0	9,706,174	9,635,380
Payment in Lieu of Taxes	9,088	7,685	0	0	9,088	7,685
Intergovernmental, Unrestricted	34,423,418	31,964,596	0	0	34,423,418	31,964,596
Other	582,116	609,408	375	799	582,491	610,207
Total General Revenues	<u>44,720,796</u>	<u>42,217,069</u>	<u>375</u>	<u>799</u>	<u>44,721,171</u>	<u>42,217,868</u>
Total Revenues	<u>57,985,020</u>	<u>55,074,044</u>	<u>3,514,861</u>	<u>2,341,266</u>	<u>61,499,881</u>	<u>57,415,310</u>
Program Expenses						
Instruction	33,534,593	31,563,006	0	0	33,534,593	31,563,006
Support Services:						
Pupils	2,646,720	2,919,085	0	0	2,646,720	2,919,085
Instructional Staff	3,566,475	3,017,165	0	0	3,566,475	3,017,165
Board of Education	59,690	36,318	0	0	59,690	36,318
Administration	5,060,867	4,125,725	0	0	5,060,867	4,125,725
Fiscal Services	778,355	729,288	0	0	778,355	729,288
Business	450,381	292,525	0	0	450,381	292,525
Operation and Maintenance of Plant	6,046,472	5,369,492	0	0	6,046,472	5,369,492
Pupil Transportation	1,309,319	1,294,144	0	0	1,309,319	1,294,144
Central	1,247,245	984,154	0	0	1,247,245	984,154
Operation of Non-Instructional Services	3,973,277	3,538,696	0	0	3,973,277	3,538,696
Extracurricular Activities	1,000,558	1,046,563	0	0	1,000,558	1,046,563
Interest and Fiscal Charges	568,216	574,962	0	0	568,216	574,962
Food Service	0	0	3,216,264	2,712,429	3,216,264	2,712,429
Reading Recovery Support	0	0	0	8,247	0	8,247
Total Expenses	<u>60,242,168</u>	<u>55,491,123</u>	<u>3,216,264</u>	<u>2,720,676</u>	<u>63,458,432</u>	<u>58,211,799</u>
Change in Net Position	<u>(2,257,148)</u>	<u>(417,079)</u>	<u>298,597</u>	<u>(379,410)</u>	<u>(1,958,551)</u>	<u>(796,489)</u>
Beginning Net Position	<u>14,802,798</u>	N/A	<u>6,469,997</u>	N/A	<u>21,272,795</u>	N/A
Ending Net Position	<u>\$12,545,650</u>	<u>\$14,802,798</u>	<u>\$6,768,594</u>	<u>\$6,469,997</u>	<u>\$19,314,244</u>	<u>\$21,272,795</u>

MARION CITY SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015***

Unaudited

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$3,308,385 for Governmental Activities and \$87,736 for Business-type Activities computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$2,342,597 for Governmental Activities and \$69,617 for Business-type Activities . Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-type Activities
Total 2015 program expenses under GASB 68	\$60,242,168	\$3,216,264
Pension expense under GASB 68	(2,342,597)	(69,617)
2015 contractually required contribution	3,547,084	90,212
Adjusted 2015 program expenses	61,446,655	3,236,859
Total 2014 program expenses under GASB 27	55,491,123	2,720,676
Increase in program expenses not related to pension	<u>\$5,955,532</u>	<u>\$516,183</u>

Governmental Activities

Net position of the District's governmental activities decreased \$2,257,148. Overall, expenses remained stable, increasing approximately 8.6%.

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MARION CITY SCHOOL DISTRICT, OHIO

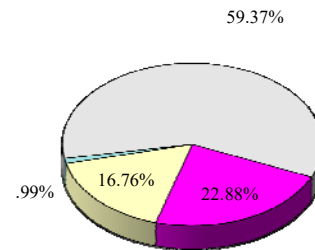
**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. However, the assessed millage cannot be reduced below 20 mills, according to state statutes. The District's assessed millage has already been reduced to the 20 mill floor. Consequently, the District will receive some increased revenues as property values increase with reappraisals.

The District's reliance upon tax revenues is demonstrated by the following graph indicating 16.76% of total revenues from general tax revenues:

Revenue Sources	2015	Percent of Total
General Grants	\$34,423,418	59.37%
Program Revenues	13,264,224	22.88%
General Tax Revenues	9,715,262	16.76%
General Other	582,116	0.99%
Total Revenue	<u>\$57,985,020</u>	<u>100.00%</u>



Business-Type Activities

Net position of the business-type activities increased \$298,597. Business-type activities receive no support from tax revenues and remain self-supporting.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$12,355,852, which is a decrease from last year's total of \$14,027,717. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	Fund Balance June 30, 2015	Fund Balance June 30, 2014	Increase (Decrease)
General	\$9,944,769	\$12,177,841	(\$2,233,072)
Other Governmental	2,411,083	1,849,876	561,207
Total	<u>\$12,355,852</u>	<u>\$14,027,717</u>	<u>(\$1,671,865)</u>

MARION CITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

Unaudited

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

	2015 Revenues	2014 Revenues	Increase (Decrease)
Taxes	\$8,358,998	\$8,372,487	(\$13,489)
Payment in Lieu of Taxes	9,088	7,685	1,403
Tuition and Fees	2,037,411	1,559,580	477,831
Investment Earnings	103,362	60,483	42,879
Extracurricular Activities	40,134	40,710	(576)
Intergovernmental	41,022,328	37,384,123	3,638,205
All Other Revenue	292,996	352,955	(59,959)
Total	\$51,864,317	\$47,778,023	\$4,086,294

General Fund revenues in 2015 increased by 8.5% when compared to revenues in fiscal year 2014. The increase in revenues was mostly related to the increase in intergovernmental revenues from State and Federal sources during the year.

	2015 Expenditures	2014 Expenditures	Increase (Decrease)
Instruction	\$30,973,274	\$28,008,546	\$2,964,728
Supporting Services:			
Pupils	2,657,501	2,874,697	(217,196)
Instructional Staff	880,056	854,035	26,021
Board of Education	59,954	36,318	23,636
Administration	4,869,044	3,926,395	942,649
Fiscal Services	764,624	691,721	72,903
Business	456,283	294,117	162,166
Operation & Maintenance of Plant	4,778,931	4,118,791	660,140
Pupil Transportation	1,397,825	1,127,528	270,297
Central	1,264,669	991,472	273,197
Operation of Non-Instructional Services	3,879,588	3,455,008	424,580
Extracurricular Activities	669,837	677,662	(7,825)
Capital Outlay	1,065,511	377,070	688,441
Principal Retirement	178,362	142,687	35,675
Interest and Fiscal Charges	126,930	82,084	44,846
Total	\$54,022,389	\$47,658,131	\$6,364,258

General fund expenditures increased by 13.3% during 2015 compared to 2014. The largest increase came in the Instruction and Administration expenditures.

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

MARION CITY SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015*

Unaudited

During the course of fiscal year 2015 the District did not amend its General Fund budget. Final budget basis revenue of \$49.1 million was the same as the original estimates. Actual budget basis revenue was \$51.8 million during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015 the School District had \$80,377,009 net of accumulated depreciation invested in land, buildings, improvements, equipment and vehicles. Of this total, \$73,561,191 was related to governmental activities and \$6,815,818 to the business-type activities. The following table shows fiscal year 2015 and 2014 balances:

	Governmental Activities		Increase (Decrease)
	2015	2014	
Land	\$1,965,229	\$1,965,229	\$0
Land Improvements	957,587	957,587	0
Buildings and Improvements	90,753,743	90,753,743	0
Machinery and Equipment	2,509,346	2,509,346	0
Vehicles	2,109,192	1,844,771	264,421
Less: Accumulated Depreciation	(24,733,906)	(22,547,967)	(2,185,939)
Totals	\$73,561,191	\$75,482,709	(\$1,921,518)

	Business-Type Activities		Increase (Decrease)
	2015	2014	
Land	\$151,853	\$151,853	\$0
Buildings and Improvements	8,616,936	8,616,936	0
Machinery and Equipment	113,095	88,151	24,944
Less: Accumulated Depreciation	(2,066,066)	(1,891,969)	(174,097)
Totals	\$6,815,818	\$6,964,971	(\$149,153)

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

MARION CITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

Unaudited

Debt

At June 30, 2015, the District had \$8.7 million in bonds outstanding, \$420,000 due within one year. The following table summarizes the District's long term obligations as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Governmental Activities:		
General Obligation Bonds	\$8,687,178	\$9,478,568
General Obligation Notes	2,053,166	2,182,965
Net Pension Liability	58,088,569	69,069,418
Capital Leases Payable	164,145	212,708
Compensated Absences	2,789,115	2,867,794
Total Governmental Activities	<u>71,782,173</u>	<u>83,811,453</u>
Business-Type Activities:		
Net Pension Liability	1,096,286	1,288,151
Compensated Absences	62,398	64,481
Total Business-Type Activities	<u>1,158,684</u>	<u>1,352,632</u>
Totals	<u><u>\$72,940,857</u></u>	<u><u>\$85,164,085</u></u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2015, the School District's overall legal debt margin was below the legal limit. Additional information on the District's long-term debt can be found in Note 12.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

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

MARION CITY SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015*

Unaudited

REQUESTS FOR INFORMATION

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

MARION CITY SCHOOL DISTRICT, OHIO

Statement of Net Position June 30, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Marion City Digital Academy	Rushmore Academy
Assets:					
Pooled Cash and Investments	\$ 15,826,164	\$ 963,871	\$ 16,790,035	\$ 440,078	\$ 1,007,033
Receivables:					
Taxes	12,215,233	0	12,215,233	0	0
Accounts	57,021	0	57,021	0	0
Intergovernmental	874,247	425,295	1,299,542	73,415	177,973
Due from Component Units	73,307	0	73,307	0	0
Interest	13,091	0	13,091	0	0
Internal Balance	(17,762)	17,762	0	0	0
Inventory Held for Resale	0	49,183	49,183	0	0
Inventory of Supplies at Cost	24,834	11,258	36,092	0	0
Prepaid Items	93,449	0	93,449	0	0
Non-Depreciable Capital Assets	1,965,229	151,853	2,117,082	0	0
Depreciable Capital Assets, Net	71,595,962	6,663,965	78,259,927	3,440	119,057
Total Assets	102,720,775	8,283,187	111,003,962	516,933	1,304,063
Deferred Outflows of Resources:					
Deferred Loss on Debt Refunding	403,369	0	403,369	0	0
Pension	4,096,924	100,287	4,197,211	20,610	0
Total Deferred Outflows of Resources	4,500,293	100,287	4,600,580	20,610	0
Liabilities:					
Accounts Payable	1,153,137	89,054	1,242,191	91,487	13,121
Accrued Wages and Benefits	4,739,375	143,301	4,882,676	15,387	0
Intergovernmental Payable	848,150	40,020	888,170	3,992	0
Due to Primary Government	0	0	0	0	73,307
Unearned Revenue	0	0	0	0	1,740
Matured Compensated Absences Payable	371,643	0	371,643	0	0
Accrued Interest Payable	5,304	0	5,304	0	0
Long Term Liabilities:					
Due Within One Year	876,191	20,370	896,561	0	0
Net Pension Liability	58,088,569	1,096,286	59,184,855	298,598	0
Due in More Than One Year	12,817,413	42,028	12,859,441	0	0
Total Liabilities	78,899,782	1,431,059	80,330,841	409,464	88,168
Deferred Inflows of Resources:					
Property Tax for Next Fiscal Year	5,210,735	0	5,210,735	0	0
Pension	10,564,901	183,821	10,748,722	53,661	0
Total Deferred Inflows of Resources	15,775,636	183,821	15,959,457	53,661	0
Net Position:					
Net Investment in Capital Assets	66,067,608	6,815,818	72,883,426	3,440	119,057
Restricted For:					
Debt Service	1,528,207	0	1,528,207	0	0
Other Purposes	1,504,376	0	1,504,376	0	0
Permanent Fund:					
Nonexpendable	2,225	0	2,225	0	0
Unrestricted (Deficit)	(56,556,766)	(47,224)	(56,603,990)	70,978	1,096,838
Total Net Position	\$ 12,545,650	\$ 6,768,594	\$ 19,314,244	\$ 74,418	\$ 1,215,895

See accompanying notes to the basic financial statements

MARION CITY SCHOOL DISTRICT, OHIO

Statement of Activities For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 33,534,593	\$ 1,475,652	\$ 8,557,724
Support Services:			
Pupils	2,646,720	0	138,139
Instructional Staff	3,566,475	0	2,470,390
Board of Education	59,690	0	0
Administration	5,060,867	0	264,767
Fiscal Services	778,355	0	0
Business	450,381	0	0
Operation and Maintenance of Plant	6,046,472	0	0
Pupil Transportation	1,309,319	0	95,721
Central	1,247,245	0	0
Operation of Non-Instructional Services	3,973,277	0	66,134
Extracurricular Activities	1,000,558	195,697	0
Interest and Fiscal Charges	568,216	0	0
Total Governmental Activities	60,242,168	1,671,349	11,592,875
Business-Type Activities:			
Food Service	3,216,264	84,130	3,430,356
Total Business-Type Activities	3,216,264	84,130	3,430,356
Totals	\$ 63,458,432	\$ 1,755,479	\$ 15,023,231
Component Units:			
Marion City Digital Academy	\$ 811,299	\$ 0	\$ 81,118
Rushmore Academy	1,728,013	0	192,807
Total Component Units	\$ 2,539,312	\$ 0	\$ 273,925

General Revenues

Taxes:

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

Intergovernmental, Unrestricted

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year, Restated

Net Position End of Year

See accompanying notes to the basic financial statements

MARION CITY SCHOOL DISTRICT, OHIO

Net (Expense) Revenue and Changes in Net Position			Component Units	
Primary Government				
Governmental Activities	Business-Type Activities	Total	Marion City Digital Academy	Rushmore Academy
\$ (23,501,217)	\$ 0	\$ (23,501,217)		
(2,508,581)	0	(2,508,581)		
(1,096,085)	0	(1,096,085)		
(59,690)	0	(59,690)		
(4,796,100)	0	(4,796,100)		
(778,355)	0	(778,355)		
(450,381)	0	(450,381)		
(6,046,472)	0	(6,046,472)		
(1,213,598)	0	(1,213,598)		
(1,247,245)	0	(1,247,245)		
(3,907,143)	0	(3,907,143)		
(804,861)	0	(804,861)		
(568,216)	0	(568,216)		
(46,977,944)	0	(46,977,944)		
0	298,222	298,222		
0	298,222	298,222		
(46,977,944)	298,222	(46,679,722)		
			\$ (730,181)	\$ 0
			0	(1,535,206)
			(730,181)	(1,535,206)
8,493,890	0	8,493,890	0	0
125,339	0	125,339	0	0
1,086,945	0	1,086,945	0	0
9,088	0	9,088	0	0
34,423,418	0	34,423,418	778,489	1,794,427
100,035	375	100,410	183	0
482,081	0	482,081	3,779	47,774
44,720,796	375	44,721,171	782,451	1,842,201
(2,257,148)	298,597	(1,958,551)	52,270	306,995
14,802,798	6,469,997	21,272,795	22,148	908,900
\$ 12,545,650	\$ 6,768,594	\$ 19,314,244	\$ 74,418	\$ 1,215,895

MARION CITY SCHOOL DISTRICT, OHIO

Balance Sheet
Governmental Funds
June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Pooled Cash and Investments	\$ 12,859,489	\$ 2,097,867	\$ 14,957,356
Receivables:			
Taxes	10,732,810	1,482,423	12,215,233
Accounts	45	0	45
Intergovernmental	6,505	867,742	874,247
Interest	13,091	0	13,091
Due from Component Units	73,307	0	73,307
Interfund Loans Receivable	69,865	0	69,865
Inventory of Supplies at Cost	24,834	0	24,834
Prepaid Items	93,449	0	93,449
Total Assets	\$ 23,873,395	\$ 4,448,032	\$ 28,321,427
Liabilities:			
Accounts Payable	\$ 1,057,385	\$ 95,752	\$ 1,153,137
Accrued Wages and Benefits	4,000,852	429,722	4,430,574
Intergovernmental Payable	775,743	72,407	848,150
Interfund Loans Payable	0	69,865	69,865
Matured Compensated Absences Payable	371,643	0	371,643
Total Liabilities	6,205,623	667,746	6,873,369
Deferred Inflows of Resources:			
Unavailable Amounts	82,825	330,663	413,488
Property Tax for Next Fiscal Year	7,640,178	1,038,540	8,678,718
Total Deferred Inflows of Resources	7,723,003	1,369,203	9,092,206
Fund Balance:			
Nonspendable	118,283	2,225	120,508
Restricted	0	2,652,675	2,652,675
Assigned	5,620,422	0	5,620,422
Unassigned	4,206,064	(243,817)	3,962,247
Total Fund Balance	9,944,769	2,411,083	12,355,852
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 23,873,395	\$ 4,448,032	\$ 28,321,427

See accompanying notes to the basic financial statements

MARION CITY SCHOOL DISTRICT, OHIO

Reconciliation Of Total Governmental Fund Balances To Net Position Of Governmental Activities June 30, 2015

Total Governmental Fund Balances		\$ 12,355,852
<i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		73,561,191
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Accrued Interest Receivable	9,518	
Intergovernmental Receivable	330,663	
Due from Component Unit	73,307	
Property Tax Receivable	<u>3,467,983</u>	3,881,471
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	4,096,924	
Deferred Inflows - Pension	(10,564,901)	
Net Pension Liability	<u>(58,088,569)</u>	(64,556,546)
Accrued interest on outstanding debt is not due and payable in the current period and, therefore, is not reported in the funds: it is reported when due.		(5,304)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		599,221
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds Payable	(8,283,809)	
General Obligation Note Payable	(2,053,166)	
Capital Leases Payable	(164,145)	
Compensated Absences Payable	<u>(2,789,115)</u>	<u>(13,290,235)</u>
<i>Net Position of Governmental Activities</i>		<u>\$ 12,545,650</u>

See accompanying notes to the basic financial statements

MARION CITY SCHOOL DISTRICT, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Local Sources:			
Property Taxes	\$ 8,358,998	\$ 1,212,284	\$ 9,571,282
Payments in Lieu of Taxes	9,088	0	9,088
Tuition	2,035,469	0	2,035,469
Investment Earnings	103,362	1	103,363
Extracurricular Activities	40,134	148,871	189,005
Class Materials and Fees	1,942	0	1,942
Intermediate Sources	0	24,522	24,522
Intergovernmental - State	40,826,875	828,009	41,654,884
Intergovernmental - Federal	195,453	5,020,538	5,215,991
All Other Revenue	292,996	58,299	351,295
Total Revenue	51,864,317	7,292,524	59,156,841
Expenditures:			
Current:			
Instruction	30,973,274	2,002,170	32,975,444
Supporting Services:			
Pupils	2,657,501	72,337	2,729,838
Instructional Staff	880,056	2,654,204	3,534,260
Board of Education	59,954	0	59,954
Administration	4,869,044	199,551	5,068,595
Fiscal Services	764,624	33,877	798,501
Business	456,283	34	456,317
Operation and Maintenance of Plant	4,778,931	120,502	4,899,433
Pupil Transportation	1,397,825	74,043	1,471,868
Central	1,264,669	0	1,264,669
Operation of Non-Instructional Services	3,879,588	93,939	3,973,527
Extracurricular Activities	669,837	211,865	881,702
Capital Outlay	1,065,511	94,283	1,159,794
Debt Service:			
Principal Retirement	178,362	955,000	1,133,362
Interest and Fiscal Charges	126,930	294,512	421,442
Total Expenditures	54,022,389	6,806,317	60,828,706
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,158,072)	486,207	(1,671,865)

MARION CITY SCHOOL DISTRICT, OHIO

	General	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):			
Transfers In	0	75,000	75,000
Transfers Out	(75,000)	0	(75,000)
Total Other Financing Sources (Uses)	<u>(75,000)</u>	<u>75,000</u>	<u>0</u>
Net Change in Fund Balance	(2,233,072)	561,207	(1,671,865)
Fund Balance at Beginning of Year	<u>12,177,841</u>	<u>1,849,876</u>	<u>14,027,717</u>
Fund Balance End of Year	<u>\$ 9,944,769</u>	<u>\$ 2,411,083</u>	<u>\$ 12,355,852</u>

See accompanying notes to the basic financial statements

MARION CITY SCHOOL DISTRICT, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Fiscal Year Ended June 30, 2015***

Net Change in Fund Balances - Total Governmental Funds \$ (1,671,865)

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

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

Capital Outlay	264,421	
Depreciation	<u>(2,185,939)</u>	(1,921,518)

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

Property Taxes Receivable	134,892	
Intergovernmental Receivable	(740,431)	
Accrued Interest Receivable	(3,328)	
Tuition and Fees Receivable	(563,134)	
Charges for Services Receivable	<u>180</u>	(1,171,821)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 3,547,084

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (2,342,597)

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

General Obligation Bonds Principal	955,000	
General Obligation Note Principal	129,799	
Capital Lease Principal	<u>48,563</u>	1,133,362

MARION CITY SCHOOL DISTRICT, OHIO

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

	(8,654)
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Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net position.

Accrued Interest Payable	25,490	
Annual Accretion on Capital Appreciation Bonds	(176,429)	
Amortization of Premium	<u>12,819</u>	(138,120)

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

Compensated Absences Payable	78,679
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The internal service funds are used by management to charge the costs of services to individual funds and is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.

	<u>238,302</u>
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Change in Net Position of Governmental Activities

	<u>\$ (2,257,148)</u>
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See accompanying notes to the basic financial statements

MARION CITY SCHOOL DISTRICT, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Property Taxes	\$ 8,312,786	\$ 8,312,786	\$ 8,312,786	\$ 0
Payment in Lieu of Taxes	9,088	9,088	9,088	0
Tuition	1,880,861	1,880,861	2,036,272	155,411
Investment Earnings	60,235	60,235	70,794	10,559
Extracurricular Activities	39,302	39,302	39,302	0
Class Material and Fees	2,003	2,003	2,003	0
Intergovernmental - State	37,155,262	37,155,262	40,842,015	3,686,753
Intergovernmental - Federal	211,041	211,041	222,438	11,397
All Other Revenues	1,478,740	1,478,740	253,752	(1,224,988)
Total Revenues	<u>49,149,318</u>	<u>49,149,318</u>	<u>51,788,450</u>	<u>2,639,132</u>
Expenditures:				
Current:				
Instructional Services:				
Regular	25,508,281	25,508,281	24,718,946	789,335
Special	5,240,347	5,240,347	5,240,347	0
Vocational	232,154	232,154	232,154	0
Adult/Continuing	3	3	3	0
Other	557,767	557,767	557,767	0
Support Services:				
Pupils	2,683,835	2,683,835	2,683,835	0
Instructional Staff	807,298	807,298	807,298	0
Board of Education	51,950	51,950	51,950	0
Administration	4,878,282	4,878,282	4,878,282	0
Fiscal Services	771,834	771,834	771,834	0
Business	470,297	470,297	470,297	0
Operation and Maintenance of Plant	5,422,805	5,422,805	5,422,805	0
Pupil Transportation	1,532,674	1,532,674	1,532,674	0
Central	1,268,549	1,268,549	1,268,549	0
Operation of Non-Instructional Services	3,879,588	3,879,588	3,879,588	0
Extracurricular Activities	658,391	658,391	658,391	0
Capital Outlay	1,405,573	1,405,573	1,405,573	0
Debt Service:				
Principal Retirement	131,791	131,791	131,791	0
Interest and Fiscal Charges	90,418	90,418	90,418	0
Total Expenditures	<u>55,591,837</u>	<u>55,591,837</u>	<u>54,802,502</u>	<u>789,335</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,442,519)	(6,442,519)	(3,014,052)	3,428,467

MARION CITY SCHOOL DISTRICT, OHIO

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses):				
Transfers Out	(75,000)	(75,000)	(75,000)	0
Total Other Financing Sources (Uses):	(75,000)	(75,000)	(75,000)	0
Net Change in Fund Balance	(6,517,519)	(6,517,519)	(3,089,052)	3,428,467
Fund Balance at Beginning of Year	13,189,235	13,189,235	13,189,235	0
Prior Year Encumbrances	935,960	935,960	935,960	0
Fund Balance at End of Year	\$ 7,607,676	\$ 7,607,676	\$ 11,036,143	\$ 3,428,467

See accompanying notes to the basic financial statements

MARION CITY SCHOOL DISTRICT, OHIO

Statement of Net Position Proprietary Funds June 30, 2015

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	Food Service	Other Enterprise	Total	
Assets:				
<i>Current Assets:</i>				
Pooled Cash and Investments	\$ 901,399	\$ 62,472	\$ 963,871	\$ 868,808
Receivables:				
Accounts	0	0	0	56,976
Intergovernmental	425,295	0	425,295	0
Inventory Held for Resale	49,183	0	49,183	0
Inventory of Supplies at Cost	11,258	0	11,258	0
<i>Total Current Assets</i>	<u>1,387,135</u>	<u>62,472</u>	<u>1,449,607</u>	<u>925,784</u>
<i>Non Current Assets:</i>				
Non-Depreciable Capital Assets	151,853	0	151,853	0
Depreciable Capital Assets, Net	6,663,965	0	6,663,965	0
Total Assets	<u>8,202,953</u>	<u>62,472</u>	<u>8,265,425</u>	<u>925,784</u>
Deferred Outflows of Resources:				
Pension	100,287	0	100,287	0
Liabilities:				
<i>Current Liabilities:</i>				
Accounts Payable	89,054	0	89,054	0
Accrued Wages and Benefits	143,301	0	143,301	0
Intergovernmental Payable	40,020	0	40,020	0
Claims Payable	0	0	0	308,801
Compensated Absences - Current	20,370	0	20,370	0
<i>Total Current Liabilities</i>	<u>292,745</u>	<u>0</u>	<u>292,745</u>	<u>308,801</u>
<i>Long Term Liabilities:</i>				
Compensated Absences Payable	42,028	0	42,028	0
Net Pension Liability	1,096,286	0	1,096,286	0
Total Liabilities	<u>1,431,059</u>	<u>0</u>	<u>1,431,059</u>	<u>308,801</u>
Deferred Inflows of Resources:				
Pension	183,821	0	183,821	0
Net Position:				
Net Investment in Capital Assets	6,815,818	0	6,815,818	0
Unrestricted (Deficit)	(127,458)	62,472	(64,986)	616,983
Total Net Position	<u>\$ 6,688,360</u>	<u>\$ 62,472</u>	<u>\$ 6,750,832</u>	<u>\$ 616,983</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			17,762	
Net Position of Business-type Activities			<u>\$ 6,768,594</u>	

See accompanying notes to the basic financial statements

MARION CITY SCHOOL DISTRICT, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2015**

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	Food Service	Other Enterprise	Total	
Operating Revenues:				
Sales	\$ 77,510	\$ 0	\$ 77,510	\$ 0
Interfund Charges	0	0	0	6,513,628
Other Operating Revenues	6,620	0	6,620	0
Total Operating Revenues	<u>84,130</u>	<u>0</u>	<u>84,130</u>	<u>6,513,628</u>
Operating Expenses:				
Salaries and Wages	856,023	0	856,023	0
Fringe Benefits	255,293	0	255,293	0
Contractual Services	131,548	0	131,548	6,268,353
Supplies and Materials	1,806,525	0	1,806,525	0
Depreciation	174,097	0	174,097	0
Total Operating Expenses	<u>3,223,486</u>	<u>0</u>	<u>3,223,486</u>	<u>6,268,353</u>
Operating Income (Loss)	(3,139,356)	0	(3,139,356)	245,275
Nonoperating Revenue (Expenses):				
Federal Donated Commodities	178,561	0	178,561	0
Operating Grants	3,251,795	0	3,251,795	0
Investment Earnings	375	0	375	249
Total Nonoperating Revenues (Expenses)	<u>3,430,731</u>	<u>0</u>	<u>3,430,731</u>	<u>249</u>
Change in Net Position	291,375	0	291,375	245,524
Net Position Beginning of Year, Restated	<u>6,396,985</u>	<u>62,472</u>	<u>6,459,457</u>	<u>371,459</u>
Net Position End of Year	<u>\$ 6,688,360</u>	<u>\$ 62,472</u>	<u>\$ 6,750,832</u>	<u>\$ 616,983</u>
Change in Net Position - Total Enterprise Funds			\$ 291,375	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			7,222	
Change in Net Position - Business-type Activities			<u>\$ 298,597</u>	

See accompanying notes to the basic financial statements

MARION CITY SCHOOL DISTRICT, OHIO

Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2015

	Business-Type Activities			Governmental Activities Internal Service Fund
	Enterprise Funds			
	Food Service	Other Enterprise	Total	
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$78,270	\$0	\$78,270	\$6,456,652
Cash Received from Other Revenues	6,620	0	6,620	0
Cash Payments for Goods and Services	(2,012,348)	0	(2,012,348)	0
Cash Payments to Employees for Services and Benefits	(838,933)	0	(838,933)	(6,301,454)
Net Cash Provided (Used) by Operating Activities	(2,766,391)	0	(2,766,391)	155,198
<u>Cash Flows from Noncapital Financing Activities:</u>				
Operating Grants Received	2,826,500	0	2,826,500	0
Net Cash Provided by Noncapital Financing Activities	2,826,500	0	2,826,500	0
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition of Equipment	(24,944)	0	(24,944)	0
Net Cash Used by Capital and Related Financing Activities	(24,944)	0	(24,944)	0
<u>Cash Flows from Investing Activities:</u>				
Receipts of Interest	375	0	375	249
Net Cash Provided by Investing Activities	375	0	375	249
Net Increase in Cash and Cash Equivalents	35,540	0	35,540	155,447
Cash and Cash Equivalents at Beginning of Year	865,859	62,472	928,331	713,361
Cash and Cash Equivalents at End of Year	\$901,399	\$62,472	\$963,871	\$868,808
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>				
Operating Income (Loss)	(\$3,139,356)	\$0	(\$3,139,356)	\$245,275
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	174,097	0	174,097	0
Donated Commodities Used During the Year	178,561	0	178,561	0
Changes in Assets and Liabilities:				
Decrease (Increase) in Accounts Receivable	760	0	760	(56,976)
Decrease in Inventory Held for Resale	20,488	0	20,488	0
Decrease in Inventory of Supplies at Cost	3,987	0	3,987	0
Increase in Deferred Outflow-Pension	(100,287)	0	(100,287)	0
Increase in Accounts Payable	7,091	0	7,091	0
Increase (Decrease) in Accrued Wages and Benefits	17,554	0	17,554	(33,101)
Decrease in Intergovernmental Payables	(6,895)	0	(6,895)	0
Decrease in Compensated Absences	(2,083)	0	(2,083)	0
Decrease in Net Pension Liability	(104,129)	0	(104,129)	0
Increase in Deferred Inflow-Pension	183,821	0	183,821	0
Total Adjustments	372,965	0	372,965	(90,077)
Net Cash Provided (Used) by Operating Activities	(\$2,766,391)	\$0	(\$2,766,391)	\$155,198

See accompanying notes to the basic financial statements

MARION CITY SCHOOL DISTRICT, OHIO

Statement of Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Cash and Cash Equivalents	\$ 105,800	\$ 20,905
	<u> </u>	<u> </u>
Liabilities:		
Due to Students	0	20,905
	<u> </u>	<u> </u>
Net Position:		
Held in Trust for Scholarships	4,007	
Endowments	101,793	
	<u> </u>	
Total Net Position	<u>\$ 105,800</u>	

See accompanying notes to the basic financial statements

MARION CITY SCHOOL DISTRICT, OHIO

**Statement of Changes in Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015**

	Private Purpose Trust
Additions:	
Total Contributions	\$ 0
Investment Earnings:	
Interest	46
Total Additions	46
Deductions:	
Administrative Expenses	1,000
Total Deductions	1,000
Change in Net Position	(954)
Net Position at Beginning of Year	106,754
Net Position End of Year	\$ 105,800

See accompanying notes to the basic financial statements

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 284 noncertified and approximately 406 certified teaching personnel and administrative employees providing education to 4,546 students.

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

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

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

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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

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

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

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

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

B. Basis of Presentation - Fund Accounting

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

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

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

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

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

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

Internal Service Fund – The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's internal service fund accounts for the activities of the self-insurance program for employee prescription drug, dental, and health care benefits.

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

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

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

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

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

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

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

D. Basis of Accounting

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

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

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

Current property taxes measurable at June 30, 2015, and which are not intended to finance fiscal year 2015 operations, have been recorded as deferred inflows of resources. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end.

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

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

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

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

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the basis of budgeting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

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

1. Tax Budget

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

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Prior to April 1, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement as final budget reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2015.

3. Appropriations

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

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

MARION CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Basis of Budgeting

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

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

	Net Change in Fund Balance
	General Fund
GAAP Basis (as reported)	(\$2,233,072)
Increase (Decrease):	
Accrued Revenues	
at June 30, 2015,	
received during FY 2016	(3,102,755)
Accrued Revenues	
at June 30, 2014,	
received during FY 2015	3,135,401
Accrued Expenditures	
at June 30, 2015,	
paid during FY 2016	6,205,623
Accrued Expenditures	
at June 30, 2014,	
paid during FY 2015	(5,224,131)
Cash Adjustments:	
Unrecorded Cash Activity FY 2014	(32,064)
Unrecorded Cash Activity FY 2015	(6,791)
2014 Prepays for 2015	88,669
2015 Prepays for 2016	(93,449)
2014 Materials and Supplies Inventory	22,430
2015 Materials and Supplies Inventory	(24,834)
Encumbrances Outstanding	(1,831,789)
Perspective Difference:	
Activity of Funds Reclassified	
for GAAP Reporting Purposes	7,710
Budget Basis	(\$3,089,052)

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Pooled Cash and Investments". See Note 4, "Cash, Cash Equivalents and Investments."

During fiscal year 2015, the School District invested in nonnegotiable certificates of deposit, federal agency securities, and STAR Ohio. Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", the District reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit) which are reported at cost. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2015. See Note 4, "Cash, Cash Equivalents and Investments."

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2015 was \$103,362, which includes \$24,296 assigned from other School District funds.

G. Inventory

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

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

The District does not possess any infrastructure.

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

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

MARION CITY SCHOOL DISTRICT, OHIO

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

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

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

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MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

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

L. Net Position

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

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

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Pensions

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

N. Interfund Activity

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

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

O. Fund Balance

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted – The fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance (Continued)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

P. Estimates

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

Q. Operating Revenues and Expenses

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2015.

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

T. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, and unavailable revenue. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, unavailable amounts, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, investment earnings, grants, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position explained in Note 10.

MARION CITY SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015***

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Food Service Fund</u>
Net position June 30, 2014	\$80,563,831	\$7,670,412	\$7,597,400
Adjustments:			
Net Pension Liability	(69,069,418)	(1,288,151)	(1,288,151)
Deferred Outflow - Payments Subsequent to Measurement Date	3,308,385	87,736	87,736
Restated Net Position June 30, 2014	<u>\$14,802,798</u>	<u>\$6,469,997</u>	<u>\$6,396,985</u>

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

MARION CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

NOTE 3 – FUND BALANCES

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

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Supplies Inventory	\$24,834	\$0	\$24,834
Prepays	93,449	0	93,449
Endowments	0	2,225	2,225
Total Nonspendable	<u>118,283</u>	<u>2,225</u>	<u>120,508</u>
Restricted:			
School Facilities Maintenance	0	1,120,501	1,120,501
Extracurricular Activities	0	119,891	119,891
Technology Improvements	0	3,366	3,366
Targeted Academic Assistance	0	277,541	277,541
Debt Service Payments	0	1,131,376	1,131,376
Total Restricted	<u>0</u>	<u>2,652,675</u>	<u>2,652,675</u>
Assigned to Other Purposes	5,620,422	0	5,620,422
Unassigned	4,206,064	(243,817)	3,962,247
Total Fund Balances	<u>\$9,944,769</u>	<u>\$2,411,083</u>	<u>\$12,355,852</u>

Fund balances at June 30, 2015 included the following individual fund deficits:

<u>Other Governmental Funds</u>	<u>Deficit</u>
Auxiliary Services	\$209
Early Childhood Development	\$28,017
IDEA-B	163,296
Miscellaneous Federal Grants	52,295
Total Fund Deficit	<u>\$243,817</u>

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

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).
- Commercial Paper and bankers’ acceptances if training requirements have been met.

MARION CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

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

At fiscal year end the carrying amount of the District's deposits was \$16,644,797 and the bank balance was \$17,101,105. Federal depository insurance covered \$5,381,230 of the bank balance and \$11,719,875 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

B. Investments

The District's investments at June 30, 2015 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$21,988	AAA ¹	\$21,988	\$0	\$0
FFCB	249,955	Aaa ²	0	249,955	0
Total Investments	<u>\$271,943</u>		<u>\$21,988</u>	<u>\$249,955</u>	<u>\$0</u>

¹ Standard & Poor's

² Moody's Investor Service

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments (Continued)

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

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

Concentration of Credit Risk – The District places no limit on the amount the District may invest in one issuer. Of the District’s total investments, 8.1% are STAR Ohio and 91.9% are FFCB.

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

NOTE 5 - TAXES

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

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2015 were levied after April 1, 2014 on assessed values as of January 1, 2014, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last equalization adjustment was completed in 2011. Real property taxes are payable annually or semi-annually. The first payment is due December 31, with the remainder payable by June 20.

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

The amount available as an advance at June 30, 2015 was \$3,092,632 in the General Fund, \$46,072 in the Classroom Facilities special revenue fund, and \$397,811 in the Bond Retirement debt service fund.

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

MARION CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

NOTE 5 - TAXES (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Marion City School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values for collection in 2015 were as follows:

	2014 Second Half Collections	2015 First Half Collections
Agricultural/Residential and Other Real Estate	\$311,747,330	\$309,637,600
Public Utility Personal	28,208,660	31,918,500
Total Assessed Value	<u>\$339,955,990</u>	<u>\$341,556,100</u>
Tax rate per \$1,000 of assessed valuation	\$41.22	\$41.12

NOTE 6 - INTERFUND RECEIVABLES/PAYABLES

Interfund loans receivable/payable – short-term loans at June 30, 2015 from one individual fund to another are as follows:

	Interfund Loan Receivable	Interfund Loan Payable
General Fund	\$69,865	\$0
Other Governmental Funds	0	69,865
Totals	<u>\$69,865</u>	<u>\$69,865</u>

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

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds at June 30, 2015:

Transfers Out:	Transfers In:	
	Other Governmental Funds	Total
<u>General Fund</u>	<u>\$75,000</u>	<u>\$75,000</u>

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

MARION CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at June 30, 2015:

Historical Cost:

<u>Class</u>	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
<i>Capital assets not being depreciated:</i>				
Land	\$1,965,229	\$0	\$0	\$1,965,229
	<u>1,965,229</u>	<u>0</u>	<u>0</u>	<u>1,965,229</u>
<i>Capital assets being depreciated:</i>				
Land Improvements	957,587	0	0	957,587
Buildings and Improvements	90,753,743	0	0	90,753,743
Machinery and Equipment	2,509,346	0	0	2,509,346
Vehicles	1,844,771	264,421	0	2,109,192
Total Cost	<u>\$98,030,676</u>	<u>\$264,421</u>	<u>\$0</u>	<u>\$98,295,097</u>

Accumulated Depreciation:

<u>Class</u>	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
Land Improvements	(\$411,941)	(\$33,032)	\$0	(\$444,973)
Buildings and Improvements	(20,188,972)	(1,728,820)	0	(21,917,792)
Machinery and Equipment	(734,908)	(332,498)	0	(1,067,406)
Vehicles	(1,212,146)	(91,589)	0	(1,303,735)
Total Depreciation	<u>(\$22,547,967)</u>	<u>(\$2,185,939) *</u>	<u>\$0</u>	<u>(\$24,733,906)</u>
<i>Net Value:</i>	<u>\$75,482,709</u>			<u>\$73,561,191</u>

MARION CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

NOTE 8 - CAPITAL ASSETS (Continued)

A. Governmental Activities Capital Assets (Continued)

* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$1,673,450
Support Services:	
Pupils	21,248
Instructional Staff	86,408
Administration	103,735
Fiscal Services	574
Operations & Maintenance of Plant	85,462
Pupil Transportation	77,419
Extracurricular Activities	137,643
Total Depreciation Expense	<u><u>\$2,185,939</u></u>

B. Business-Type Activities Capital Assets

Summary by Category at June 30, 2015:

Historical Cost:

Class	June 30, 2014	Additions	Deletions	June 30, 2015
<i>Capital assets not being depreciated:</i>				
Land	\$151,853	\$0	\$0	\$151,853
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	8,616,936	0	0	8,616,936
Machinery and Equipment	88,151	24,944	0	113,095
Total Cost	<u><u>\$8,856,940</u></u>	<u><u>\$24,944</u></u>	<u><u>\$0</u></u>	<u><u>\$8,881,884</u></u>

Accumulated Depreciation:

Class	June 30, 2014	Additions	Deletions	June 30, 2015
Buildings and Improvements	(\$1,875,936)	(\$164,570)	\$0	(\$2,040,506)
Machinery and Equipment	(16,033)	(9,527)	0	(25,560)
Total Depreciation	<u><u>(\$1,891,969)</u></u>	<u><u>(\$174,097)</u></u>	<u><u>\$0</u></u>	<u><u>(\$2,066,066)</u></u>
<i>Net Value:</i>	<u><u>\$6,964,971</u></u>			<u><u>\$6,815,818</u></u>

NOTE 9 - RECEIVABLES

Receivables at June 30, 2015 consisted of interfund loans, taxes, accounts, intergovernmental, and interest receivable.

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS

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

A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description

School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary. One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$673,608 for fiscal year 2015. Of this amount \$44,192 is reported as an intergovernmental payable.

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description (Continued)

State Teachers Retirement System (STRS)

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description (Continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,963,688 for fiscal year 2015. Of this amount \$503,304 is reported as an intergovernmental payable.

MARION CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$8,841,012	\$50,343,843	\$59,184,855
Proportion of the Net Pension Liability	0.174691%	0.2069765%	
Pension Expense	\$519,924	\$1,892,290	\$2,412,214

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$75,246	\$484,669	\$559,915
School District contributions subsequent to the measurement date	673,608	2,963,688	3,637,296
Total Deferred Outflows of Resources	<u>\$748,854</u>	<u>\$3,448,357</u>	<u>\$4,197,211</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$1,434,921</u>	<u>\$9,313,801</u>	<u>\$10,748,722</u>
Total Deferred Inflows of Resources	<u>\$1,434,921</u>	<u>\$9,313,801</u>	<u>\$10,748,722</u>

\$3,637,296 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	(\$339,919)	(\$2,207,283)	(\$2,547,202)
2017	(339,919)	(2,207,283)	(2,547,202)
2018	(339,919)	(2,207,283)	(2,547,202)
2019	(339,918)	(2,207,284)	(2,547,202)
Total	<u>(\$1,359,675)</u>	<u>(\$8,829,133)</u>	<u>(\$10,188,808)</u>

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions

School Employees Retirement System (SERS)

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation.

MARION CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions (Continued)

Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$12,613,497	\$8,841,012	\$5,668,026

MARION CITY SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015***

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions (Continued)

State Teachers Retirement System (STRS)

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

MARION CITY SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015***

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$72,072,700	\$50,343,843	\$31,968,542

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2015, 0.82 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount (\$20,450 for 2015), pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge.

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

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System (Continued)

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$39,473, \$92,378, and \$92,349 respectively which were equal to the required contributions for each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2015, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014, and 2013 were \$35,634, \$46,843, and \$46,709 respectively; which were equal to the required contributions for each year.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio allocated employer contributions equal to zero percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$198,327, and \$218,055 respectively, which were equal to the required contributions for each year.

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 12 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in the long term debt of the District for the year ended June 30, 2015 is as follows:

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015	Amount Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
2001 School Facilities Construction Serial Bonds 4.375-6.5%	\$785,000	\$0	(\$785,000)	\$0	\$0
2007 School Facilities Construction Serial Bonds 4.0-5.0%	6,570,000	0	(170,000)	6,400,000	420,000
Capital Appreciation Bonds	805,000	0	0	805,000	0
Accretion on Capital Appreciation Bonds	777,942	176,429	0	954,371	0
Bond Premium	540,626	0	(12,819)	527,807	0
Total School Facility Construction Serial Bonds	<u>8,693,568</u>	<u>176,429</u>	<u>(182,819)</u>	<u>8,687,178</u>	<u>420,000</u>
Total General Obligation Bonds	9,478,568	176,429	(967,819)	8,687,178	420,000
General Obligation Notes:					
Energy Conservation 3.00%	1,625,230	0	(103,729)	1,521,501	106,901
Energy Conservation 3.25%	557,735	0	(26,070)	531,665	30,590
Total General Obligation Notes	<u>2,182,965</u>	<u>0</u>	<u>(129,799)</u>	<u>2,053,166</u>	<u>137,491</u>
(Net Pension Liability)					
School Teachers Retirement System	59,969,256	0	(9,625,413)	50,343,843	0
School Employees Retirement System	9,100,162	0	(1,355,436)	7,744,726	0
Total Net Pension Liability	<u>69,069,418</u>	<u>0</u>	<u>(10,980,849)</u>	<u>58,088,569</u>	<u>0</u>
Capital Leases Payable	212,708	0	(48,563)	164,145	56,974
Compensated Absences	2,867,794	2,789,115	(2,867,794)	2,789,115	261,726
Total Governmental Activities	<u>83,811,453</u>	<u>2,965,544</u>	<u>(14,994,824)</u>	<u>71,782,173</u>	<u>876,191</u>
Business-Type Activities:					
School Employees Retirement System	1,288,151	0	(191,865)	1,096,286	0
Compensated Absences	64,481	62,398	(64,481)	62,398	20,370
Total Business-Type Activities	<u>1,352,632</u>	<u>62,398</u>	<u>(256,346)</u>	<u>1,158,684</u>	<u>20,370</u>
Total Long-Term Debt and Other Obligations	<u>\$85,164,085</u>	<u>\$3,027,942</u>	<u>(\$15,251,170)</u>	<u>\$72,940,857</u>	<u>\$896,561</u>

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

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

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

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2015, and December 1, 2016, in the amount of \$960,000 and \$960,000, respectively. For fiscal year 2015, \$176,429 was accreted on the capital appreciation bonds for a total bond value of \$1,759,371 at fiscal year end.

The refunded bonds have been fully retired.

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

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

The District's overall debt margin was \$22,613,259 with an unvoted debt margin of \$341,556 at June 30, 2015.

MARION CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

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

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements including principal and interest payments as of June 30, 2015, follows:

Years	Principal	General Obligation Bonds		Total
		Capital Appreciation	Interest	
2016	\$0	\$420,000	\$805,600	\$1,225,600
2017	0	385,000	840,600	1,225,600
2018	960,000	0	241,600	1,201,600
2019	1,000,000	0	241,600	1,241,600
2020	1,045,000	0	197,600	1,242,600
2021-2023	3,395,000	0	363,800	3,758,800
Totals	\$6,400,000	\$805,000	\$2,690,800	\$9,895,800

Years	General Obligation Note		
	Principal	Interest	Total
2016	\$137,491	\$63,642	\$201,133
2017	141,753	59,380	201,133
2018	146,147	54,988	201,135
2019	150,672	50,464	201,136
2020	155,337	45,800	201,137
2021-2025	851,790	153,884	1,005,674
2026-2029	469,976	28,034	498,010
Totals	\$2,053,166	\$456,192	\$2,509,358

MARION CITY SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015***

NOTE 13 - CAPITAL LEASES

The District has entered into capitalized leases for equipment in the amount of \$273,762 and accumulated depreciation of \$82,128 as of June 30, 2015. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2015 were \$48,563.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2015:

<u>Year Ending June 30,</u>	<u>Capital Lease</u>
2016	\$83,084
2017	83,083
2018	<u>41,542</u>
Minimum Lease Payments	207,709
Less amount representing interest at the District's incremental borrowing rate of interest	<u>(43,564)</u>
Present value of minimum lease payments	<u><u>\$164,145</u></u>

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MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 14 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2015, the School District contracted for the following insurance coverage:

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

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

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

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 14 - RISK MANAGEMENT (Continued)

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

In accordance with section C50.141 of the 2004 GASB Codification, estimated liabilities are accrued in all Self-Insurance funds for the value of current outstanding claims and claims incurred but not reported (IBNR). Annual actuarial studies are performed for the Employee Benefit Self Insurance and Workers Compensation Funds to determine the recommended funding levels for related risk areas. The claims liability of \$308,801 (Accrued Wages and Benefits) reported in the Employee Benefit Self - Insurance Fund is based on the requirements of Government Accounting Standards Board Statement 10 as amended by Government Accounting Standards Board Statement 30. This statement requires that a liability for claims be reported if information indicates, prior to the issuance of the financial statements, that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liabilities are considered current and due within one year.

Changes in the fund's claims liability amount in 2014 and 2015 were:

<u>Fiscal Year</u>	<u>Unpaid Claims Beginning of Fiscal Year</u>	<u>Incurred Claims</u>	<u>Claim Payments</u>	<u>Unpaid Claims Ending of Fiscal Year</u>
2014	\$0	1,256,879	(914,977)	\$341,902
2015	341,902	6,268,353	(6,301,454)	308,801

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 15 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2015, the reserve activity (cash-basis) was as follows:

	Capital Maintenance
Set-aside Balance as of June 30, 2014	\$0
Current Year Set-Aside Requirement	721,302
Current Year Offset Credits	(721,302)
Qualifying Disbursements	0
Total	<u>\$0</u>
Set-aside Balance Carried Forward to FY 2016	<u><u>\$0</u></u>

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

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Educational Technology Association

The District is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of META consists of one representative from each County elected by majority vote of all charter member school districts within each County, one representative from the City school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2015, the District paid \$51,394 to META for various services. Financial information can be obtained from META, 100 Executive Drive, Marion, Ohio 43302.

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Tri-Rivers Joint Vocational School

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

NOTE 17 – RELATED ORGANIZATION

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

NOTE 18 – DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust fund includes donor restricted endowments. Endowments, in the amount of \$101,793 represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$4,007 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

MARION CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 19 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

B. Litigation

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

C. School Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

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MARION CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

NOTE 20 – MARION CITY DIGITAL ACADEMY

A. Basis of Presentation

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

B. Deposits

At year end the carrying amount of MCDA's deposits was of \$440,078 and the bank balance was \$440,713. The Federal Deposit Insurance Corporation (FDIC) covered \$250,000 of the bank balance. The remaining \$190,713 was uninsured and collateralized with securities held by the pledging institution's trust department, not in MCDA's name. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

C. Capital Assets

Summary by Category at June 30, 2015:

Historical Cost:

Class	June 30, 2014	Additions	Deletions	June 30, 2015
<i>Capital assets being depreciated:</i>				
Machinery and Equipment	\$178,148	\$2,837	\$0	\$180,985
Total Cost	<u>\$178,148</u>	<u>\$2,837</u>	<u>\$0</u>	<u>\$180,985</u>

Accumulated Depreciation:

Class	June 30, 2014	Additions	Deletions	June 30, 2015
Machinery and Equipment	(\$176,270)	(\$1,275)	\$0	(\$177,545)
Total Depreciation	<u>(\$176,270)</u>	<u>(\$1,275)</u>	<u>\$0</u>	<u>(\$177,545)</u>
<i>Net Value:</i>	<u>\$1,878</u>			<u>\$3,440</u>

D. Related Party Transaction

In fiscal year 2015, the Marion City School District received \$499,181 from MCDA. This represents payments for administrative services provided by Marion City School District to MCDA and reimbursements for supplies and equipment purchases made by Marion City School District for MCDA.

MARION CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

NOTE 21 – RUSHMORE ACADEMY

A. Basis of Presentation

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

B. Deposits

At year end the carrying amount of the Academy’s deposits was of \$1,007,033 and the bank balance was \$1,146,532. The Federal Deposit Insurance Corporation (FDIC) covered \$250,000 of the bank balance. The remaining \$896,532 was uninsured and collateralized with securities held by the pledging institution’s trust department, not in the Academy’s name. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

C. Capital Assets

Summary by Category at June 30, 2015:

Historical Cost:

Class	June 30, 2014	Additions	Deletions	June 30, 2015
<i>Capital assets being depreciated:</i>				
Machinery and Equipment	\$252,034	\$48,827	\$0	\$300,861
Total Cost	<u>\$252,034</u>	<u>\$48,827</u>	<u>\$0</u>	<u>\$300,861</u>

Accumulated Depreciation:

Class	June 30, 2014	Additions	Deletions	June 30, 2015
Machinery and Equipment	(\$152,984)	(\$28,820)	\$0	(\$181,804)
Total Depreciation	<u>(\$152,984)</u>	<u>(\$28,820)</u>	<u>\$0</u>	<u>(\$181,804)</u>
<i>Net Value:</i>	<u>\$99,050</u>			<u>\$119,057</u>

D. Related Party Transaction

In fiscal year 2015, the Marion City School District received \$1,176,329 from the Academy. This represents payments for administrative and support services provided by Marion City School District to the Academy and reimbursements for supplies and equipment purchases made by Marion City School District for the Academy.

MARION CITY SCHOOL DISTRICT, OHIO

Required Supplemental Information Schedule of District's Proportionate Share of the Net Pension Liability Last Two Fiscal Years

State Teachers Retirement System

Fiscal Year	<u>2013</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.20697648%	0.20697648%
District's proportionate share of the net pension liability (asset)	\$59,969,256	\$50,343,843
District's covered-employee payroll	\$21,077,538	\$20,681,315
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	284.52%	243.43%
Plan fiduciary net position as a percentage of the total pension liability	69.30%	74.70%

Source: District Treasurer's Office and State Teachers Retirement System

School Employees Retirement System

Fiscal Year	<u>2013</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.174691%	0.174691%
District's proportionate share of the net pension liability (asset)	\$10,388,313	\$8,841,012
District's covered-employee payroll	\$4,522,296	\$5,104,978
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	229.71%	173.18%
Plan fiduciary net position as a percentage of the total pension liability	65.52%	71.70%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability.

MARION CITY SCHOOL DISTRICT, OHIO

***Required Supplemental Information
Schedule of District Contributions
Last Two Fiscal Years***

State Teachers Retirement System

Fiscal Year	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$2,688,571	\$2,963,688
Contributions in relation to the contractually required contribution	<u>2,688,571</u>	<u>2,963,688</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
District's covered-employee payroll	\$20,681,315	\$21,169,200
Contributions as a percentage of covered-employee payroll	13.00%	14.00%

Source: District Treasurer's Office and State Teachers Retirement System

School Employees Retirement System

Fiscal Year	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$707,550	\$673,608
Contributions in relation to the contractually required contribution	<u>707,550</u>	<u>673,608</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
District's covered-employee payroll	\$5,104,978	\$5,110,835
Contributions as a percentage of covered-employee payroll	13.86%	13.18%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statement 68 in 2015.

Information prior to 2014 is not available.

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**MARION CITY SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non - Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 178,137	\$ 178,137
Cash Assistance:			
School Breakfast Program	10.553	688,838	688,838
National School Lunch Program	10.555	1,733,890	1,733,890
Summer Food Service Program for Children	10.559	252,437	208,991
Cash Assistance Subtotal:		<u>2,675,165</u>	<u>2,631,719</u>
Total Child Nutrition Cluster		<u>2,853,302</u>	<u>2,809,856</u>
Child and Adult Care Food Program (CACFP)	10.558	22,076	(78)
Fresh Fruit and Vegetable Program	10.582	76,793	262
Team Nutrition Grants	10.574	-	22,956
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>2,952,171</u>	<u>2,832,996</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	2,460,218	2,471,225
Special Education Cluster			
Special Education_Grants to States	84.027	1,139,156	1,129,671
Special Education_Preschool Grants	84.173	38,038	36,404
Total Special Education Cluster		<u>1,177,194</u>	<u>1,166,075</u>
Twenty-First Century Community Learning Centers	84.287	496,547	518,599
English Language Acquisition State Grants	84.365	-	379
Improving Teacher Quality State Grants	84.367	427,464	337,488
ARRA-State Fiscal Stabilization Fund (SFSF)-Race-to-the-Top Incentive Grants, Recovery Act	84.395	71,556	43,941
State Fiscal Stabilization Fund (SFSF)-Race-to-the-Top Incentive Grants	84.395	-	1,146
Total State Fiscal Stabilization Fund (SFSF)-Race-to-the-Top Incentive Grants		<u>71,556</u>	<u>45,087</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>4,632,979</u>	<u>4,538,853</u>
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES		<u>\$ 7,585,150</u>	<u>\$ 7,371,849</u>

The accompanying notes are an integral part of this schedule.

**MARION CITY SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Marion City School District, Marion County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 25, 2016, wherein we noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Dave Yost
Auditor of State
Columbus, Ohio

April 25, 2016



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Marion City School District's (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2015-001. This finding did not require us to modify our compliance opinion on each major federal program.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2015-001 to be a material weakness.

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

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

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Dave Yost
Auditor of State
Columbus, Ohio

April 25, 2016

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**MARION CITY SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster – CFDA# 10.553, 10.555, 10.559 Special Education Cluster – CFDA# 84.027, 84.173 Improving Teacher Quality – CFDA# 84.367
<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?	No

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

None.

**MARION CITY SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2015-001
CFDA Title and Number	School Breakfast Program – CFDA #10.553 National School Lunch Program – CFDA #10.555
Federal Award Number / Year	FY 2015
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

Material Noncompliance/Material Weakness – Schedule of Federal Awards Receipts and Expenditures

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations, (the Circular)*, sets forth standards for the audit of non-Federal entities expending Federal awards. Section .300(a) of the Circular states the auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

Section .310(b) states, in part, the auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. At a minimum, the schedule shall:

1. List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For Research and Development, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency.
2. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
4. Include notes that describe the significant accounting policies used in preparing the schedule.
5. To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each federal program.
6. Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

**MARION CITY SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Material Noncompliance/Material Weakness – Schedule of Federal Awards Receipts and Expenditures (Continued)

The original schedule of federal awards receipts and expenditures prepared by the District for fiscal year 2015 included the following errors:

1. National School Lunch Program cash receipts were overstated by \$688,838 and cash expenditures were overstated by \$943,627.
2. School Breakfast Program cash receipts and disbursements were both understated by \$688,838.
3. National School Lunch Program non-cash receipts and disbursements were both understated by \$178,137.

The District has made these adjustments to the schedule of federal awards receipts and expenditures.

Failure to identify federal awards and accurately prepare a schedule of federal awards receipts and expenditures may result in noncompliance with the Circular and many compromise the District's ability to obtain federal awards in the future.

We recommend the District implement procedures to track and readily identify the receipt and disbursement of all federal awards. The District should use this information to ensure accurate preparation of the schedule of federal awards receipts and expenditures at year end.

**MARION CITY SCHOOL DISTRICT
MARION COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	The Assistant Treasurer will complete the schedule of federal awards expenditures, including commodities and the separation of Breakfast and Lunch funds. The Treasurer will review the data for accuracy prior to submission.	7/10/2016	Veronica Reinhart, Treasurer

**MARION CITY SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Financial Reporting – Material Weakness	No	Partially corrected, repeated in management letter.
2014-002	Filing Single Audit Report with Federal Audit Clearinghouse Timely - Noncompliance	No	Finding No Longer Valid

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Dave Yost • Auditor of State

MARION CITY SCHOOL DISTRICT

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 31, 2016**