



**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701

Telephone 740-594-3300
800-441-1389

Facsimile 740-594-2110

REPORT OF INDEPENDENT ACCOUNTANTS

Marietta City School District
Washington County
701 Third Street
Marietta, Ohio 45750

To the Board of Education:

We have audited the accompanying general purpose financial statements of Marietta City School District, Washington County, (the School District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Marietta City School District, Washington County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As described in Note 3 to the accompanying general purpose financial statements, during the year ended June 30, 1999, the School District changed its method of accounting and financial reporting for its Internal Revenue Code Section 457 Deferred Compensation Plans

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2000, 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 grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

February 4, 2000

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Marietta City School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$797,263	\$399,545	\$1,148,030	\$114,107
Cash and Cash Equivalents in Segregated Accounts	0	8,785	0	0
Cash with Fiscal and Escrow Agents	0	0	111	0
Receivables:				
Taxes	9,591,327	0	996,728	0
Accounts	12,653	1,150	0	0
Intergovernmental	112,926	39,129	0	0
Interfund	1,033,770	0	0	0
Due from Other Funds	5,100	0	0	0
Prepaid Items	34,490	0	0	0
Materials and Supplies Inventory	18,710	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	355,437	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
 Total Assets and Other Debits	 \$11,961,676	 \$448,609	 \$2,144,869	 \$114,107

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$28,955	\$28,842	\$69,097	\$0	\$0	\$2,585,839
0	0	0	0	0	8,785
0	0	0	0	0	111
0	0	0	0	0	10,588,055
2,295	225	0	0	0	16,323
4,211	0	0	0	0	156,266
0	0	0	0	0	1,033,770
61	3,582	0	0	0	8,743
0	4,956	0	0	0	39,446
0	0	0	0	0	18,710
0	0	0	0	0	355,437
0	0	0	11,266,265	0	11,266,265
0	0	0	0	1,155,843	1,155,843
0	0	0	0	8,479,043	8,479,043
<u>\$35,522</u>	<u>\$37,605</u>	<u>\$69,097</u>	<u>\$11,266,265</u>	<u>\$9,634,886</u>	<u>\$35,712,636</u>

(continued)

Marietta City School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups (Continued)
 June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity <u>and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$113,798	\$20,988	\$0	\$600
Accrued Wages Payable	1,346,693	103,023	0	0
Compensated Absences Payable	160,010	0	0	0
Interfund Payable	0	5,069	1,126	0
Due to Other Funds	3,582	5,161	0	0
Intergovernmental Payable	289,313	19,566	0	96
Deferred Revenue	9,600,494	0	987,789	0
Due to Students	0	0	0	0
Claims Payable	0	0	0	0
Matured Interest Payable	0	0	111	0
Capital Leases Payable	0	0	0	0
Early Retirement Incentive Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	11,513,890	153,807	989,026	696
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficits)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	302,530	57,008	0	9,917
Reserved for Inventory	18,710	0	0	0
Reserved for Property Taxes	75,384	0	8,939	0
Reserved for School Bus Purchases	121,941	0	0	0
Reserved for Capital Improvements	5,148	0	0	0
Reserved for Budget Stabilization	228,348	0	0	0
Unreserved:				
Undesignated (Deficit)	(304,275)	237,794	1,146,904	103,494
Total Fund Equity (Deficit) and Other Credits	447,786	294,802	1,155,843	113,411
Total Liabilities, Fund Equity and Other Credits	\$11,961,676	\$448,609	\$2,144,869	\$114,107

See accompanying notes to the general purpose financial statements

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$0	\$8,480	\$0	\$0	\$0	\$143,866
878	0	0	0	0	1,450,594
1,652	0	0	0	1,993,808	2,155,470
0	1,027,575	0	0	0	1,033,770
0	0	0	0	0	8,743
1,321	0	0	0	138,031	448,327
0	123,264	0	0	0	10,711,547
0	0	69,097	0	0	69,097
0	504,930	0	0	0	504,930
0	0	0	0	0	111
0	0	0	0	57,174	57,174
0	0	0	0	245,873	245,873
0	0	0	0	7,200,000	7,200,000
<u>3,851</u>	<u>1,664,249</u>	<u>69,097</u>	<u>0</u>	<u>9,634,886</u>	<u>24,029,502</u>
0	0	0	11,266,265	0	11,266,265
51,150	0	0	0	0	51,150
(19,479)	(1,626,644)	0	0	0	(1,646,123)
0	0	0	0	0	369,455
0	0	0	0	0	18,710
0	0	0	0	0	84,323
0	0	0	0	0	121,941
0	0	0	0	0	5,148
0	0	0	0	0	228,348
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,183,917</u>
<u>31,671</u>	<u>(1,626,644)</u>	<u>0</u>	<u>11,266,265</u>	<u>0</u>	<u>11,683,134</u>
<u>\$35,522</u>	<u>\$37,605</u>	<u>\$69,097</u>	<u>\$11,266,265</u>	<u>\$9,634,886</u>	<u>\$35,712,636</u>

Marietta City School District, Ohio
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Taxes	\$8,977,693	\$0	\$961,357	\$0	\$9,939,050
Intergovernmental	9,065,954	1,343,702	119,453	345,686	10,874,795
Interest	121,742	1,338	31,388	16	154,484
Tuition and Fees	98,204	0	0	2,045	100,249
Extracurricular Activities	0	175,206	0	0	175,206
Miscellaneous	74,354	210,504	0	0	284,858
Total Revenues	18,337,947	1,730,750	1,112,198	347,747	21,528,642
Expenditures:					
Current:					
Instruction:					
Regular	8,532,158	152,368	0	0	8,684,526
Special	1,447,082	708,107	0	0	2,155,189
Vocational	195,375	13,382	0	0	208,757
Adult/Continuing	3,113	74,677	0	0	77,790
Support Services:					
Pupils	771,696	67,354	0	0	839,050
Instructional Staff	741,456	220,173	0	0	961,629
Board of Education	73,816	0	0	0	73,816
Administration	1,567,105	153,344	0	0	1,720,449
Fiscal	363,075	0	20,735	0	383,810
Business	221,835	14,533	0	0	236,368
Operation and Maintenance of Plant	1,828,940	26,611	0	0	1,855,551
Pupil Transportation	848,427	397	0	0	848,824
Central	139,730	2,866	0	0	142,596
Operation of Non-Instructional Services	16,301	126,276	0	0	142,577
Extracurricular Activities	231,958	222,566	0	0	454,524
Capital Outlay	0	0	0	380,730	380,730
Debt Service:					
Principal Retirement	458,090	379	610,000	0	1,068,469
Interest and Fiscal Charges	53,009	264	407,146	0	460,419
Total Expenditures	17,493,166	1,783,297	1,037,881	380,730	20,695,074
Excess of Revenues Over (Under) Expenditures	844,781	(52,547)	74,317	(32,983)	833,568
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	8,681	0	0	0	8,681
Inception of Capital Lease	39,619	0	0	0	39,619
Operating Transfers In	327	0	0	3,042	3,369
Operating Transfers Out	(35,301)	(3,369)	0	0	(38,670)
Total Other Financing Sources (Uses)	13,326	(3,369)	0	3,042	12,999
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	858,107	(55,916)	74,317	(29,941)	846,567
Fund Balances (Deficit) at Beginning of Year	(398,571)	350,718	1,081,526	143,352	1,177,025
Decrease in Reserve for Inventory	(11,750)	0	0	0	(11,750)
Fund Balances at End of Year	\$447,786	\$294,802	\$1,155,843	\$113,411	\$2,011,842

See accompanying notes to the general purpose financial statements

Marietta City School District, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 1999

	General		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Taxes	\$9,023,291	\$9,020,551	(\$2,740)
Intergovernmental	9,267,837	9,161,588	(106,249)
Interest	122,091	121,742	(349)
Tuition and Fees	91,117	85,974	(5,143)
Extracurricular Activities	0	0	0
Miscellaneous	227,403	81,240	(146,163)
Total Revenues	18,731,739	18,471,095	(260,644)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	9,357,420	8,968,508	388,912
Special	1,532,540	1,455,973	76,567
Vocational	198,747	198,176	571
Adult/Continuing	6,992	3,502	3,490
Support Services:			
Pupils	889,612	789,706	99,906
Instructional Staff	838,944	801,290	37,654
Board of Education	87,610	77,850	9,760
Administration	1,667,993	1,571,920	96,073
Fiscal	358,711	362,062	(3,351)
Business	243,974	230,907	13,067
Operation and Maintenance of Plant	1,949,950	1,953,117	(3,167)
Pupil Transportation	1,051,465	993,803	57,662
Central	173,604	161,755	11,849
Operation of Non-Instructional Services	38,485	16,693	21,792
Extracurricular Activities	245,568	233,973	11,595
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	18,641,615	17,819,235	822,380
Excess of Revenues Over (Under) Expenditures	90,124	651,860	561,736
<u>Other Financing Sources (Uses):</u>			
Refund of Prior Year Receipts	0	0	0
Refund of Prior Year Expenditures	2,000	2,000	0
Proceeds from Sale of Fixed Assets	11,500	8,681	(2,819)
Advances In	208,696	707,790	499,094
Advances Out	(1,032,644)	(1,032,644)	0
Operating Transfers In	232,575	327	(232,248)
Operating Transfers Out	(35,301)	(35,301)	0
Total Other Financing Sources (Uses)	(613,174)	(349,147)	264,027
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(523,050)	302,713	825,763
Fund Balances at Beginning of Year	288,851	288,851	0
Prior Year Encumbrances Appropriated	147,332	147,332	0
Fund Balances (Deficits) at End of Year	(\$86,867)	\$738,896	\$825,763

Marietta City School District, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types (Continued)
 For the Fiscal Year Ended June 30, 1999

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$0	\$0	\$0
Intergovernmental	1,506,826	1,333,028	(173,798)
Interest	1,100	1,338	238
Tuition and Fees	0	0	0
Extracurricular Activities	192,046	165,271	(26,775)
Miscellaneous	292,360	200,877	(91,483)
Total Revenues	1,992,332	1,700,514	(291,818)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	136,983	147,057	(10,074)
Special	950,529	717,309	233,220
Vocational	14,595	14,566	29
Adult/Continuing	120,493	80,611	39,882
Support Services:			
Pupils	82,646	72,728	9,918
Instructional Staff	285,524	229,773	55,751
Board of Education	0	0	0
Administration	267,151	171,045	96,106
Fiscal	0	0	0
Business	14,447	14,447	0
Operation and Maintenance of Plant	26,603	26,603	0
Pupil Transportation	1,297	697	600
Central	7,696	2,866	4,830
Operation of Non-Instructional Services	170,559	146,275	24,284
Extracurricular Activities	336,708	238,007	98,701
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	2,415,231	1,861,984	553,247
Excess of Revenues Over (Under) Expenditures	(422,899)	(161,470)	261,429
<u>Other Financing Sources (Uses):</u>			
Refund of Prior Year Receipts	(23,778)	(23,778)	0
Refund of Prior Year Expenditures	15,588	15,169	(419)
Proceeds from Sale of Fixed Assets	0	0	0
Advances In	5,069	5,069	0
Advances Out	(10,611)	(10,611)	0
Operating Transfers In	0	0	0
Operating Transfers Out	(3,369)	(3,369)	0
Total Other Financing Sources (Uses)	(17,101)	(17,520)	(419)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(440,000)	(178,990)	261,010
Fund Balances at Beginning of Year	405,632	405,632	0
Prior Year Encumbrances Appropriated	91,256	91,256	0
Fund Balances (Deficits) at End of Year	\$56,888	\$317,898	\$261,010

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$975,000	\$966,646	(\$8,354)	\$0	\$0	\$0
125,000	119,453	(5,547)	347,136	445,686	98,550
30,000	31,388	1,388	200	16	(184)
0	0	0	2,000	2,045	45
0	0	0	0	0	0
1,126	0	(1,126)	64,042	0	(64,042)
<u>1,131,126</u>	<u>1,117,487</u>	<u>(13,639)</u>	<u>413,378</u>	<u>447,747</u>	<u>34,369</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
20,735	20,735	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	549,245	392,584	156,661
728,139	610,000	118,139	0	0	0
500,000	407,146	92,854	0	0	0
<u>1,248,874</u>	<u>1,037,881</u>	<u>210,993</u>	<u>549,245</u>	<u>392,584</u>	<u>156,661</u>
<u>(117,748)</u>	<u>79,606</u>	<u>197,354</u>	<u>(135,867)</u>	<u>55,163</u>	<u>191,030</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	(110,000)	(100,000)	10,000
0	0	0	3,042	3,042	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>(106,958)</u>	<u>(96,958)</u>	<u>10,000</u>
(117,748)	79,606	197,354	(242,825)	(41,795)	201,030
1,068,424	1,068,424	0	135,351	135,351	0
0	0	0	10,034	10,034	0
<u>\$950,676</u>	<u>\$1,148,030</u>	<u>\$197,354</u>	<u>(\$97,440)</u>	<u>\$103,590</u>	<u>\$201,030</u>

(continued)

Marietta City School District, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types (Continued)
 For the Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$9,998,291	\$9,987,197	(\$11,094)
Intergovernmental	11,246,799	11,059,755	(187,044)
Interest	153,391	154,484	1,093
Tuition and Fees	93,117	88,019	(5,098)
Extracurricular Activities	192,046	165,271	(26,775)
Miscellaneous	584,931	282,117	(302,814)
	<u>22,268,575</u>	<u>21,736,843</u>	<u>(531,732)</u>
<u>Expenditures:</u>			
<u>Current:</u>			
<u>Instruction:</u>			
Regular	9,494,403	9,115,565	378,838
Special	2,483,069	2,173,282	309,787
Vocational	213,342	212,742	600
Adult/Continuing	127,485	84,113	43,372
<u>Support Services:</u>			
Pupils	972,258	862,434	109,824
Instructional Staff	1,124,468	1,031,063	93,405
Board of Education	87,610	77,850	9,760
Administration	1,935,144	1,742,965	192,179
Fiscal	379,446	382,797	(3,351)
Business	258,421	245,354	13,067
Operation and Maintenance of Plant	1,976,553	1,979,720	(3,167)
Pupil Transportation	1,052,762	994,500	58,262
Central	181,300	164,621	16,679
Operation of Non-Instructional Services	209,044	162,968	46,076
Extracurricular Activities	582,276	471,980	110,296
Capital Outlay	549,245	392,584	156,661
<u>Debt Service:</u>			
Principal Retirement	728,139	610,000	118,139
Interest and Fiscal Charges	500,000	407,146	92,854
	<u>22,854,965</u>	<u>21,111,684</u>	<u>1,743,281</u>
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	<u>(586,390)</u>	<u>625,159</u>	<u>1,211,549</u>
<u>Other Financing Sources (Uses):</u>			
Refund of Prior Year Receipts	(23,778)	(23,778)	0
Refund of Prior Year Expenditures	17,588	17,169	(419)
Proceeds from Sale of Fixed Assets	11,500	8,681	(2,819)
Advances In	213,765	712,859	499,094
Advances Out	(1,153,255)	(1,143,255)	10,000
Operating Transfers In	235,617	3,369	(232,248)
Operating Transfers Out	(38,670)	(38,670)	0
	<u>(737,233)</u>	<u>(463,625)</u>	<u>273,608</u>
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,323,623)</u>	<u>161,534</u>	<u>1,485,157</u>
Fund Balances at Beginning of Year	1,898,258	1,898,258	0
Prior Year Encumbrances Appropriated	<u>248,622</u>	<u>248,622</u>	<u>0</u>
Fund Balances (Deficits) at End of Year	<u>\$823,257</u>	<u>\$2,308,414</u>	<u>\$1,485,157</u>

See accompanying notes to the general purpose financial statements

Marietta City School District, Ohio
 Combined Statement of Revenues,
 Expenses and Changes in Retained Earnings
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 1999

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
<u>Operating Revenues:</u>			
Sales	\$128,949	\$0	\$128,949
Charges for Services	1,649	1,637,687	1,639,336
Total Operating Revenues	<u>130,598</u>	<u>1,637,687</u>	<u>1,768,285</u>
<u>Operating Expenses:</u>			
Salaries	6,016	0	6,016
Fringe Benefits	1,078	0	1,078
Purchased Services	0	173,554	173,554
Cost of Sales	183,493	0	183,493
Depreciation	555	0	555
Claims	0	1,860,503	1,860,503
Total Operating Expenses	<u>191,142</u>	<u>2,034,057</u>	<u>2,225,199</u>
Operating Loss	<u>(60,544)</u>	<u>(396,370)</u>	<u>(456,914)</u>
<u>Non-Operating Revenues:</u>			
Interest Income	202	0	202
Operating Grants	36,589	0	36,589
Total Non-Operating Revenues	<u>36,791</u>	<u>0</u>	<u>36,791</u>
Loss Before Operating Transfers	(23,753)	(396,370)	(420,123)
Operating Transfers In	<u>35,301</u>	<u>0</u>	<u>35,301</u>
Net Income (Loss)	11,548	(396,370)	(384,822)
Retained Earnings (Deficits) at Beginning of Year	(27,146)	(1,230,274)	(1,257,420)
Residual Equity Transfer	<u>(3,881)</u>	<u>0</u>	<u>(3,881)</u>
Retained Earnings (Deficits) at End of Year	<u><u>(\$19,479)</u></u>	<u><u>(\$1,626,644)</u></u>	<u><u>(\$1,646,123)</u></u>

See accompanying notes to the general purpose financial statements

Marietta City School District, Ohio
 Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 1999

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$282,205	\$127,947	(\$154,258)
Charges for Services	2,500	3,056	556
Interest Income	225	202	(23)
Operating Grants	32,000	32,709	709
Total Revenues	316,930	163,914	(153,016)
<u>Expenses:</u>			
Salaries	5,710	5,695	15
Fringe Benefits	1,155	1,072	83
Purchased Services	0	0	0
Materials and Supplies	206,948	189,195	17,753
Capital Outlay	176,471	9,571	166,900
Total Expenses	390,284	205,533	184,751
Excess of Revenues Under Expenses	(73,354)	(41,619)	31,735
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	40,000	35,301	(4,699)
Excess of Revenues Over (Under) Expenses, Advances, and Transfers	(33,354)	(6,318)	27,036
Fund Equity at Beginning of Year	23,059	23,059	0
Prior Year Encumbrances Appropriated	11,045	11,045	0
Fund Equity (Deficit) at End of Year	\$750	\$27,786	\$27,036

See accompanying notes to the general purpose financial statements

Internal Service Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$282,205	\$127,947	(\$154,258)
1,033,268	1,630,048	596,780	1,035,768	1,633,104	597,336
0	0	0	225	202	(23)
0	0	0	32,000	32,709	709
<u>1,033,268</u>	<u>1,630,048</u>	<u>596,780</u>	<u>1,350,198</u>	<u>1,793,962</u>	<u>443,764</u>
0	0	0	5,710	5,695	15
1,894,439	1,865,199	29,240	1,895,594	1,866,271	29,323
187,906	187,906	0	187,906	187,906	0
0	0	0	206,948	189,195	17,753
0	0	0	176,471	9,571	166,900
<u>2,082,345</u>	<u>2,053,105</u>	<u>29,240</u>	<u>2,472,629</u>	<u>2,258,638</u>	<u>213,991</u>
<u>(1,049,077)</u>	<u>(423,057)</u>	<u>626,020</u>	<u>(1,122,431)</u>	<u>(464,676)</u>	<u>657,755</u>
1,027,575	1,027,575	0	1,027,575	1,027,575	0
(597,179)	(597,179)	0	(597,179)	(597,179)	0
0	0	0	40,000	35,301	(4,699)
(618,681)	7,339	626,020	(652,035)	1,021	653,056
21,503	21,503	0	44,562	44,562	0
0	0	0	11,045	11,045	0
<u>(\$597,178)</u>	<u>\$28,842</u>	<u>\$626,020</u>	<u>(\$596,428)</u>	<u>\$56,628</u>	<u>\$653,056</u>

Marietta City School District, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 1999

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Increase (Decrease) in <u>Cash and Cash Equivalents:</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$131,003	\$0	\$131,003
Cash Received from			
Quasi-External Transactions with Other Funds	0	1,630,048	1,630,048
Cash Payments to Suppliers for Goods and Services	(188,026)	(187,906)	(375,932)
Cash Payments for Employee Services	(5,695)	0	(5,695)
Cash Payments for Employee Benefits	(1,072)	0	(1,072)
Cash Payments for Claims	0	(1,865,199)	(1,865,199)
<u>Net Cash Used for Operating Activities</u>	<u>(63,790)</u>	<u>(423,057)</u>	<u>(486,847)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Transfers In	35,301	0	35,301
Advances In	0	1,027,575	1,027,575
Advances Out	0	(597,179)	(597,179)
Operating Grants Received	32,709	0	32,709
<u>Net Cash Provided by Noncapital Financing Activities</u>	<u>68,010</u>	<u>430,396</u>	<u>498,406</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Payments for Capital Acquisitions	(9,571)	0	(9,571)
<u>Cash Flows from Investing Activities</u>			
Interest Income	202	0	202
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	<u>(5,149)</u>	<u>7,339</u>	<u>2,190</u>
Cash and Cash Equivalents at Beginning of Year	34,104	21,503	55,607
Cash and Cash Equivalents at End of Year	<u>\$28,955</u>	<u>\$28,842</u>	<u>\$57,797</u>
Reconciliation of Operating Loss to Net <u>Cash Used for Operating Activities:</u>			
Operating Loss	(60,544)	(\$396,370)	(\$456,914)
Adjustments to Reconcile Operating Loss to <u>Net Cash Used for Operating Activities:</u>			
Depreciation	555	0	555
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(941)	559	(382)
Increase in Due from Other Funds	(61)	(3,582)	(3,643)
Increase in Prepaid Items	0	(879)	(879)
Decrease in Intergovernmental Receivables	1,407	0	1,407
Decrease in Accounts Payable	(4,533)	(13,473)	(18,006)
Increase in Accrued Wages Payable	35	0	35
Increase in Compensated Absences Payable	286	0	286
Increase in Intergovernmental Payable	6	0	6
Decrease in Deferred Revenue	0	(4,616)	(4,616)
Decrease in Claims Payable	0	(4,696)	(4,696)
<u>Total Adjustments</u>	<u>(3,246)</u>	<u>(26,687)</u>	<u>(29,933)</u>
<u>Net Cash Used for Operating Activities</u>	<u>(\$63,790)</u>	<u>(\$423,057)</u>	<u>(\$486,847)</u>

Non-Cash Activity:

The General Fixed Assets Account Group received \$3,881 in fixed assets from the Transportation Enterprise Fund during fiscal year 1999.

See accompanying notes to the general purpose financial statements

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 mandated by State and/or federal agencies. This Board of Education controls the School District's 12 instructional/support facilities staffed by 109 classified employees, 224 certified teaching personnel, and 18 administrators, who provide services to 3,601 students and other community members.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government 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 of the School District. 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 Treasurer of the School District, as directed by the parochial school. The activity of these State monies is reflected in a special revenue fund for financial reporting purposes.

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

The School District is associated with the Southeast Ohio Voluntary Educational Consortium, the Washington County Joint Vocational School, and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 19 and 20.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

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

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

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

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

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

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

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.

Fiduciary Fund Types:

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

Account Groups:

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

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

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

B. Measurement Focus and Basis of Accounting

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

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue. Deferred revenue is also recognized for fiscal year 1999 excess costs billings which were measurable but not collected until after the available period.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Washington County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

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

During fiscal year 1999, investments were limited to repurchase agreements, which are reported at cost, and STAR Ohio.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$121,742, which includes \$68,281 assigned from other School District funds.

The School District has a segregated bank account for monies held separate from the School District's central bank account. This non-interest bearing depository account is presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" since it is not required to be deposited into the School District treasury.

The School District utilizes financial institutions to service bonded debt as principal and interest payments come due. The balances in these accounts are presented on the Combined Balance Sheet as "cash with fiscal and escrow agents" and represent deposits.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. During the fiscal year, the School District had no investments that met these criteria.

E. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 18 for the calculation of the year end restricted asset balance and the corresponding fund balance reserves.

F. Inventory

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase

Special Revenue Funds

Disadvantaged Pupil Impact Aid
Instructional Materials Subsidy

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems
Eisenhower Grant
Title I
Title VI
Title VI-B
Drug Free Schools
Professional Development Block Grant
Special Education Grant
Venture Capital Grant
Community Education Grant
School to Work
Federal Vocational Education Grant
Adult Basic Education
Learn and Serve Grant
School Net Professional Development
Martha Holden Jennings Foundation

Capital Projects Funds

School Net
School Net Plus

Reimbursable Grants

General Fund

Drive Education

Proprietary Funds

National School Milk Reimbursement

Grants and entitlements received in governmental funds amounted to approximately 51 percent of governmental fund revenue during the 1999 fiscal year.

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

K. Compensated Absences

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

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than sixty days after year end are considered not to have been paid using current available financial resources. Bonds and capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

During the fiscal year, the Transportation Enterprise Fund transferred \$3,881 to the general fixed assets account group. Due to this being a non-routine transfer, it is recorded as a residual equity transfer. The residual equity transfer out will not equal a residual equity transfer in because the general fixed assets account group presents the transaction as an addition to fixed assets.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of materials and supplies, property taxes, budget stabilization, capital acquisition, and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

O. Contributed Capital

Contributed capital represents resources from other funds provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. There was no change in contributed capital during this fiscal year.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

P. Estimates

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

Q. Total Columns on General Purpose Financial Statements

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

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR YEAR BALANCES

For fiscal year 1999, the School District implemented *GASB Statement No. 32, "Deferred Compensation Plans"*. This statement eliminates the requirement that the School District report plan assets in an agency fund if the plan has established a trust fund whose assets are not held by the School District in a fiduciary capacity. The Ohio Public Employees Deferred Compensation Plan has established a trust fund and the amounts are no longer reported on the School District's balance sheet as of June 30, 1999.

The general long-term obligations account group was overstated by an early retirement incentive amount by \$27,070 in the previous year. The balance at July 1, 1998, decreased from \$10,133,505 to \$10,106,435.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 1999, the Disadvantaged Pupil Impact Aid Special Revenue Fund had a deficit fund balance of \$5,672. The deficit resulted from expenditures made in excess of available revenues. The General Fund provides transfers to cover deficit balances in the special revenue funds; however, this is done when cash is needed rather than when accruals occur.

The Lunchroom Enterprise Fund had deficit retained earnings of \$31,022 at June 30, 1999, due primarily to the recognition of contributed capital in accordance with generally accepted accounting principles. Also, the Self-Insurance Internal Service Fund had deficit retained earnings of \$1,626,644 which was created by the application of generally accepted accounting principles. The School District is analyzing fund operations to determine appropriate steps to alleviate the deficits.

B. Compliance

The following funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 1999:

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$19,622,693	\$19,709,560	\$86,867
Math and Science Special Revenue Fund	55,596	66,207	10,611
Permanent Improvement Capital Projects Fund	10,971	110,000	99,029
Self-Insurance Internal Service Fund	2,082,346	2,679,524	597,178

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$858,107	(\$55,916)	\$74,317	(\$29,941)
Revenue Accruals	95,529	(6,282)	5,289	100,000
Non-Budgeted Activity	0	(8,785)	0	0
Advances In	707,790	5,069	0	0
Expenditure Accruals	87,735	(20,818)	0	(1,337)
Advances Out	(1,032,644)	(10,611)	0	(100,000)
Encumbrances	<u>(413,804)</u>	<u>(81,647)</u>	<u>0</u>	<u>(10,517)</u>
Budget Basis	<u>\$302,713</u>	<u>(\$178,990)</u>	<u>\$79,606</u>	<u>(\$41,795)</u>

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Net Income (Loss)/Excess of Revenues Over (Under)
Expenses, Advances, and Transfers
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	\$11,548	(\$396,370)
Revenue Accruals	(3,475)	(7,639)
Advances In	0	1,027,575
Expense Accruals	(4,206)	(19,048)
Capital Outlay	(9,571)	0
Depreciation Expense	555	0
Advances Out	0	(597,179)
Encumbrances	(1,169)	0
Budget Basis	(\$6,318)	\$7,339

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on Hand: At year end, the School District had \$400 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents."

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was (\$97,110) and the bank balance was \$125,471. Of the bank balance, \$100,111 was covered by federal depository insurance and \$25,360 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 2	Category 3	Carrying and Fair Value
Repurchase Agreement	\$0	\$0	\$614,000	\$614,000
STAR Ohio				2,432,882
Total				\$3,046,882

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$2,950,172	\$0
Cash on Hand	(400)	0
Investments:		
Repurchase Agreement	(614,000)	614,000
STAR Ohio	(2,432,882)	2,432,882
GASB Statement 3	(\$97,110)	\$3,046,882

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of its true value.

The assessed values upon which the fiscal year 1999 taxes were collected for Washington County are:

	<u>1998 Second- Half Collections</u>		<u>1999 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$236,236,370	77%	\$288,397,560	80%
Public Utility	20,799,290	7%	20,215,950	6%
Tangible Personal Property	<u>49,171,390</u>	<u>16%</u>	<u>49,195,380</u>	<u>14%</u>
Total Assessed Value	<u><u>\$306,207,050</u></u>	<u><u>100%</u></u>	<u><u>\$357,808,890</u></u>	<u><u>100%</u></u>
Tax Rate per \$1,000 of Assessed Valuation	\$44.70		\$44.20	

Real and public utility property taxes are payable annually and 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, unless extended. Under certain circumstances, State statute permits earlier or later payment dates to be established.

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.

The School District receives property taxes from Washington County. The Washington 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, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$84,323 and is recognized as revenue. \$75,384 was available to the General Fund and \$8,939 was available to the Debt Service Fund. At June 30, 1998, \$132,470 was available to the School District. \$118,242 was available to the General Fund and \$14,228 was available to the Debt Service Fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund:	
Excess Costs	\$84,551
CAFS Reimbursement	16,275
FEMA Reimbursement	5,265
Drivers Education	4,000
Basic State Aid Adjustment	1,021
Transportation	1,153
Other Reimbursements	661
Total General Fund	112,926
Special Revenue Funds:	
Title VI-B	21,581
Adult Basic Education	13,965
Drug Free Schools	3,583
Total Special Revenue Funds	39,129
Enterprise Funds:	
National School Milk Reimbursement	3,880
Other Reimbursements	331
Total Enterprise Funds	4,211
Total	<u>\$156,266</u>

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 9 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$51,150
Less: Accumulated depreciation	<u>(51,150)</u>
 Net Fixed Assets	 <u><u>\$0</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	Balance at 06/30/98	Additions	Reductions	Balance at 06/30/99
Land	\$752,500	\$0	\$0	\$752,500
Buildings	5,171,000	0	0	5,171,000
Furniture and Equipment	3,512,703	352,387	15,035	3,850,055
Vehicles	1,535,180	0	42,470	1,492,710
Total	<u>\$10,971,383</u>	<u>\$352,387</u>	<u>\$57,505</u>	<u>\$11,266,265</u>

NOTE 10 - 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 1999, the School District contracted with Wausau Insurance Company for general liability with a \$2,000,000 per occurrence limit, a \$20,000,000 aggregate limit, and a \$10,000 deductible. The School District has an umbrella liability endorsement with a \$10,000,000 per occurrence limit and a \$10,000 deductible.

Vehicles are covered by Nationwide Mutual Fire Insurance Company. The policy has a \$500 deductible for comprehensive coverage and a \$1,000 deductible for collision coverage. Automobile liability and uninsured motorist coverage have a \$1,000,000 combined single limit of liability. Inland Marine coverage is also provided by this company with a \$1,000 deductible and a \$129,200 limit.

Coverage provided by Utica National Insurance Group is as follows:

Building and Contents - \$5,000 deductible	\$43,970,697 limit
Boiler and Machinery - \$2,500 deductible	20,000,000 limit
Inland Marine - \$2,000 deductible	600,000 limit
Musical Instruments - \$500 deductible	250,000 limit
Band Uniforms - \$500 deductible	100,000 limit

Settled claims have not exceeded coverage in any of the past five years. There have been no significant reductions in insurance coverage from last year.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

B. Workers' Compensation

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

Medical/surgical benefits, vision, life, and dental insurance are offered to employees through a self-insurance internal service fund through Accordia National Insurance Company. The claims liability of \$504,930 reported in the internal service fund at June 30, 1999, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
1998	\$212,787	\$2,188,191	\$1,891,352	\$509,626
1999	509,626	1,860,503	1,865,199	504,930

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$177,104, \$242,423 and \$258,065, respectively; 43.99 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$99,205 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$441,314, \$987,705 and \$1,137,660, respectively; 91.68 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$36,729 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, three members of the Board of Education had elected social security. The Board's liability is 6.2 percent of wages paid.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$588,419 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$168,398.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 260 days for certified employees and up to 245 days for classified employees. Upon retirement, certified employees receive payments for one-third of the total sick leave accumulated and classified employees receive fifty percent of their total sick leave accumulated up to a maximum of 146 days (payments will not exceed 73 days total).

B. Other Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all employees with a minimum of a half-time position through Hartford Insurance Company.

C. Early Retirement Incentive

The Marietta City School District Board of Education approved an early retirement incentive program. The plan is effective July 1, 1999, through August 31, 2001, for employees of the School District who are members of the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS.) Participation is open to employees who are at least fifty years old and eligible for retirement during the effective period of the plan upon purchase of service credit under the incentive program.

The Board will purchase service credit not to exceed the lesser of two years or one-fifth of the remaining years required to retire for the employees electing to participate in the plan. The Board limits the number of employees participating in the plan to five percent each of the total number of employees of the Board who are members of STRS and SERS. The Board has the option of paying the liability in its entirety or in installments. Early retirement incentive payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements for governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

As an additional provision of the program, STRS and SERS members who elected to have the Board of Education purchase two years of retirement credit receive their unused compensated absence payment as follows:

STRS - Severance pay for employees who participate in the plan is thirty percent of the employee's accumulated and unused sick leave days using two hundred forty-five days as the maximum accumulation. Severance pay is paid in two equal installments; the first installment twelve months after retirement, the second installment twenty-four months following retirement.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

SERS - Severance pay for employees who participate in the plan is equal to fifty percent of the employee's accumulated sick leave days to a maximum of one hundred forty sick leave days. Severance pay will not exceed seventy days total. Severance pay will be disbursed in two equal installments with the first payment being made twelve months after retirement, and the second payment being made twenty-four months after retirement.

D. Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency.

GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" provides accounting guidelines for deferred compensation plans. The School District participates in the Ohio Public Employees Deferred Compensation Program. During 1998, the Ohio Public Employees Deferred Compensation Program created a trust for the assets of the plan for which the School District has no fiduciary responsibility. Therefore, plan assets are no longer presented on the balance sheet.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for equipment. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Equipment acquired by lease has been capitalized in the general fixed assets account group in the amount of \$87,724, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$22,592.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the net minimum lease payments:

	<u>Amount</u>
Fiscal Year 2000	\$23,641
Fiscal Year 2001	20,770
Fiscal Year 2002	11,381
Fiscal Year 2003	7,066
Fiscal Year 2004	<u>2,355</u>
Total	<u>65,213</u>
Less: Amount Representing Interest	<u>(8,039)</u>
Present Value of Net Minimum Lease Payments	<u>\$57,174</u>

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	<u>Outstanding 06/30/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 06/30/99</u>
General Obligation Bonds:				
School Improvement Bonds - 5.75% to 7.2%	\$7,660,000	\$0	\$535,000	\$7,125,000
School Improvement Bonds - 6.05%	<u>150,000</u>	<u>0</u>	<u>75,000</u>	<u>75,000</u>
Total General Obligation Bonds	<u>7,810,000</u>	<u>0</u>	<u>610,000</u>	<u>7,200,000</u>
Capital Leases	40,147	39,619	22,592	57,174
Compensated Absences	1,983,756	289,183	279,131	1,993,808
Early Retirement Incentive	133,632	548,118	435,877	245,873
Pension Obligation	<u>138,900</u>	<u>138,031</u>	<u>138,900</u>	<u>138,031</u>
Total Long-Term Obligations	<u>\$10,106,435</u>	<u>\$1,014,951</u>	<u>\$1,486,500</u>	<u>\$9,634,886</u>

School Improvement General Obligation Bonds - On April 1, 1993, Marietta City School District issued \$9,810,000 in voted general obligation bonds for the purpose of an addition and improvements to school buildings. The bonds were issued for a fifteen year period with final maturity at December 1, 2007. The bonds are being retired from the Debt Service Fund.

School Improvement General Obligation Bonds - On February 8, 1993, Marietta City School District issued \$510,000 in voted general obligation bonds for the purpose of improvements to school buildings. The bonds were issued for a six year period with final maturity at December 1, 1999. The bonds are being retired from the Debt Service Fund.

Capital leases will be paid from the General Fund and Athletic and Music Special Revenue Fund. Compensated absences, the early retirement incentive, and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$31,046,957, with an unvoted debt margin of \$357,809 at June 30, 1999.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Principal and interest requirements to retire general obligation debt outstanding at June 30, 1999, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$655,000	\$370,321	\$1,025,321
2001	685,000	339,537	1,024,537
2002	715,000	306,622	1,021,622
2003	750,000	271,087	1,021,087
2004	785,000	230,144	1,015,144
2005 - 2008	<u>3,610,000</u>	<u>429,525</u>	<u>4,039,525</u>
Total	<u>\$7,200,000</u>	<u>\$1,947,236</u>	<u>\$9,147,236</u>

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>Receivables</u>		<u>Payables</u>	
	<u>Interfund</u>	<u>Due From</u>	<u>Interfund</u>	<u>Due To</u>
General Fund	\$1,033,770	\$5,100	\$0	\$3,582
Special Revenue Funds:				
Title I	0	0	0	61
Disadvantaged Pupil				
Impact Aid	0	0	0	5,100
Title VI-B	0	0	5,069	0
Debt Service Fund	0	0	1,126	0
Uniform School Supplies				
Enterprise Fund	0	61	0	0
Self-Insurance Internal				
Service Fund	<u>0</u>	<u>3,582</u>	<u>1,027,575</u>	<u>0</u>
Total	<u>\$1,033,770</u>	<u>\$8,743</u>	<u>\$1,033,770</u>	<u>\$8,743</u>

NOTE 17 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of the lunchroom, uniform school supplies, and transportation activities. The table below reflects the more significant financial data relating to the enterprise funds of the Marietta City School District as of and for the fiscal year ended June 30, 1999.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

	<u>Lunchroom</u>	<u>Uniform School Supplies</u>	<u>Transportation</u>	<u>Total</u>
Operating Revenues	\$19,742	\$109,207	\$1,649	\$130,598
Depreciation Expense	555	0	0	555
Operating Income (Loss)	(29,328)	(32,865)	1,649	(60,544)
Operating Grants	36,589	0	0	36,589
Interest Income	202	0	0	202
Operating Transfers In	0	35,301	0	35,301
Net Income	7,463	2,436	1,649	11,548
Net Working Capital	21,782	4,527	7,014	33,323
Long-term Compensated Absences Payable	1,652	0	0	1,652
Total Assets	23,981	4,527	7,014	35,522
Total Equity	20,130	4,527	7,014	31,671
Encumbrances at June 30, 1999	0	1,169	0	1,169

NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the 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 School District is also required to set aside money for budget stabilization.

The School District also receives resources from the State of Ohio which are restricted by State law for the purchase of school buses. The balance of this allocation is also reflected as a reservation of fund balance in the General Fund at fiscal year end.

The following cash basis information describes the change in the year end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbooks/ Instructional Materials Reserve	Total
Set-aside Cash Balance as of June 30, 1998	\$111,341	\$0	\$0	
Current Year Set-Aside Requirement	117,007	234,013	234,013	
Current Year Offsets	0	0	(54,149)	
Qualifying Disbursements	0	(228,865)	(250,345)	
Total	\$228,348	\$5,148	(\$70,481)	
Cash Balance Carried Forward to Fiscal Year 2000	\$228,348	\$5,148	0	\$233,496
Amount Restricted for Bus Purchases				121,941
Total Restricted Assets				\$355,437

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

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

Southeast Ohio Voluntary Educational Consortium (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 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. To obtain financial information write to the Southeast Ohio Voluntary Educational Consortium, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

Washington County Joint Vocational School - The Washington County Joint Vocational School 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 Washington County Educational Service Center's board. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Washington County Joint Vocational School, Mary Bee, Treasurer, at Route 2, Marietta, Ohio 45750.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools consists of over one hundred school districts in southeastern Ohio. The Coalition is operated by a fourteen member Board which consists of one superintendent from each County elected by the school districts within that County. The Coalition provides various services for school district administrative personnel; gathers data regarding conditions of education 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 upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition.

NOTE 20 - INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan - 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.

NOTE 21 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$7,987,709 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

NOTE 22 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

B. Litigation

The School District is currently not party to any litigation.

NOTE 23 - YEAR 2000

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the School District's operations.

The School District has completed an inventory of computer systems, food service, and other equipment necessary to conducting School District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)). The School District has six school buildings with power, heating, and air conditioning systems which have extensive efficiency utilization measures within the systems.

The School District uses the State of Ohio Uniform Accounting System software for its financial reporting, and payroll and employee benefits. The State is responsible for remediating this system. The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. The State is responsible for remediating these systems.

The School District contracts with Honeywell, Inc. for its heating and air-conditioning systems. Honeywell, Inc. has stated that the systems are year 2000 compliant at all revision levels. The School District contracts with Ameritech for telephone services. Ameritech is responsible for remediating this system.

In the continuing effort to assess all computer equipment, other areas may be found and, if so, changes will be made in those systems. We anticipate that all costs will be handled through departmental and or building appropriations.

To the best of management's knowledge and belief, as of February 4, 2000, the School District experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the School District does business may also experience Year 2000 readiness issues that are as yet, unknown.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Disbursements	Refund of Prior Year Expenditures or (Receipts)
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed through the Ohio Department of Education</i>					
Special Milk Program	10.556	02-PU-98/99	32,709	32,709	0
<i>Total U.S. Department of Agriculture</i>			32,709	32,709	0
U.S. DEPARTMENT OF EDUCATION					
<i>Passed through the Ohio Department of Education</i>					
Adult Education - State Administered Basic Grant Program	84.002	AB-S1-98 AB-S1-99	0 41,295	5,830 41,295	0
Total Adult Education - State Administered Basic Grant Program			41,295	47,125	0
Grants to Local Educational Agencies (ESEA Title I)	84.010	C1-S1-97C C1-S1-98 C1-SD-98 C1-SS-98 C1-S1-98C C1-S1-99	0 74,062 0 1,500 0 522,082	25,856 109,816 1,945 1,500 60,757 464,917	0 0 0 0 0 0
Total Grants to Local Educational Agencies			597,644	664,791	0
Special Education Grants to States (Title VI-B)	84.027	6B-SF-98 6B-SF-99	1,914 142,847	22,152 147,916	(5,934) 0
Total Special Education Grants to States (Title VI-B)			144,761	170,068	(5,934)
Drug-Free Schools and Community Grant	84.186	DR-S1-98 DR-S1-98C DR-S1-99	0 0 15,942	6,132 3 15,327	0 0 0
Total Drug-Free Schools and Community Grant			15,942	21,462	0
Education of Homeless Children and Youth Grant	84.196	HC-S1-98 HC-S1-98C HC-S1-99	0 0 22,226	2,758 17 16,320	0 0 0
Total Education of Homeless Children and Youth Grant			22,226	19,095	0
Eisenhower Professional Development Grant	84.281	MS-S1-97C MS-S1-98 MS-S1-98C MS-S1-99	16,541 18,472 0 18,823	7,272 50 4,534 7,844	418 0 0 0
Total Eisenhower Professional Development Grant			53,836	19,700	418
Innovative Education Program Strategies (Title VI)	84.298	C2-S1-97C C2-S1-98 C2-S1-98C C2-S1-99	0 0 0 14,779	2,633 11,960 844 1,647	0 0 0 0
Total Passed through the Ohio Department of Education			890,483	959,325	(5,516)
<i>Passed through Washington County JVS</i>					
Innovative Education Program Strategies (Title VI)	84.298	VESE-99	1,800	1,800	0
Total Passed through Washington County JVS			1,800	1,800	0
Total Innovative Education Program Strategies (Title VI)			16,579	18,884	0
<i>Direct from Federal Government:</i>					
Telecommunications Act Grant (E-Rate)	84.XXX	N/A	11,915	11,915	0
<i>Total U.S. Department of Education</i>			904,198	973,040	(5,516)
FEDERAL EMERGENCY MANAGEMENT AGENCY					
<i>Passed through the Ohio Department of Public Safety</i>					
Federal Emergency Management Agency (FEMA)	83.544	DR-167-91001	12,381	12,381	0
Total Federal Emergency Management Agency			12,381	12,381	0
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
<i>Passed through the Ohio Department of Education</i>					
Job Opportunities and Basic Skills Training Grant	93.561	JB-S1-97	7,372	2,926	0
Total U.S. Department of Health and Human Services			7,372	2,926	0
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					
<i>Passed through the Ohio Department of Education</i>					
Learn and Serve America Planning Grant	94.004	SV-S1-97C	0	8,803	(6)
Total Corporation for National and Community Service			0	8,803	(6)
Total Federal Awards Receipts and Expenditures			\$956,660	\$1,029,859	(\$5,522)

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures is a summary of the School District's Federal Award Programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain federal programs require the School District to contribute non-federal funds (matching funds) to support the federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701

Telephone 740-594-3300
800-441-1389

Facsimile 740-594-2110

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Marietta City School District
Washington County
701 Third Street
Marietta, Ohio 45750

To the Board of Education:

We have audited the accompanying general purpose financial statements of Marietta City School District, Washington County, Ohio, (the School District) as of and for the year ended June 30, 1999, and have issued our report thereon dated February 4, 2000, in which we indicated that the School District had changed its method of accounting for deferred compensation. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings as item 1999-11084-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated February 4, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 1999-11084-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated February 4, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

February 4, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701

Telephone 740-594-3300
800-441-1389

Facsimile 740-594-2110

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Marietta City School District
Washington County
701 Third Street
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 are applicable to its major federal program for the year ended June 30, 1999. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

February 4, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Educationally Deprived Children - Local Educational Agencies - Title I CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

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

FINDING NUMBER 1999-11084-001

Noncompliance Citation

Ohio Rev. Code § 5705.39, provides that appropriations from each fund shall not exceed the estimated revenue available for expenditure as certified by the County Budget Commission.

On February 28, 1999 the following funds were found to have appropriations in excess of the amount certified as available by the Budget Commission:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Other Grants	\$500	\$3,780	\$3,280
Athletics	286,491	320,000	33,509
Adult Basic Education	127,169	132,999	5,830
Eisenhower Grant	65,283	83,705	18,422
Title VI-B	179,955	192,231	12,276
Title I	176,072	1,002,368	826,296
Title II	31,856	34,241	2,385

On June 30, 1999 the following funds were found to have appropriations in excess of the amount certified as available by the Budget Commission:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
General	\$19,622,693	\$19,709,560	\$86,867
Math and Science	55,596	66,207	10,611
Permanent Improvement	10,971	110,000	99,029
Self Insurance	2,082,346	2,679,524	597,178

We recommend the Treasurer monitor appropriations approved by the Board to ensure that appropriations do not exceed the estimated revenue available for expenditure as certified by the County Budget Commission.

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)

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

FINDING NUMBER 1999-11084-002

Reportable Condition

The budgetary figures recorded in the accounting system did not agree to the estimated resources certified by the Budget Commission and the appropriations authorized by the Board. This resulted in inaccurate budgetary numbers in the monthly reports which were used to monitor financial activity of the School District. The financial statements have been adjusted to reflect actual estimated resources certified by the Budget Commission and the appropriations authorized by the Board.

We recommend the Treasurer reconcile the budgetary numbers as recorded in the accounting system to the estimated resources certified by the Budget Commission and the appropriations authorized by the Board, and make correcting entries, as necessary.

3. FINDINGS FOR FEDERAL AWARDS

None

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SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-11084-001	Finding for Recovery against Athletic Director Thomas Peterson and his bonding company Ohio Farmers Insurance Co., for public monies collected but not accounted for, in the amount of \$373.50.	Yes	The Finding for Recovery amount of \$373.50 was repaid to the School District on July 16, 1999.
1998-11084-002	Ohio Rev. Code §§ 5705.14, 55705.15, and 5705.16 allow money to be transferred from the general fund to any other fund by resolution of the taxing authority. The Treasurer posted inter-fund transfers upon receiving a "blanket" approval from the Board to make necessary transfers. As a result, transfers and advances were made without a resolution by the Board approving each specific amount and funds involved.	Yes	
1998-11084-003	Ohio Rev. Code § 5705.40 provides that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of law as are used in making the original appropriation. The School District did not obtain Board approval and County Auditor certification that appropriations did not exceed amended resources for appropriation amendments prior to recording the amendments in the accounting system.	Yes	
1998-11084-004	Ohio Rev. Code § 5705.41 (B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. Total expenditures and contract commitments exceeded total appropriations in eight funds at year end. Expenditures and contract commitments also exceeded appropriations in various funds throughout the year at both the legal level of control and the fund level.	No	Partially Corrected: Expenditures exceeded appropriations in only one fund at year end. The budget adopted by the Board for the year ended June 30, 1999, was at the fund level.
1998-11084-005	Ohio Rev. Code § 5705.412 requires the School District to use 412 certificates in certain instances. The School District did not execute 412 certificates for the bus contracts or salary schedules.	Yes	



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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 23, 2000**