



Dave Yost • Auditor of State

MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Marietta City School District
Washington County
111 Academy Drive
Marietta, Ohio 45750

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marietta City School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

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 Marietta City School District, Washington County, Ohio, as of June 30, 2011, and the changes in cash financial position, thereof and the budgetary comparison for the General Fund, thereof for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. The Federal Awards Receipts and Expenditures Schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is 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 & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

March 8, 2012

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The discussion and analysis of the Marietta City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2011 are as follows:

- Net assets of governmental activities decreased \$127,529.
- General receipts accounted for \$22,119,721 in receipts or 82% of all receipts. Program specific cash receipts in the form of charges for services, grants, contributions, and interest accounted for \$4,808,230 or 18% of total receipts of \$26,927,951.
- The School District had \$27,055,480 in disbursements related to governmental activities; only \$4,808,230 of these disbursements were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$22,119,721 were not adequate to provide for these programs.
- The School District's major funds were the General Fund and the Permanent Improvement Fund. The General Fund had \$21,057,395 in receipts and \$21,661,718 in disbursements. The General Fund's balance decreased \$604,914. The Permanent Improvement Fund had \$1,195,921 in receipts and \$1,050,378 in disbursements. The Permanent Improvement Fund's balance increased \$145,543.

Using this Annual Financial Report

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

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide 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 as the School District's most significant funds with all other non-major funds presented in total in one column.

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Reporting the School District as a Whole

Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, 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 2011?” The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer this question. These two statements report the School District’s net assets and changes in those assets. This change in net assets is important because it tells the reader 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 restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis, all of the School District’s programs and services are reported as governmental activities including food service operations, instruction, support services, operation of non-instructional services, bond service operations, and extracurricular activities.

Reporting the School District’s Most Significant Funds

Fund Financial Statements

The analysis of the School District’s major funds begins on page 8. Fund financial reports provide detailed information about the School District’s major fund. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District’s most significant funds. The School District’s major governmental funds are the General Fund and the Permanent Improvement 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 fiscal year end available for spending in future periods. These funds are reported on a modified cash basis. The governmental fund statements provide a detailed short-term view of the School District’s general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
 Unaudited

The School District as a Whole

Recall that the Statement of Net Assets – Cash Basis provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010.

Table 1
 Net Assets - Cash Basis

	Governmental Activities		
	2011	2010	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,563,472	\$5,691,001	(\$127,529)
Net Assets			
Restricted	\$2,992,047	\$3,018,150	(\$26,103)
Unrestricted	2,571,425	2,672,851	(101,426)
Total Net Assets	\$5,563,472	\$5,691,001	(\$127,529)

The above table reflects a decrease in net assets of \$127,529. This decrease can be attributed to a combination of decreases in state funding as well as an increase in certain expenditures. This decrease was potentially reduced by pay and step freezes approved by the School District employees.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2011, and comparisons to June 30, 2010.

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
 Unaudited

Table 2
 Changes in Net Assets

	Governmental Activities		
	2011	2010	Change
Receipts			
Program Cash Receipts:			
Charges for Services	\$1,265,759	\$1,296,417	(\$30,658)
Operating Grants, Contributions and Interest	3,542,471	3,575,854	(33,383)
Total Program Cash Receipts	<u>4,808,230</u>	<u>4,872,271</u>	<u>(64,041)</u>
General Receipts:			
Property Taxes	10,356,646	10,074,987	281,659
Grants and Entitlements	11,229,228	11,387,014	(157,786)
Investment Earnings	27,637	132,502	(104,865)
Gifts and Donations	3,382	28,930	(25,548)
Receipts from Sale of Capital Assets	747	490	257
Payments in Lieu of Taxes	68,634	73,775	(5,141)
Miscellaneous	433,447	135,138	298,309
Total General Receipts	<u>22,119,721</u>	<u>21,832,836</u>	<u>286,885</u>
Total Receipts	<u>26,927,951</u>	<u>26,705,107</u>	<u>222,844</u>
Program Disbursements			
Instruction:			
Regular	11,818,324	11,601,640	216,684
Special	3,318,005	3,518,047	(200,042)
Vocational	60,152	56,214	3,938
Adult/Continuing	0	8,381	(8,381)
Student Intervention Services	22,406	83,897	(61,491)
Support Services:			
Pupils	1,210,954	1,217,036	(6,082)
Instructional Staff	1,702,682	1,747,643	(44,961)
Board of Education	81,390	91,997	(10,607)
Administration	1,876,123	1,989,062	(112,939)
Fiscal	618,604	533,585	85,019
Business	143,770	167,914	(24,144)
Operation and Maintenance of Plant	2,685,266	2,150,063	535,203
Pupil Transportation	1,344,135	1,048,930	295,205
Central	149,462	170,912	(21,450)
Non-Instructional Services:			
Food Service Operations	1,250,150	899,961	350,189
Other	130,391	112,410	17,981
Extracurricular Activities	487,637	460,396	27,241
Principal Retirement	133,000	165,000	(32,000)
Interest and Fiscal Charges	23,029	26,279	(3,250)
Total Disbursements	<u>27,055,480</u>	<u>26,049,367</u>	<u>1,006,113</u>
Changes in Net Assets	<u>(127,529)</u>	<u>655,740</u>	<u>(783,269)</u>
Net Assets Beginning of Year	5,691,001	5,035,261	655,740
Net Assets End of Year	<u>\$5,563,472</u>	<u>\$5,691,001</u>	<u>(\$127,529)</u>

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
 Unaudited

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreases as the property valuation increases thus generating similar revenue. Property taxes made up approximately 38.5% of revenues for governmental activities for fiscal year 2011, which was an increase of \$281,659 from fiscal year 2010. This was offset by a decrease in unrestricted Grants and Entitlements of \$157,786 from fiscal year 2010 to 2011, which made up 41.7% of revenues.

The largest two program expenditures are for Regular Instruction at 43.7% and Special Instruction at 12.3%. Operations and Maintenance is the next largest program at 9.9% but there was \$1,006,113 more spent overall during fiscal year 2011 from fiscal year 2010. Some of this was a result of increases in insurances, the costs related to the operations of the aging buildings, and increased expenditures in the food service operations.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2010 have been made.

Table 3
 Governmental Activities

	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>	<u>Total Cost of Services 2010</u>	<u>Net Cost of Services 2010</u>
Program Disbursements				
Instruction:				
Regular	\$11,818,324	\$10,827,541	\$11,601,640	\$10,502,791
Special	3,318,005	2,088,190	3,518,047	2,139,302
Vocational	60,152	35,749	56,214	31,993
Adult/Continuing	0	0	8,381	(129)
Student Intervention Services	22,406	22,406	83,897	80,234
Support Services:				
Pupils	1,210,954	1,147,370	1,217,036	1,142,255
Instructional Staff	1,702,682	1,009,592	1,747,643	1,066,225
Board of Education	81,390	81,390	91,997	91,997
Administration	1,876,123	1,631,185	1,989,062	1,749,256
Fiscal	618,604	618,604	533,585	533,585
Business	143,770	143,770	167,914	167,914
Operation and Maintenance of Plant	2,685,266	2,685,266	2,150,063	2,149,835
Pupil Transportation	1,344,135	1,230,854	1,048,930	951,529
Central	149,462	86,503	170,912	106,331
Non-Instructional Services				
Food Service Operations	1,250,150	110,057	899,961	(107,040)
Other	130,391	21,147	112,410	22,897
Extracurricular Activities	487,637	351,597	460,396	356,842
Principal Retirement	133,000	133,000	165,000	165,000
Interest and Fiscal Charges	23,029	23,029	26,279	26,279
Total	<u>\$27,055,480</u>	<u>\$22,247,250</u>	<u>\$26,049,367</u>	<u>\$21,177,096</u>

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
 Unaudited

The dependence upon tax revenues for governmental activities is apparent. Approximately 82 percent of instruction activities are supported primarily by taxes, unrestricted grants and entitlements, and other general revenues.

The School District Funds

The School District's major funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$26,927,204 and disbursements of \$27,539,639. The General Fund had a decrease in fund balance of \$604,914. The Permanent Improvement Fund had an increase in fund balance of \$145,543 due to certain building improvements not being completed until fiscal year 2012.

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 2011, the School District amended its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis receipts were \$301,391 below the final estimates of \$21,122,270. Original estimates were increased \$70,813 from original estimates of \$21,051,457 due to various unexpected revenues being collected during the year. The budget basis disbursements were \$21,824,229, which represented a change from the final estimate of \$22,727,904. Of this \$903,675 difference, the majority was due to the School District's conservative estimates for expenditures.

The School District's ending unobligated General Fund balance was \$2,009,156.

Debt Administration

At June 30, 2011, the School District had the following outstanding obligations:

Table 4
 Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2011	2010
2003 Energy Conservation Bonds	\$450,000	\$500,000
2006 Energy Conservation Loan	894,000	977,000
Totals	\$1,344,000	\$1,477,000

On August 22, 2003, the School District issued \$821,529 in School Energy Conservation Improvement Bonds under the House Bill 264 School Energy Conservation Financing Program.

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

During fiscal year 2007, the School District received the final \$542,445 in proceeds from a \$1,275,000 energy conservation loan. The loan was used to replace heating systems at Harmar, Phillips, and Putnam Elementary schools and the High School Vocational Building. It was also utilized for lighting retrofits and heating controls throughout the School District and for restroom renovations at the High School.

Current Issues

Due to static State revenues, changes in the law which reduces the business tax base, and the overall economic climate, the School District will remain in this position for the foreseeable future until new funding can be assured. In May of 2011, the local voters approved a \$2,750,000, 5-year Emergency Operating Levy. Collections on this new levy will begin during calendar year 2012 (the second half of fiscal year 2012). The School District will also be placing renewal levies on the ballot, for both the general operating levy and the permanent improvement levy, on March 6, 2012.

Based on the current financial situation, and the uncertainty of funding, the School District will be challenged to maintain the current program and staffing levels. Additional staff and program reductions may have to be made in the future in order to balance the budget. The Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to balance the budget annually.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and 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 Matthew Reed, Treasurer/CFO at Marietta City School District, 111 Academy Drive, Marietta, Ohio 45750, or E-Mail at MA_MREED@SEOVEC.ORG.

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Marietta City School District, Ohio

Statement of Net Assets - Cash Basis

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,563,472</u>
Net Assets	
Restricted for:	
Capital Projects	\$2,020,215
Textbooks	132,685
Unclaimed Monies	5,666
Other Purposes	833,481
Unrestricted	<u>2,571,425</u>
<i>Total Net Assets</i>	<u>\$5,563,472</u>

See accompanying notes to the basic financial statements

Marietta City School District, Ohio

Statement of Activities - Cash Basis

For the Fiscal Year Ended June 30, 2011

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services	Operating Grants, Contributions and Interest	Receipts and Changes in Net Assets
Governmental Activities				
Instruction:				
Regular	\$11,818,324	\$636,532	\$354,251	(\$10,827,541)
Special	3,318,005	0	1,229,815	(2,088,190)
Vocational	60,152	0	24,403	(35,749)
Student Intervention Services	22,406	0	0	(22,406)
Support Services:				
Pupils	1,210,954	0	63,584	(1,147,370)
Instructional Staff	1,702,682	137	692,953	(1,009,592)
Board of Education	81,390	0	0	(81,390)
Administration	1,876,123	58,369	186,569	(1,631,185)
Fiscal	618,604	0	0	(618,604)
Business	143,770	0	0	(143,770)
Operation and Maintenance of Plant	2,685,266	0	0	(2,685,266)
Pupil Transportation	1,344,135	38,230	75,051	(1,230,854)
Central	149,462	0	62,959	(86,503)
Non-Instructional Services:				
Food Service Operations	1,250,150	416,143	723,950	(110,057)
Other	130,391	313	108,931	(21,147)
Extracurricular Activities	487,637	116,035	20,005	(351,597)
Principal Retirement	133,000	0	0	(133,000)
Interest and Fiscal Charges	23,029	0	0	(23,029)
Totals	\$27,055,480	\$1,265,759	\$3,542,471	(22,247,250)
General Receipts				
Property Taxes Levied for:				
General Purposes				9,154,301
Debt Service				145,083
Permanent Improvements				1,057,262
Grants and Entitlements not Restricted to Specific Programs				11,229,228
Gift and Donations not Restricted to Specific Programs				3,382
Investment Earnings				27,637
Receipts from Sale of Capital Assets				747
Payments in Lieu of Taxes				68,634
Miscellaneous				433,447
Total General Receipts				22,119,721
Change in Net Assets				(127,529)
Net Assets Beginning of Year				5,691,001
Net Assets End of Year				\$5,563,472

See accompanying notes to the financial statements

Marietta City School District, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2011

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,033,316	\$2,020,215	\$822,481	\$4,876,012
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	138,351	0	0	138,351
<i>Total Assets</i>	<u>\$2,171,667</u>	<u>\$2,020,215</u>	<u>\$822,481</u>	<u>\$5,014,363</u>
Fund Balances				
Nonspendable	\$5,666	\$0	\$0	\$5,666
Restricted	132,685	2,020,215	822,481	2,975,381
Committed	11,000	0	0	11,000
Assigned	2,022,316	0	0	2,022,316
<i>Total Fund Balances</i>	<u>\$2,171,667</u>	<u>\$2,020,215</u>	<u>\$822,481</u>	<u>\$5,014,363</u>

See accompanying notes to the basic financial statements

Marietta City School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2011*

Total Governmental Fund Balances	\$5,014,363
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*Amounts reported for governmental activities in the statement of
net assets are different because*

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net assets.

549,109

Net Assets of Governmental Activities

\$5,563,472

See accompanying notes to the basic financial statements

Marietta City School District, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts				
Taxes	\$9,154,301	\$1,057,262	\$145,083	\$10,356,646
Payments in Lieu of Taxes	68,634	0	0	68,634
Intergovernmental	10,711,556	138,159	3,882,762	14,732,477
Interest	27,637	0	1,477	29,114
Charges for Services	0	0	416,143	416,143
Tuition and Fees	581,132	0	94,080	675,212
Extracurricular Activities	58,369	0	116,035	174,404
Gifts and Donations	24,855	500	15,772	41,127
Miscellaneous	430,911	0	2,536	433,447
<i>Total Receipts</i>	<u>21,057,395</u>	<u>1,195,921</u>	<u>4,673,888</u>	<u>26,927,204</u>
Disbursements				
Current:				
Instruction:				
Regular	10,880,856	160,371	1,014,480	12,055,707
Special	2,337,500	0	1,049,800	3,387,300
Vocational	61,378	0	0	61,378
Student Intervention Services	22,406	0	0	22,406
Support Services:				
Pupils	1,173,050	0	63,194	1,236,244
Instructional Staff	1,060,038	0	689,521	1,749,559
Board of Education	65,890	0	15,500	81,390
Administration	1,738,932	0	167,992	1,906,924
Fiscal	441,904	177,347	0	619,251
Business	147,755	0	0	147,755
Operation and Maintenance of Plant	2,139,235	562,703	21,299	2,723,237
Pupil Transportation	1,215,640	143,779	12,696	1,372,115
Central	68,246	0	83,866	152,112
Non-Instructional Services	624	0	1,379,971	1,380,595
Extracurricular Activities	308,264	6,178	173,195	487,637
Debt Service:				
Principal Retirement	0	0	133,000	133,000
Interest and Fiscal Charges	0	0	23,029	23,029
<i>Total Disbursements</i>	<u>21,661,718</u>	<u>1,050,378</u>	<u>4,827,543</u>	<u>27,539,639</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(604,323)</u>	<u>145,543</u>	<u>(153,655)</u>	<u>(612,435)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	747	0	0	747
Advances In	270,371	0	133,988	404,359
Advances Out	(133,988)	0	(120,371)	(254,359)
Transfers In	0	0	137,721	137,721
Transfers Out	(137,721)	0	0	(137,721)
<i>Total Other Financing Sources (Uses)</i>	<u>(591)</u>	<u>0</u>	<u>151,338</u>	<u>150,747</u>
<i>Net Change in Fund Balance</i>	<u>(604,914)</u>	<u>145,543</u>	<u>(2,317)</u>	<u>(461,688)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>2,776,581</u>	<u>1,874,672</u>	<u>824,798</u>	<u>5,476,051</u>
<i>Fund Balances End of Year</i>	<u>\$2,171,667</u>	<u>\$2,020,215</u>	<u>\$822,481</u>	<u>\$5,014,363</u>

See accompanying notes to the financial statements

Marietta City School District, Ohio
*Reconciliation of the Statement of Cash Receipts, Cash Disbursements and Changes
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds (\$461,688)

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

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund disbursements and the related internal service fund receipts are eliminated. The net receipts (disbursements) of the internal service fund is allocated among the governmental activities.

334,159

Change in Net Assets of Governmental Activities

(\$127,529)

See accompanying notes to the financial statements

Marietta City School District, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Taxes	\$9,195,323	\$9,297,948	\$9,154,301	(\$143,647)
Payments in Lieu of Taxes	74,000	74,000	68,634	(5,366)
Intergovernmental	10,761,756	10,765,027	10,711,556	(53,471)
Investment Earnings	140,000	147,121	27,637	(119,484)
Tuition and Fees	642,000	640,966	581,132	(59,834)
Extracurricular Activities	78,400	61,324	58,369	(2,955)
Gifts and Donations	28,600	4,506	24,855	20,349
Miscellaneous	131,378	131,378	194,395	63,017
<i>Total Receipts</i>	<u>21,051,457</u>	<u>21,122,270</u>	<u>20,820,879</u>	<u>(301,391)</u>
Disbursements				
Current:				
Instruction:				
Regular	10,707,058	10,981,420	10,895,366	86,054
Special	2,301,027	2,599,616	2,337,782	261,834
Vocational	58,101	61,693	62,672	(979)
Student Intervention Services	71,549	71,679	22,406	49,273
Support Services:				
Pupils	1,153,392	1,179,341	1,184,757	(5,416)
Instructional Staff	1,136,626	1,147,244	1,071,238	76,006
Board of Education	86,047	86,026	66,825	19,201
Administration	1,931,132	1,970,604	1,777,500	193,104
Fiscal	495,113	511,605	442,029	69,576
Business	172,014	190,214	156,346	33,868
Operation and Maintenance of Plant	2,152,356	2,284,877	2,201,899	82,978
Pupil Transportation	1,153,735	1,210,788	1,221,155	(10,367)
Central	87,646	75,814	70,094	5,720
Non-Instructional Services	21,590	21,590	846	20,744
Extracurricular Activities	325,765	335,393	313,314	22,079
<i>Total Disbursements</i>	<u>21,853,151</u>	<u>22,727,904</u>	<u>21,824,229</u>	<u>903,675</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(801,694)</u>	<u>(1,605,634)</u>	<u>(1,003,350)</u>	<u>602,284</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	1,500	1,500	747	(753)
Refund of Prior Year Expenditures	5,000	5,000	236,516	231,516
Other Financing Uses	(1,981,870)	(1,184,546)	0	1,184,546
Advances In	200,000	200,000	270,371	70,371
Advances Out	(27,343)	(40,951)	(133,988)	(93,037)
Transfers Out	(122,876)	(122,876)	(137,721)	(14,845)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,925,589)</u>	<u>(1,141,873)</u>	<u>235,925</u>	<u>1,377,798</u>
<i>Net Change in Fund Balance</i>	<u>(2,727,283)</u>	<u>(2,747,507)</u>	<u>(767,425)</u>	<u>1,980,082</u>
<i>Fund Balance Beginning of Year</i>	2,340,860	2,340,860	2,340,860	0
Prior Year Encumbrances Appropriated	435,721	435,721	435,721	0
<i>Fund Balance End of Year</i>	<u>\$49,298</u>	<u>\$29,074</u>	<u>\$2,009,156</u>	<u>\$1,980,082</u>

See accompanying notes to the basic financial statements

Marietta City School District, Ohio
Statement of Fund Net Assets - Cash Basis
Internal Service Fund
June 30, 2011

	Self Insurance
Current Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$549,109</u>
Net Assets	
Unrestricted	<u>\$549,109</u>

See accompanying notes to the basic financial statements

Marietta City School District, Ohio
Statement of Cash Receipts, Cash
Disbursements and Changes in Fund Net Assets - Cash Basis
Internal Service Fund
For the Fiscal Year Ended June 30, 2011

	Self Insurance
Operating Receipts	
Charges for Services	\$3,969,246
Operating Disbursements	
Purchased Services	290,364
Claims	3,194,723
Total Operating Disbursements	3,485,087
Operating Change before Advances	484,159
Advances Out	(150,000)
Change in Net Assets	334,159
Net Assets Beginning of Year	214,950
Net Assets End of Year	\$549,109

See accompanying notes to the basic financial statements

Marietta City School District, Ohio
Statement of Fiduciary Net Assets - Cash Basis
Agency Funds
June 30, 2011

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$60,593</u>
Net Assets	
Restricted for Students	<u>\$60,593</u>

See accompanying notes to the basic financial statements

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's 6 instructional facilities staffed by 106 classified employees and 197 certified personnel, who provide services to 2,976 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations included ensuring that the basic 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 Marietta City School District, this includes general operations, food service, and student-related activities. The following activities are also included within the reporting entity.

Parochial School - Within the School District boundaries, St. Mary's School is operated through the Steubenville Catholic Diocese. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Chief Fiscal Officer of the School District, as directed by the parochial school. This activity is reflected in a special revenue fund for financial reporting purposes.

The School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Washington County Career Center, the Coalition of Rural and Appalachian Schools, and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, 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. In the government-wide financial statements and the fund financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund(s) is eliminated to avoid “doubling up” receipts and disbursements. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services, if any.

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The School District classifies each fund as either governmental, proprietary, or fiduciary.

Governmental: The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

General Fund The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Permanent Improvement Fund This fund accounts for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination the changes in net assets and financial position. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for health, life, and vision claims.

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are agency funds, which account for student activities and field trips.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

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.

D. Budgetary Process

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

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. 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.

E. Cash, Cash Equivalents, and Investments

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

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

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.

During fiscal year 2011, investments were limited to STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2011 was \$27,637, including \$13,370 assigned from other School District funds.

F. 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 imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets include amounts required by statute to be set-aside by the School District for the purchase of textbooks and unclaimed monies. See Note 13 for additional information regarding these set-asides.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

G. 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.

H. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

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

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. 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 assets are available.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

N. 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:

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

Restricted: The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Education. Those 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 the use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance 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.

Unassigned: The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balances.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which the amounts in any of the unrestricted fund balance classifications could be used.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated. Internal allocations of overhead disbursements from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

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

Note 3 - Change in Accounting Principles and Restatement of Fund Balance

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District's financial statements.

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	General Fund	Other Governmental Funds
Fund Balance at		
June 30, 2010	\$2,665,093	\$936,286
Change in Fund Structure	111,488	(111,488)
Adjusted Fund Balance at		
June 30, 2010	\$2,776,581	\$824,798

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 4 - Fund Balances

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:

Fund Balances	General Fund	Permanent Improvement	Other Governmental Funds	Total
Nonspendable for:				
Unclaimed Monies	\$5,666	\$0	\$0	\$5,666
Restricted for:				
Local Grant Expenditures	0	0	31,300	31,300
State Grant Expenditures	0	0	76,836	76,836
Federal Grant Expenditures	0	0	148,021	148,021
Food Service Operations	0	0	470,425	470,425
Athletic Programs	0	0	95,899	95,899
Capital Improvements	0	2,020,215	0	2,020,215
Textbooks	132,685	0	0	132,685
<i>Total Restricted</i>	<u>132,685</u>	<u>2,020,215</u>	<u>822,481</u>	<u>2,975,381</u>
Committed for:				
Underground Storage Tanks	11,000	0	0	11,000
Assigned to:				
Encumbrances	146,641	0	0	146,641
Capital Improvements	35,287	0	0	35,287
Textbooks	55,029	0	0	55,029
School Support	115,877	0	0	115,877
Fiscal Year 2012 Appropriations	1,669,482	0	0	1,669,482
<i>Total Assigned</i>	<u>2,022,316</u>	<u>0</u>	<u>0</u>	<u>2,022,316</u>
<i>Total Fund Balances</i>	<u>\$2,171,667</u>	<u>\$2,020,215</u>	<u>\$822,481</u>	<u>\$5,014,363</u>

Note 5 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budgetary Basis) presented for the General Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Net Change in Fund Balance

	<u>General</u>
Cash Basis	(\$604,914)
Encumbrances	<u>(162,511)</u>
Budget Basis	<u><u>(\$767,425)</u></u>

Note 6 - Deposits and Investments

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

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

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

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

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

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

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bank acceptances if training requirements have been met.

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$4,933,266 of the School District's bank balance of \$5,683,377 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirement could potentially subject the School District to a successful claim by the FDIC.

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

Investments As of June 30, 2011, the School District had an investment in STAROhio. The carrying and fair value of this investment was \$2,904, with an average maturity of 58.3 days. This investment is in an internal investment pool.

Credit Risk STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax 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, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010, and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Washington County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$415,921,730	96.36%	\$426,275,790	96.21%
Public Utility Personal	14,887,730	3.45%	16,363,540	3.69%
Tangible Personal Property	817,510	0.19%	432,790	0.10%
	<u>\$431,626,970</u>	<u>100%</u>	<u>\$443,072,120</u>	<u>100%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$44.15		\$44.15	

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 8 - Interfund Balances

Unpaid interfund cash advances at June 30, 2011, were as follows:

	Receivables	Payables
General Fund	\$16,747	\$0
Nonmajor Special Revenue Funds:		
State Grants Fund	0	43
Federal Grants Fund	0	16,704
Total Special Revenue Funds	0	16,747
Total All Funds	\$16,747	\$16,747

The interfund balances result from the provision of cash flow resources from the General Fund until the receipt of grant monies by the grant funds.

Note 9 - 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 2011, the School District contracted with Barengo Insurance Agency through Ohio Casualty Insurance for general liability, vehicle, and property insurance. Coverage provided by the Utica National Insurance Group is as follows:

Building and Contents-replacement cost (\$5,000 deductible)	\$81,060,461
Boiler and Machinery (\$5,000 deductible)	81,060,461
Inland Marine:	
Cameras and audio-visual equipment (\$250 deductible)	50,000
Signs (\$250 deductible)	10,000
Music Instruments (\$250 deductible)	250,000
Band Uniforms (\$250 deductible)	50,000
Computers per Building (\$500 deductible)	
Hardware	200,000
Software	25,000
Transit	10,000
Miscellaneous School Equipment and Property (\$250 deductible)	50,000
Athletic Equipment (\$250 deductible)	500,000
Crime (no deductible) -	
Public Employee Dishonesty	100,000
Money and Securities -	
Inside Premises - Per Occurrence	25,000
Outside Premises - Per Messenger	25,000
Forgery or Alteration	100,000

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Automobile Liability (no deductible):	
Bodily Injury and Property Damage – combined single limit	\$1,000,000
Medical Payments – each person	5,000
Hired Auto Liability	1,000,000
Non-owned Auto Liability	1,000,000
Hired Car Physical Damage	50,000
General Liability (no deductible):	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000
Medical Expense Limit – per person/accident	15,000
Employee Benefits Liability (\$1,000 deductible):	
Per Claim	1,000,000
Aggregate Limit	3,000,000
Educators Legal Liability (\$5,000 deductible):	
Per Claim	1,000,000
Aggregate Limit	1,000,000
Umbrella:	
Each Occurrence	3,000,000
Aggregate Limit	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2010.

B. Workers' Compensation

For fiscal year 2011, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP 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 GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

C. Employee Benefits

Health, life, and vision insurance are offered to employees through a self-insurance internal service fund in fiscal year 2011. Monthly premiums for the cost of claims are remitted to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$500,000, which is based on an estimate provided by the third party administrator, includes unpaid claim costs and estimates of costs relating to incurred but not reported claims. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. A comparison of self-insurance fund cash and investments to the actuarially-measured liability as of June 30 follows:

	<u>Investments</u>	<u>Liabilities</u>
2010	\$214,950	\$200,000
2011	549,109	500,000

Note 10 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$349,939, \$179,347 and \$239,637, respectively; 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System

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

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 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 invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$1,316,295 and \$12,670 for the fiscal year ended June 30, 2011, and \$1,219,888 and \$11,736 for the fiscal year ended June 30, 2010, and \$1,226,485 for the fiscal year ended June 30, 2009. The School District's contribution for the defined benefit portion of the Combined Plan was not available for 2009. For fiscal year 2011, 83.08 percent has been contributed for the DB Plan and 83.08 percent has been contributed for the Combined Plan. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2011 were \$14,996 made by the School District and \$10,712 made by the plan members. In addition, member contributions of \$9,050 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, three members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 11 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$48,636 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009, were \$91,008, \$62,499 and \$160,587, respectively. For fiscal year 2011, 46.56 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009, were \$22,519, \$7,139 and \$21,432, respectively; 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. 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 report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the 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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009, were \$101,253, \$93,838 and \$97,838 respectively. For fiscal year 2011, 83.08 percent has been contributed. The full amount has been contributed for fiscal years 2010 and 2009.

Note 12 - Long-Term Debt

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Principal Outstanding 6/30/10	Additions	Reductions	Principal Outstanding 6/30/11	Amounts Due in One Year
Governmental Activities					
2003 Energy Conservation Improvement Bonds - 4.54%	\$500,000	\$0	\$50,000	\$450,000	\$60,000
2006 Energy Conservation Loan - 4.75%	977,000	0	83,000	894,000	84,000
Total Governmental Activities Long-Term Obligations	<u>\$1,477,000</u>	<u>\$0</u>	<u>\$133,000</u>	<u>\$1,344,000</u>	<u>\$144,000</u>

On August 22, 2003, the School District issued \$821,529 in School Energy Conservation Improvement Bonds under the House Bill 264 School Energy Conservation Financing Program. The bonds will be repaid using energy savings.

During fiscal year 2006, the School District obtained a School Energy Conservation Loan and drew down the remaining \$542,445 in proceeds during fiscal year 2007. The bonds will be repaid using energy savings.

The overall debt margin of the School District as of June 30, 2011, was \$39,826,882, with an unvoted debt margin of \$442,521.

Principal and interest requirements to retire the debt outstanding at June 30, 2011, are as follows:

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Fiscal Year	2003		2006	
	Energy Conservation		Energy Conservation	
	Principal	Interest	Principal	Interest
Ending				
2012	\$60,000	\$19,068	\$84,000	\$42,465
2013	55,000	16,458	85,000	38,475
2014	60,000	13,848	86,000	34,438
2015	65,000	11,010	87,000	30,352
2016	70,000	7,945	88,000	26,220
2017-2021	140,000	6,583	464,000	67,118
	<u>\$450,000</u>	<u>\$74,912</u>	<u>\$894,000</u>	<u>\$239,068</u>

Note 13 - Set-Aside Calculations

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

The following cash basis information describes the change in the fiscal year end set aside amounts for textbooks and capital improvements. Disclosure of this information is required by State statute.

	Capital Improvements Reserve	Textbooks/ Instructional Materials Reserve
Set-aside Balance as of June 30, 2010	\$0	\$282,262
Current Year Set-aside Requirement	427,119	427,119
Offsetting Credits	(1,045,421)	0
Qualifying Disbursements	(303,824)	(576,696)
Total	<u>(\$922,126)</u>	<u>\$132,685</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>\$132,685</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital set-aside amount below zero. The excess qualifying disbursements may not be used to reduce the set-aside requirement in future fiscal years.

Note 14 - Interfund Transfers

During the fiscal year, the General Fund transferred \$65,343 to the State Grants Special Revenue Fund and \$61,430 to the Athletic and Music Special Revenue Fund to subsidize those programs until the receipt of grants monies and charges for services rendered. The General Fund also transferred \$10,948 to the Bond Retirement Fund for debt payments.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 15 - Contingencies

A. Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2011, will not have a material adverse effect on the School District.

B. Litigation

The School District is currently not a party to any legal proceedings.

Note 16 - Jointly Governed Organizations

A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium 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. SEOVEC has 28 participants consisting of school districts in nine southeastern Ohio counties. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2011, the School District paid \$98,634 to SEOVEC. To obtain financial information, write to the Southeastern Ohio Voluntary Education Cooperative at 221 North Columbus Road, Athens, Ohio 45701.

B. Washington County Career Center

The Washington County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school districts' elected boards and one representative from the Ohio Valley Educational Service Center's board. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Washington County Career Center, Joe Crone, Treasurer, at 21740 SR 676, Marietta, Ohio 45750.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$325 for fiscal year 2011. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Note 17 - Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Program

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2010/2011	10.555	\$ 56,949	\$ 56,949
Cash Assistance:				
School Breakfast Program	2010/2011	10.553	217,207	217,207
National School Lunch Program	2010/2011	10.555	490,628	490,628
Cash Assistance Subtotal			<u>707,835</u>	<u>707,835</u>
Total Child Nutrition Cluster			<u>764,784</u>	<u>764,784</u>
Total U.S. Department of Agriculture			764,784	764,784
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title 1 Cluster:				
Title 1 Grants to Local Educational Agencies	2010	84.010	108,444	127,351
	2011		711,636	681,973
Total Title 1 Grants to Local Educational Agencies			<u>820,080</u>	<u>809,324</u>
ARRA - Title 1 Grants to Local Educational Agencies	2010	84.389	41,364	49,784
	2011		180,281	164,993
Total ARRA - Title 1 Grants to Local Educational Agencies			<u>221,645</u>	<u>214,777</u>
Total Title 1 Cluster			1,041,725	1,024,101
Special Education Cluster:				
Special Education - Grants to States	2010	84.027	178,621	200,692
	2011		599,314	567,757
Total Special Education - Grants to States			<u>777,935</u>	<u>768,449</u>
ARRA - Special Education - Grants to States	2010	84.391	65,150	82,142
	2011		196,043	196,046
			<u>261,193</u>	<u>278,188</u>
<i>Passed through Ohio Valley Educational Service Center:</i>				
Special Education - Preschool Grants	2011	84.173	10,747	10,747
Total Special Education Cluster			1,049,875	1,057,384
Safe and Drug-Free Schools and Communities - State Grants	2010	84.186	1,378	1,671
	2011		2,024	25
Total Safe and Drug-Free Schools and Communities - State Grants			<u>3,402</u>	<u>1,696</u>
Education Technology State Grants				
Education Technology State Grants	2010	84.318	(270)	0
	2011		2,418	970
Total Education Technology State Grants			<u>2,148</u>	<u>970</u>
Education for Homeless Children and Youth	2010	84.196	(1,000)	0
	2011		29,986	29,020
Total Education for Homeless Children and Youth			<u>28,986</u>	<u>29,020</u>
Improving Teacher Quality State Grants	2010	84.367	24,320	27,035
	2011		143,204	141,593
Total Improving Teacher Quality State Grants			<u>167,524</u>	<u>168,628</u>
ARRA - Teacher Incentive Fund	2011	84.385	43,890	55,569
ARRA - State Fiscal Stabilization Fund - Education State Grants	2011	84.394	651,738	605,083
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	2011	84.395	26,402	18,886
Total U.S. Department of Education			<u>3,015,690</u>	<u>2,961,337</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 3,780,474</u>	<u>\$ 3,726,121</u>

The Notes to the Federal Awards Receipts and Expenditures Schedule is an integral part of the Schedule.

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2010 to 2011</u>
Education Technology State Grants	84.318	\$ 270
Education for Homeless Children & Youth	84.196	1,000



Dave Yost • Auditor of State

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

Marietta City School District
Washington County
111 Academy Drive
Marietta, Ohio 45750

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marietta City School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 8, 2012, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles and has adopted Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the School 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2011-01.

We also noted a certain matter not requiring inclusion in this report that we reported to the School District's management in a separate letter dated March 8, 2012.

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

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities, and others within the School District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

March 8, 2012



Dave Yost • Auditor of State

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

Marietta City School District
Washington County
111 Academy Drive
Marietta, Ohio 45750

To the Board of Education:

Compliance

We have audited the compliance of Marietta City School District, Washington County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2011. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with these requirements.

In our opinion, School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated March 8, 2012.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

March 8, 2012

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster CFDA Nos. 84.027, 84.173 and 84.391; Title I Cluster CFDA Nos. 84.010 and 84.389; and State Fiscal Stabilization Fund – Education State Grants CFDA No. 84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(Continued)

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

FINDING NUMBER 2011-01

Noncompliance Citation

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue 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 Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 117-2-03(B) requires the School District to file its annual financial report pursuant to generally accepted accounting principles. However, the School District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. 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.

We recommend the School District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

Officials' Response: GAAP statements are not prepared as a cost savings to the School District.

3. FINDINGS FOR FEDERAL AWARDS

None

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315(b)
FOR THE YEAR ENDED JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	A material noncompliance citation was issued under Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for not reporting on a GAAP basis.	No	Not Corrected; this item is repeated in the current audit as Finding Number 2011-01.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Marietta City School District
Washington County
111 Academy Drive
Marietta, Ohio 45750

To the Board of Education:

Ohio Rev. Code Section 117.53 states, "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Marietta City School District, Washington County, Ohio (the School District), has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on November 22, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 8, 2012

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Dave Yost • Auditor of State

MARIETTA CITY SCHOOL DISTRICT

WASHINGTON 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 22, 2012**