

**MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015



Dave Yost • Auditor of State

Board of Education
Marion Local School District
7956 State Route 119
Maria Stein, Ohio 45860

We have reviewed the *Independent Auditors' Report* of the Marion Local School District, Mercer County, prepared by Manning & Associates CPAs, LLC, for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

February 29, 2016

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MARION LOCAL SCHOOL DISTRICT
MERCER COUNTY
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INDEPENDENT AUDITORS' REPORT

Marion Local School District
Mercer County
7956 State Route 119
Maria Stein, Ohio 45860

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Local School District, Mercer 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 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 evaluating the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Local School District, Mercer County, as of June 30, 2015, and the respective changes in cash financial position and the budgetary comparison for the General Fund, thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code §117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion and Analysis includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in *Management's Discussion and Analysis*, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, 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.

Manning &
Associates CPAs, LLC

Digitally signed by Manning & Associates CPAs, LLC
DN: cn=Manning & Associates CPAs, LLC, o=Manning &
Associates CPAs, LLC, ou,
email=dayton@manningcpallc.com, c=US
Date: 2015.12.30 15:17:13 -05'00'

Manning & Associates CPAs, LLC
Dayton, Ohio

December 18, 2015

Marion Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

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

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

- In total, net position increased \$1,317,157, mostly due to an increase in property tax receipts and operating grants coupled by a decrease in disbursements in fiscal year 2015.
- Outstanding debt decreased from \$2,082,289 to \$1,903,851 through principal payments made during the current year.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Marion Local School District as a whole, entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2015, the general fund and bond retirement fund are the School District's most significant funds.

Basis of Accounting

The School District has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net position will be cash and cash equivalents. The *Statement of Activities* reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Marion Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The statement of net position and the statement of activities answer this question.

These two statements report the School District's *net position* and *changes in net position*. This change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the general fund and bond retirement fund.

Governmental Funds - Most of the School 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 the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Reporting the School District's Fiduciary Responsibilities

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs. The School District's fiduciary funds account for student activities and OHSAA tournaments.

Marion Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2015 compared to 2014.

(Table 1)
Net Position – Cash Basis

	Governmental Activities	
	2015	2014
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 4,139,500	\$ 2,822,343
<i>Total Assets</i>	4,139,500	2,822,343
Net Position		
Restricted for:		
Capital Outlay	378,764	321,653
Debt Service	470,058	462,385
Other Purposes	599,875	505,118
Unrestricted	2,690,803	1,533,187
<i>Total Net Position</i>	\$ 4,139,500	\$ 2,822,343

Net position of the governmental activities increased \$1,317,157, which represents a 47 percent increase from fiscal year 2014.

A portion of the School District's net position, \$1,448,697 or 35 percent represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$2,690,803 may be used to meet the School District's ongoing obligations.

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Marion Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Table 2 shows the changes in net position for fiscal year 2015 as compared to fiscal year 2014.

(Table 2)
Changes in Net Position – Cash Basis

	Governmental Activities	
	2015	2014
Receipts		
Program Receipts		
Charges for Services and Sales	\$ 983,145	\$ 917,375
Operating Grants, Contributions and Interest	703,529	689,444
<i>Total Program Receipts</i>	<u>1,686,674</u>	<u>1,606,819</u>
General Receipts		
Property Taxes	3,280,425	2,868,228
Grants and Entitlements not Restricted to Specific Programs	4,789,693	4,656,071
Proceeds from Sale of Assets	3,500	0
Investment Earnings	23,247	17,844
Miscellaneous	101,396	45,399
<i>Total General Receipts</i>	<u>8,198,261</u>	<u>7,587,542</u>
<i>Total Receipts</i>	<u>9,884,935</u>	<u>9,194,361</u>
Program Disbursements		
Instruction:		
Regular	3,919,902	4,052,863
Special	916,881	1,131,342
Vocational	83,635	113,113
Other	71,723	81,025
Support Services:		
Pupils	271,036	248,330
Instructional Staff	333,603	232,665
Board of Education	36,777	26,335
Administration	555,140	590,354
Fiscal	262,606	257,503
Business	5,582	3,055
Operation and Maintenance of Plant	634,344	640,977
Pupil Transportation	279,138	371,078
Central	91	79
Operation of Non-Instructional Services:		
Food Service Operations	314,017	319,150
Extracurricular Activities	457,811	413,139
Capital Outlay	73,232	21,140
Debt Service:		
Principal Retirement	155,177	228,553
Interest and Fiscal Charges	197,083	108,627
<i>Total Program Disbursements</i>	<u>8,567,778</u>	<u>8,839,328</u>
<i>Change in Net Position</i>	1,317,157	355,033
<i>Net Position Beginning of Year</i>	<u>2,822,343</u>	<u>2,467,310</u>
<i>Net Position End of Year</i>	<u>\$ 4,139,500</u>	<u>\$ 2,822,343</u>

Marion Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Certain foundation payments for special education and transportation were reclassified to program revenue from general revenue for fiscal year 2015. For comparability purposes, fiscal year 2014 was also updated in Tables 2 and 3 to reflect this change.

Total receipts increased from fiscal year 2014 by \$690,574 due primarily to an increase in property taxes. Property tax receipts increased by \$412,197 due to it being the first full year of the emergency levy and an increase in the Current Agricultural Use Value (CAUV). Total disbursements decreased from fiscal year 2014 by \$271,550 due to a decrease in purchased services from the ESC.

Governmental Activities

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

(Table 3)
Governmental Activities – Cash Basis

	Total Costs of Services		Net Costs of Services	
	2015	2014	2015	2014
<i>Program Disbursements</i>				
Instruction:				
Regular	\$ 3,919,902	\$ 4,052,863	\$ 3,497,623	\$ 3,626,994
Special	916,881	1,131,342	410,697	672,260
Vocational	83,635	113,113	17,219	41,150
Other	71,723	81,025	65,473	81,025
Support Services:				
Pupils	271,036	248,330	271,036	248,330
Instructional Staff	333,603	232,665	333,603	323,665
Board of Education	36,777	26,335	36,777	26,335
Administration	555,140	590,354	522,000	564,697
Fiscal	262,606	257,503	262,606	257,503
Business	5,582	3,055	5,582	3,055
Operation and Maintenance of Plant	634,344	640,977	634,344	640,977
Pupil Transportation	279,138	371,078	247,317	339,479
Central	91	79	91	79
Operation of Non-Instructional Services:				
Food Service Operations	314,017	319,150	(36,661)	(20,459)
Extracurricular Activities	457,811	413,139	192,853	195,991
Capital Outlay	73,232	21,140	68,284	(14,752)
Debt Service:				
Principal Retirement	155,177	228,553	155,177	228,553
Interest and Fiscal Charges	197,083	108,627	197,083	108,627
Total	\$ 8,567,778	\$ 8,839,328	\$ 6,881,104	\$ 7,323,509

Marion Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 17 percent of all governmental expenses. The community is the largest area of support for the School District students.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$4,139,500, which is higher than the prior year balance of \$2,822,343.

The general fund had total cash receipts of \$8,492,379. The cash disbursements of the general fund totaled \$7,338,263. The general fund's fund balance increased \$1,157,616 in fiscal year 2015. The increase in fund balance can be attributed to an increase in property tax receipts and a decrease in instruction disbursements.

The bond retirement fund had total cash receipts of \$366,676 and total cash disbursements of \$359,003, for an increase in fund balance of \$7,673 in 2015.

General Fund Budgeting Highlights

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

During the course of fiscal year 2015, the School District amended its general fund budget. For the general fund, final budgeted receipts were \$8,414,300, representing an increase of \$289,019 from the original estimate of \$8,125,281. Actual receipts of \$8,362,526 were \$51,774 lower than the final budget.

For fiscal year 2015, the general fund final budgeted disbursements were \$7,683,574, which is under the original budgeted disbursements of \$7,707,549 by \$23,975. Actual disbursements of \$7,186,616 were \$496,958 lower than the final budget due to overall cost savings measures taken by the School District.

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2015 and 2014.

(Table 4)
Outstanding Debt, at June 30

	Governmental Activities	
	2015	2014
2006 Refunding Bonds - Serial, Term and Capital Appreciation Bonds	\$ 1,664,561	\$ 1,816,409
HB 264 Energy Conservation Loan	239,290	265,880
<i>Total</i>	\$ 1,903,851	\$ 2,082,289

For further information regarding the School District's debt, refer to Note 8 of the basic financial statements.

Marion Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Current Issues

The Marion Local School District, while relying on the State of Ohio to furnish 63% of their financial support, also continues to receive strong support from the residents of the School District. The Board of Education has an emergency levy that was approved as a renewal plus increase by the residents in May of 2013 with collections set to expire at the end of 2017. The School District also passed a ½ mill maintenance levy in 1999 which will run for 23 years to help maintain facilities renovated by the project.

Real estate and personal property tax collections increased due to collecting a full year of the increase in the emergency levy along with substantial increases in Current Agricultural Use Value (CAUV) during the triennial update. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds because the rollback of property millage does not increase tax collections. The overall income generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). 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 was 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. Thus, the School District's dependence upon property taxes is hampered by a lack of revenue growth and the School District must regularly return to the voters to maintain a constant level of service. Property taxes made up 33% of total receipts for governmental activities for the Marion Local School District in fiscal year 2015, 31% for fiscal year 2014 and 32% in fiscal year 2013.

The School District has also been affected by increased delinquency rates and changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned disbursements so that the last levy would stretch for longer than it was planned. However, this has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

The Marion Local School District was fortunate enough to receive an increase in state funding again this year. This was the result of a change in state funding for fiscal years 2014 and 2015 with the passing of Am. Sub. House Bill 59 in July of 2013. The law provides that no school district is to receive less funding through the foundation formula in fiscal year 2015 than it received in fiscal year 2014 but also provides that no school district should receive funding in fiscal year 2015 that is in excess of 10.5% above the fiscal year 2014 amount. Marion Local's state funding for fiscal year 2015 was based on the actual formula this year instead of the cap. The formula is based on student enrollment and property wealth of the district. This result is an increase in state funding of a little over 2%.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Marion Local School District
Mercer County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Heather Cramer, Treasurer of Marion Local School District, 7956 State Route 119, Maria Stein, OH 45860 or cramerh@marionlocal.org.

Marion Local School District
Mercer County, Ohio
Statement of Net Position - Cash Basis
June 30, 2015

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 4,139,500
<i>Total Assets</i>	<u>\$ 4,139,500</u>
Net Position	
Restricted for:	
Capital Outlay	\$ 378,764
Debt Service	470,058
Other Purposes	599,875
Unrestricted	<u>2,690,803</u>
<i>Total Net Position</i>	<u>\$ 4,139,500</u>

See Accompanying Notes to Basic Financial Statements

Marion Local School District
Mercer County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2015

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Receipts and Changes in Net Position
Governmental Activities				
Instruction:				
Regular	\$ 3,919,902	\$ 393,696	\$ 28,583	\$ (3,497,623)
Special	916,881	0	506,184	(410,697)
Vocational	83,635	0	66,416	(17,219)
Other	71,723	0	6,250	(65,473)
Support Services:				
Pupils	271,036	0	0	(271,036)
Instructional Staff	333,603	0	0	(333,603)
Board of Education	36,777	0	0	(36,777)
Administration	555,140	33,140	0	(522,000)
Fiscal	262,606	0	0	(262,606)
Business	5,582	0	0	(5,582)
Operation and Maintenance of Plant	634,344	0	0	(634,344)
Pupil Transportation	279,138	13,298	18,523	(247,317)
Central	91	0	0	(91)
Operation of Non-Instructional Services:				
Food Service Operations	314,017	283,658	67,020	36,661
Extracurricular Activities	457,811	259,353	5,605	(192,853)
Capital Outlay	73,232	0	4,948	(68,284)
Debt Service:				
Principal Retirement	155,177	0	0	(155,177)
Interest and Fiscal Charges	197,083	0	0	(197,083)
<i>Totals</i>	<u>\$ 8,567,778</u>	<u>\$ 983,145</u>	<u>\$ 703,529</u>	<u>(6,881,104)</u>

General Receipts

Property Taxes Levied for:	
General Purposes	2,901,808
Debt Service	279,864
Capital Outlay	66,657
Classroom Facilities and Maintenance	32,096
Grants and Entitlements not Restricted to Specific Programs	4,789,693
Proceeds from Sale of Assets	3,500
Investment Earnings	23,247
Miscellaneous	101,396
<i>Total General Receipts</i>	<u>8,198,261</u>
<i>Change in Net Position</i>	1,317,157
<i>Net Position Beginning of Year</i>	<u>2,822,343</u>
<i>Net Position End of Year</i>	<u>\$ 4,139,500</u>

See Accompanying Notes to Basic Financial Statements

Marion Local School District
Mercer County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2015

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 2,690,972	\$ 470,058	\$ 978,470	\$ 4,139,500
<i>Total Assets</i>	<u>\$ 2,690,972</u>	<u>\$ 470,058</u>	<u>\$ 978,470</u>	<u>\$ 4,139,500</u>
Fund Balances				
Nonspendable	\$ 169	\$ 0	\$ 0	\$ 169
Restricted	0	470,058	978,470	1,448,528
Committed	47,490	0	0	47,490
Assigned	69,481	0	0	69,481
Unassigned	2,573,832	0	0	2,573,832
<i>Total Fund Balances</i>	<u>\$ 2,690,972</u>	<u>\$ 470,058</u>	<u>\$ 978,470</u>	<u>\$ 4,139,500</u>

See Accompanying Notes to Basic Financial Statements

Marion Local School District
Mercer County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 2,901,807	\$ 279,864	\$ 98,754	\$ 3,280,425
Intergovernmental	5,070,178	42,812	374,305	5,487,295
Investment Income	23,247	0	383	23,630
Tuition and Fees	396,244	0	0	396,244
Extracurricular Activities	33,140	0	259,352	292,492
Gifts and Donations	0	0	5,545	5,545
Charges for Services	0	0	283,658	283,658
Rent	10,750	0	0	10,750
Miscellaneous	57,013	44,000	383	101,396
<i>Total Receipts</i>	<u>8,492,379</u>	<u>366,676</u>	<u>1,022,380</u>	<u>9,881,435</u>
Disbursements				
Current:				
Instruction:				
Regular	3,894,702	0	25,200	3,919,902
Special	696,826	0	220,055	916,881
Vocational	77,386	0	6,249	83,635
Other	71,723	0	0	71,723
Support Services:				
Pupils	271,036	0	0	271,036
Instructional Staff	333,603	0	0	333,603
Board of Education	36,777	0	0	36,777
Administration	555,140	0	0	555,140
Fiscal	252,409	6,743	3,454	262,606
Business	5,582	0	0	5,582
Operation and Maintenance of Plant	615,418	0	18,926	634,344
Pupil Transportation	279,138	0	0	279,138
Central	91	0	0	91
Extracurricular Activities	248,432	0	209,379	457,811
Operation of Non-Instructional Services:				
Food Service Operations	0	0	314,017	314,017
Capital Outlay	0	0	73,232	73,232
Debt Service:				
Principal Retirement	0	155,177	0	155,177
Interest and Fiscal Charges	0	197,083	0	197,083
<i>Total Disbursements</i>	<u>7,338,263</u>	<u>359,003</u>	<u>870,512</u>	<u>8,567,778</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,154,116</u>	<u>7,673</u>	<u>151,868</u>	<u>1,313,657</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	3,500	0	0	3,500
<i>Total Other Financing Sources (Uses)</i>	<u>3,500</u>	<u>0</u>	<u>0</u>	<u>3,500</u>
<i>Net Change in Fund Balances</i>	1,157,616	7,673	151,868	1,317,157
<i>Fund Balances Beginning of Year</i>	<u>1,533,356</u>	<u>462,385</u>	<u>826,602</u>	<u>2,822,343</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,690,972</u>	<u>\$ 470,058</u>	<u>\$ 978,470</u>	<u>\$ 4,139,500</u>

See Accompanying Notes to Basic Financial Statements

Marion Local School District
Mercer County, Ohio
Statement of Receipts, Disbursements and Changes
In Cash Basis Fund Balance - Budget and Actual (Non-GAAP Basis)
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 2,741,934	\$ 2,901,845	\$ 2,901,807	\$ (38)
Intergovernmental	5,012,129	5,126,305	5,070,178	(56,127)
Investment Income	20,485	20,100	23,233	3,133
Tuition and Fees	332,828	344,050	344,342	292
Rent	11,178	11,000	10,750	(250)
Miscellaneous	6,727	11,000	12,216	1,216
<i>Total Receipts</i>	<u>8,125,281</u>	<u>8,414,300</u>	<u>8,362,526</u>	<u>(51,774)</u>
Disbursements				
Current:				
Instruction:				
Regular	3,969,922	3,955,906	3,784,392	171,514
Special	919,881	749,958	697,076	52,882
Vocational	124,245	103,330	77,386	25,944
Other	68,301	88,220	71,723	16,497
Support Services:				
Pupils	244,522	258,914	249,180	9,734
Instructional Staff	239,161	360,273	339,661	20,612
Board of Education	44,861	45,495	36,777	8,718
Administration	551,585	541,907	518,198	23,709
Fiscal	266,050	276,641	262,739	13,902
Business	3,180	5,750	5,582	168
Operation and Maintenance of Plant	648,386	688,265	615,841	72,424
Pupil Transportation	373,484	355,010	279,538	75,472
Central	15,374	505	91	414
Extracurricular Activities	237,597	252,400	248,432	3,968
Capital Outlay	1,000	1,000	0	1,000
<i>Total Disbursements</i>	<u>7,707,549</u>	<u>7,683,574</u>	<u>7,186,616</u>	<u>496,958</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>417,732</u>	<u>730,726</u>	<u>1,175,910</u>	<u>445,184</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	3,500	3,500	3,500	0
Refund of Prior Year Expenditures	5,000	40,500	40,471	(29)
Other Financing Uses	(15,000)	(4,475)	0	4,475
Advances In	40,000	20,000	12,300	(7,700)
Advances Out	(40,000)	(20,000)	(12,300)	7,700
Transfers Out	(65,000)	(70,600)	(70,591)	9
<i>Total Other Financing Sources (Uses)</i>	<u>(71,500)</u>	<u>(31,075)</u>	<u>(26,620)</u>	<u>4,455</u>
<i>Net Change in Fund Balance</i>	346,232	699,651	1,149,290	449,639
<i>Fund Balance Beginning of Year</i>	1,389,196	1,389,196	1,389,196	0
Prior Year Encumbrances Appropriated	35,369	35,369	35,369	0
<i>Fund Balance End of Year</i>	<u>\$ 1,770,797</u>	<u>\$ 2,124,216</u>	<u>\$ 2,573,855</u>	<u>\$ 449,639</u>

See Accompanying Notes to Basic Financial Statements

Marion Local School District
Mercer County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2015

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 87,623
<i>Total Assets</i>	<u>\$ 87,623</u>
Net Position	
Held for Student Activities	\$ 87,623
<i>Total Net Position</i>	<u>\$ 87,623</u>

See Accompanying Notes to Basic Financial Statements

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Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

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

The School District participates in three jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, the Mercer County Local Professional Development Committee, the State Support Team Region 6, the OASBO/Comp Management Workers’ Compensation Group Rating Plan, and the Mercer Auglaize Employee Benefit Trust. These organizations are presented in Notes 11 and 12 to the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District’s accounting policies.

A. Basis of Accounting

Although required by Ohio Administrative Code Sections 117-2-03(B) to prepare its annual financial report in accordance with Generally Accepted Accounting Principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash accounting basis. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). Difference between disbursements reported in the fund and entity wide statements versus budgetary disbursements are due to encumbrances outstanding at the beginning and end of the fiscal year.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraphs.

B. Basis of Presentation - Fund Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Activities display information about the School District as a whole. The statements include all funds of the School District except for fiduciary funds.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between disbursements and program receipts for each program or function of the School District's governmental activities. Disbursements are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Receipts, which are not classified as program receipts, are presented as general receipts of the School District with certain limited exceptions. The comparison of disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general resources of the School District. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts.

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND FINANCIAL STATEMENTS

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The focus of the governmental activity financial statement is on major funds. Each major fund is presented in a single column. Fiduciary funds are reported by type.

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts and disbursements. Funds are organized into two major categories: governmental and fiduciary.

An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

- a. Total assets, receipts, or disbursements of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and;
- b. Total assets, receipts, or disbursements of the individual governmental fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds/Governmental Activities

Governmental funds are those through which most governmental functions of the School District are financed. The following are the School District's major governmental funds:

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

Bond Retirement Fund – The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of general long-term and short-term debt principal and interest.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Types

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

C. Budgetary Process

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

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

Advances In and Advances Out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

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

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

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources

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

Appropriations

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the fiscal year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year end are reported as an assigned or restricted fund balance for subsequent-year expenditures for governmental funds.

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lapsing of Appropriations

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in pooled accounts or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “equity in pooled cash and cash equivalents.”

For purposes of financial reporting, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months and which are not purchased with pooled monies are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

The School District invested in STAR Ohio. 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. Investment earnings are allocated as authorized by State statute based upon School District policy.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2015 were \$23,247, which includes \$8,890 assigned from other School District funds.

E. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributions, grantors, law of other governments, or imposed by law through constitutional provisions or enabling legislation.

F. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets or depreciation expense.

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

H. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities on the cash basis financial statements. The debt proceeds are reported as cash when received and payment of principal and interest are reported as disbursements when paid.

I. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the student lunches served are recorded as receipts when the grant is received.

J. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

K. Interfund Activity

During the course of normal operations, the School District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recording as transfers.
2. Reimbursements from one fund to another are treated as disbursements in the reimbursing fund and a reduction in disbursements in the reimbursed fund.

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities on the accompanying financial statements.

L. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net position, and displayed in separate components:

1. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation. Net position restricted for other purposes include resources restricted for capital improvements, Federal and State grants restricted to disbursements for specific purposes and food services. As of June 30, 2015, the School District did not have any net position restricted by enabling legislation.
2. Unrestricted net position – All other net position that do not meet the definition of “restricted.”

The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

FUND FINANCIAL STATEMENTS

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

- a. Nonspendable - The nonspendable classification 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” includes items that are not expected to be converted to cash.
- b. Restricted - 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.
- c. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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 Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- d. Assigned - Amounts in the assigned classification are intended to be used by the School 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 Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.
- e. 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 School District first applies restricted resources when an expenditure is 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 can be used.

N. Receipts and Disbursements

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, operating grants, contributions, and interest.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations.

O. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2015, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combination and Disposals of Government Operations*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trust or equivalent arrangements. See Note 6 for further information.

GASB Statement No. 69 address accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financials statements of the School District.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. See Note 6 for further information.

NOTE 3 –DEPOSITS AND INVESTMENTS

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

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

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

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

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 3 –DEPOSITS AND INVESTMENTS (Continued)

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by Surety Company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other 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;
3. 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 3 –DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2015, the School District had \$1,100 in undeposited cash on hand which is included in the pooled cash and cash equivalents.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At June 30, 2015, the carrying amount of the School District's deposits was \$4,033,360 and the bank balance was \$4,342,377. Of the bank balance, \$676,922 was covered by federal depository insurance and \$3,665,455 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department not in the School District's name.

Investments

STAR Ohio is reported at the current fair market value. As of June 30, 2015, the School District had investments solely in STAR Ohio with a fair market value of \$192,663.

Interest Rate Risk

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchases of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy addresses interest rate risk by requiring that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement of ORC 135.14(M)(2) which states, "Payments for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from custodian by the treasurer, governing board, or qualified trustee." However, all of the School District's investments are either insured and registered in the name of the School District, or at least registered in the name of the school district.

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 3 –DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District's policy allows the Treasurer to invest in those investments authorized by the Ohio Revised Code, and places additional limitations with amounts authorized for investment in certain types.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2015, is 53 days and carries a rating of AAA by Standard and Poor's.

Concentration Risk

The School District places no limit on the amount the district may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. 100 percent of the School District's investments are in STAR Ohio.

NOTE 4 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Mercer, Darke, and Auglaize Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 4 - PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second-Half		2015 First-Half	
	Collections		Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 86,260,850	97.61%	\$ 92,490,260	97.98%
Public Utility	2,113,180	2.39%	1,909,750	2.02%
Total Assessed Value	<u>\$ 88,374,030</u>	<u>100.00%</u>	<u>\$ 94,400,010</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$39.20		\$35.30	

NOTE 5 - RISK MANAGEMENT

A. Property and Liability

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

Buildings and Contents – replacement cost	\$ 34,369,965
General Liability	
Per Occurrence	5,000,000
Aggregate	7,000,000
Automobile Liability	5,000,000
Uninsured Motorists	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior years.

B. Workers' Compensation

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the "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, Comp Management, reviews each participant's claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Comp Management provides administrative, cost control and actuarial services to the Plan.

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 5 - RISK MANAGEMENT (Continued)

Health Care Benefits

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

For fiscal year 2015, 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* were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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 net pension liability represents the School 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 School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School 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.

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description – School 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 School 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 School District’s contractually required contribution to SERS was \$124,739 for fiscal year 2015.

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School 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.

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.

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

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 School 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 School District’s contractually required contribution to STRS was \$499,760 for fiscal year 2015.

Net Pension Liability

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 School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$8,304,915	\$1,366,708	\$9,671,623
Proportion of the Net Pension Liability	0.00034144	0.00027005	

Actuarial Assumptions - 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.

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

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. 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 averaged 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>	

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

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 School 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	\$1,949,886	\$1,366,708	\$876,205

Actuarial Assumptions - 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.

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

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	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School 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 School 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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$11,889,391	\$8,304,915	\$5,273,654

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 7 - POST EMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description – The School 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 SER's 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 basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$20,585, \$13,679, and \$13,346, respectively; 85 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 7 - POST EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health 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 law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS which can be obtained visiting www.strsoh.org or by requesting a copy by calling toll-free (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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$33,814, and \$35,921, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 8 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2015 were as follows:

<u>General Long-Term Obligations</u>	<u>Interest Rate</u>	<u>Outstanding 6/30/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 6/30/2015</u>	<u>Due Within 1 Year</u>
<i>2006 Refunding Bonds:</i>						
Serial and Term Bonds	4.00-4.13%	\$ 1,110,000	\$ 0	\$ 0	\$ 1,110,000	\$ 0
Capital Appreciation Bonds	4.30-4.35%	349,995	0	128,587	221,408	115,243
Capital Bonds Accretion		356,414	118,152	141,413	333,153	149,758
HB 264 Energy Conservation Loan	4.21%	265,880	0	26,590	239,290	26,590
<i>Total</i>		<u>\$ 2,082,289</u>	<u>\$ 118,152</u>	<u>\$ 296,590</u>	<u>\$ 1,903,851</u>	<u>\$ 291,591</u>

2006 Refunding Bonds - On August 29, 2006, the School District refinanced \$2,664,996 in prior bond issues; \$730,000 of the 2000 issue was refinanced and \$1,934,996 of the 1997 issue was refinanced. The bond issue includes serial, term, and capital appreciation bonds in the amount of \$1,695,000, \$620,000 and \$349,995, respectively. The bonds are being retired from the Bond Retirement debt service fund. The economic gain from refunding the bonds totaled \$127,430.

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

The term bonds maturing on December 1, 2010 were subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption on December 1, 2010. Unless previously redeemed, the remaining principal amount of the bonds (\$165,000) was paid and matured on December 1, 2010.

The term bonds maturing on or after December 1, 2017, are subject to optional redemption, in whole or in part on any date or any order of maturity at the option of the School District on or after December 1, 2016, at the redemption price of 100 percent.

The term bonds maturing on December 1, 2022 are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption on December 1, 2020 and each December 1 thereafter. Unless previously redeemed, the remaining principal amount of the bonds (\$100,000) is to be paid at stated maturity on December 1, 2022.

The capital appreciation bonds will mature in fiscal years 2015 through 2017 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$800,000. For fiscal year 2015, \$118,152 was accreted and \$141,413 matured, for a total outstanding capital appreciation bond value of \$331,153.

HB 264 Energy Conservation Loan – On June 15, 2009, the School District obtained a \$398,830 unvoted general obligation loan from the St. Henry Bank for the purpose of providing energy conservation measures for the School District under H.B. 264. The loan was issued for a fifteen year period with final maturity of June 15, 2024. Semi-annual payments of \$13,295 plus interest of 4.21% will be made throughout the term of the loan. The loan is being repaid from the Bond Retirement debt service fund.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2015, are as follows:

Fiscal Year Ending	2006 Refunding Bonds		HB 264	Interest / Accretion	Total
	Serial and Term Bonds	Capital Appreciation Bonds			
2016	\$ 0	\$ 115,243	\$ 26,590	\$ 204,335	\$ 346,168
2017	0	106,165	26,590	212,266	345,021
2018	270,000	0	26,590	46,912	343,502
2019	275,000	0	26,590	34,893	336,483
2020	280,000	0	26,590	22,687	329,277
2021-2024	285,000	0	106,340	28,123	419,463
	<u>\$ 1,110,000</u>	<u>\$ 221,408</u>	<u>\$ 239,290</u>	<u>\$ 549,216</u>	<u>\$ 2,119,914</u>

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 9 – FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable for:				
Unclaimed Funds	\$ 169	\$ 0	\$ 0	\$ 169
Restricted for:				
Permanent Improvement	0	0	662,099	662,099
Debt Service	0	470,058	0	470,058
Support Services	0	0	1,454	1,454
Student Activities	0	0	166,011	166,011
Instruction	0	0	6,081	6,081
Food Service	0	0	142,825	142,825
Total Restricted	<u>0</u>	<u>470,058</u>	<u>978,470</u>	<u>1,448,528</u>
Committed for:				
Termination Benefits	44,347			44,347
Underground Storage Tank	3,143	0	0	3,143
Total Committed	<u>47,490</u>	<u>0</u>	<u>0</u>	<u>47,490</u>
Assigned for:				
Instruction	8,887	0	0	8,887
Support Services	17,326	0	0	17,326
Other Purposes	43,268	0	0	43,268
Total Assigned	<u>69,481</u>	<u>0</u>	<u>0</u>	<u>69,481</u>
Unassigned	<u>2,573,832</u>	<u>0</u>	<u>0</u>	<u>2,573,832</u>
Total Fund Balance	<u>\$ 2,690,972</u>	<u>\$ 470,058</u>	<u>\$ 978,470</u>	<u>\$ 4,139,500</u>

NOTE 10 - STATUTORY RESERVES

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

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - STATUTORY RESERVES (Continued)

The following cash basis information identifies the changes in the fund balance reserves for capital improvements during fiscal year 2015:

	Capital Improvement Reserve
Set Aside Restricted Balance June 30, 2014	\$ 0
Current Year Set Aside Requirement	145,672
Current Year Offsets	<u>(151,476)</u>
Total	<u>\$ (5,804)</u>
Balance Carried Forward to Fiscal Year 2016	<u>\$ 0</u>
Set Aside Restricted Balance June 30, 2015	<u>\$ 0</u>

The School District had offsets during the fiscal year that reduced the capital maintenance set aside amount below zero.

NOTE 11- JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (“NOACSC”), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Mary’s and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. During fiscal year 2014, the School District paid \$14,073 to NOACSC for various services. Financial information can be obtained from Raymond Burden, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

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

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11- JOINTLY GOVERNED ORGANIZATIONS (Continued)

State Support Team Region 6 - The State Support Team Region 6 (“SST6”) is a special education service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SST6 is governed by a board of 52 members made up of the 50 superintendents of the participating School Districts, one non-public school, and Wright State University whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Marlene Graf, Director, at 1045 Dearbaugh, Suite #1, Wapakoneta, Ohio 45895.

NOTE 12- GROUP PURCHASING POOL

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

Mercer Auglaize Employee Benefit Trust - The Mercer Auglaize Employee Benefit Trust (“Trust”) is a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, prescription drug, and dental benefits to the employees of the participants. Each participant’s superintendent is appointed to an Administrative Committee, which advises the Trustee, Huntington Bank, concerning aspects of the administration of the Trust. Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Steve Dandurand at Corporate One Benefits, 220 Perry Street, Suite 200, Fostoria, Ohio 44830.

NOTE 13 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District’s opinion, have a material effect of the basic financial statements.

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 13 – CONTINGENCIES (Continued)

C. School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school 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 school districts, 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 School 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 School District.

D. Other Commitments

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the School District's commitments for encumbrances in the governmental funds were as follows:

Fund	Amount
General	\$ 27,624
Permanent Improvement	\$ 39,852
Nonmajor Governmental	4,800
	\$ 72,276

NOTE 14 – BUDGETARY BASIS OF ACCOUNTING

The Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis – Governmental Funds, presented for the General Fund, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- (b) Some funds are included in the General Fund (cash basis), but have separate legally adopted budgets (budget basis).

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 14 – BUDGETARY BASIS OF ACCOUNTING (Continued)

The adjustments necessary to convert the results of operations for the year on the cash basis to the budget basis for the General Fund is as follows:

Net Change in Fund Balance	
	General Fund
Cash Basis	\$ 1,157,616
Funds Budgeted Elsewhere**	17,887
Adjustment for Encumbrances	(26,213)
Budget Basis	\$ 1,149,290

** As part of Governmental Accounting Standards Board Statement No. 54 “*Fund Balance Reporting*”, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a cash basis. This includes public school support funds, uniform school supplies funds, termination benefits funds, and the underground storage tank fund.

NOTE 15 – COMPLIANCE

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2015, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

NOTE 16 – COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees are entitled to vacation ranging from 0 to 20 days upon hiring. Employees are permitted to carry over 3 days vacation leave earned for 90 days into the new-year. After the 90-day period, all vacation days are cleared and the allocation is reset.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rated basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury, or within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to twenty-five percent of the remaining accumulated sick leave to a maximum of 55 days. The employee may accumulate up to 225 days in the sick leave bank; however the additional 5 days are not used in the calculation of sick leave pay-out.

Marion Local School District
Mercer County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 17 – SUBSEQUENT EVENTS

The School District has evaluated subsequent events through December 18, 2015, the date on which the financial statements were available for issue. This evaluation determined that there are no subsequent event that necessitated disclosure and/or adjustments.

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

Marion Local School District
Mercer County
7956 State Route 119
Maria Stein, Ohio 45860

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, each major fund, and the aggregate remaining fund information of Marion Local School District, Mercer 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 December 18, 2015, wherein noted the District uses a special purpose framework other than generally accepted accounting principles.

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 a combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected. 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 limitation, 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2015-001.

Entity's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of the 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.

Manning &
Associates CPAs, LLC

Digitally signed by Manning & Associates CPAs,
LLC
DN: cn=Manning & Associates CPAs, LLC,
o=Manning & Associates CPAs, LLC, ou,
email=dayton@manningcpallc.com, c=US
Date: 2015.12.30 15:19:28 -05'00'

Manning & Associates CPAs, LLC
Dayton, Ohio

December 18, 2015

**Marion Local School District
Mercer County**

*Schedule of Findings
June 30, 2015*

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

**Noncompliance Citation
GAAP Reporting**

Ohio Rev. Code Sec. 117.38 provides that each public office shall file a financial report each fiscal year. The Auditor of State may prescribe forms by rule or guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code Sec. 117-2-03 further clarifies these requirements.

Ohio Adm. Code Sec. 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

For 2015, the School District prepared its financial statements, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful financial statements, the District should prepare their financial statements in accordance with generally accepted accounting principles.

Response: The Board of Education unanimously agreed to approve filing on GASB 34 cash basis year-end reports. Due to the continuous pressure to minimize cost under the current school funding system, the Board has agreed that costs associated with generating and auditing the reports on a GAAP basis exceeds the benefits received by filing GAAP financial reports.

**Marion Local School District
Mercer County**

*Schedule of Prior Audit Findings
June 30, 2015*

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; Explain
2014-001	Financial statement reported in accordance with GAGAS	No	Reissued as finding 2015-001



Dave Yost • Auditor of State

MARION LOCAL SCHOOL DISTRICT

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 17, 2016**