



**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental and Similar Fiduciary Fund Types	8
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental and Similar Fiduciary Fund Types	10
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Fund Types	14
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Proprietary Fund Types	15
Combined Statement of Cash Flows - All Proprietary Fund Types	18
Notes to the General Purpose Financial Statements	19
Schedule of Federal Awards Receipts and Expenditures	49
Notes to Schedule of Federal Awards Receipts and Expenditures	50
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	51
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	53
Schedule of Findings - <i>OMB Circular A-133 §.505</i>	55

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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 the Marietta City School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Marietta City School District, Washington County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended June 30, 2001, the School District adopted Governmental Accounting Statement No. 33.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2001, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form 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. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

November 26, 2001

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Marietta City School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001

	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	\$373,930	\$687,747	\$1,165,315	\$70,409
Cash and Cash Equivalents in Segregated Accounts	0	19,043	0	0
Cash with Fiscal and Escrow Agents	0	0	111	0
<u>Receivables:</u>				
Taxes	9,825,612	0	1,153,513	0
Accounts	42,471	0	0	0
Intergovernmental	674,654	98,814	0	0
Interfund	983,903	0	0	0
Due from Other Funds	2,729	0	2,913	0
Prepaid Items	208,578	12,833	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	16,835	0	0	0
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	251,896	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	 \$12,380,608	 \$818,437	 \$2,321,852	 \$70,409

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$65,813	\$143,282	\$76,935	\$0	\$0	\$2,583,431
0	0	0	0	0	19,043
0	0	0	0	0	111
0	0	0	0	0	10,979,125
47,437	0	0	0	0	89,908
46,322	0	0	0	0	819,790
0	0	0	0	0	983,903
148	0	13	0	0	5,803
0	2,417	0	0	0	223,828
6,012	0	0	0	0	6,012
1,745	0	0	0	0	18,580
0	0	0	0	0	251,896
139,231	0	0	12,207,148	0	12,346,379
0	0	0	0	1,208,265	1,208,265
0	0	0	0	7,100,379	7,100,379
<u>\$306,708</u>	<u>\$145,699</u>	<u>\$76,948</u>	<u>\$12,207,148</u>	<u>\$8,308,644</u>	<u>\$36,636,453</u>

(continued)

Marietta City School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups (Continued)
 June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits:				
<u>Liabilities:</u>				
Accounts Payable	\$104,708	\$16,947	\$0	\$859
Accrued Wages Payable	1,399,842	121,549	0	188
Compensated Absences Payable	54,317	0	0	0
Interfund Payable	0	65,394	0	0
Due to Other Funds	3,074	2,729	0	0
Intergovernmental Payable	360,205	73,931	0	88
Deferred Revenue	9,535,906	68,731	1,113,476	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
Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
 Total Liabilities	 11,458,052	 349,281	 1,113,587	 1,135
 <u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings (Deficits)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	103,657	74,780	0	6,894
Reserved for Inventory	16,835	0	0	0
Reserved for Property Taxes	413,719	0	40,037	0
Reserved for School Bus Purchases	133,283	0	0	0
Reserved for Textbooks	7,272	0	0	0
Reserved for Budget Stabilization	111,341	0	0	0
Unreserved:				
Designated for Textbooks	40,528	0	0	0
Undesignated	95,921	394,376	1,168,228	62,380
 Total Fund Equity (Deficit) and Other Credits	 922,556	 469,156	 1,208,265	 69,274
 Total Liabilities, Fund Equity and Other Credits	 <u>\$12,380,608</u>	 <u>\$818,437</u>	 <u>\$2,321,852</u>	 <u>\$70,409</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$23,835	\$162	\$0	\$0	\$0	\$146,511
0	0	0	0	0	1,521,579
0	0	0	0	2,245,235	2,299,552
13,956	904,553	0	0	0	983,903
0	0	0	0	0	5,803
0	0	0	0	171,027	605,251
2,721	191,781	0	0	0	10,912,615
0	0	71,709	0	0	71,709
0	310,000	0	0	0	310,000
0	0	0	0	0	111
0	0	0	0	32,382	32,382
80,000	0	0	0	0	80,000
0	0	0	0	5,860,000	5,860,000
<u>120,512</u>	<u>1,406,496</u>	<u>71,709</u>	<u>0</u>	<u>8,308,644</u>	<u>22,829,416</u>
0	0	0	12,207,148	0	12,207,148
186,380	0	0	0	0	186,380
(184)	(1,260,797)	0	0	0	(1,260,981)
0	0	0	0	0	185,331
0	0	0	0	0	16,835
0	0	0	0	0	453,756
0	0	0	0	0	133,283
0	0	0	0	0	7,272
0	0	0	0	0	111,341
0	0	0	0	0	40,528
0	0	5,239	0	0	1,726,144
<u>186,196</u>	<u>(1,260,797)</u>	<u>5,239</u>	<u>12,207,148</u>	<u>0</u>	<u>13,807,037</u>
<u>\$306,708</u>	<u>\$145,699</u>	<u>\$76,948</u>	<u>\$12,207,148</u>	<u>\$8,308,644</u>	<u>\$36,636,453</u>

Marietta City School District, Ohio
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental and Similar Fiduciary Fund Types
 For the Fiscal Year Ended June 30, 2001

	Governmental		Fund Types
	General	Special Revenue	Debt Service
<u>Revenues:</u>			
Taxes	\$9,216,908	\$0	\$883,232
Intergovernmental	9,419,854	1,870,218	67,449
Interest	179,037	1,755	34,854
Tuition and Fees	141,170	0	0
Extracurricular Activities	0	154,067	0
Miscellaneous	269,105	176,634	0
Total Revenues	19,226,074	2,202,674	985,535
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	9,086,781	366,555	0
Special	1,744,289	811,010	0
Vocational	142,225	0	0
Adult/Continuing	1,513	95,395	0
Support Services:			
Pupils	917,201	37,347	0
Instructional Staff	800,555	385,901	0
Board of Education	107,282	0	0
Administration	1,748,468	168,934	0
Fiscal	392,251	11,550	19,454
Business	253,932	15,437	0
Operation and Maintenance of Plant	2,202,131	0	0
Pupil Transportation	968,687	13,302	0
Central	81,607	24,000	0
Operation of Non-Instructional Services	10,807	133,153	0
Extracurricular Activities	241,746	220,472	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	355,858	1,040	685,000
Interest and Fiscal Charges	6,881	254	339,538
Total Expenditures	19,062,214	2,284,350	1,043,992
Excess of Revenues Over (Under) Expenditures	163,860	(81,676)	(58,457)
<u>Other Financing Sources (Uses):</u>			
Proceeds from Sale of Fixed Assets	277	0	0
Inception of Capital Lease	0	4,107	0
Operating Transfers Out	(438,110)	0	0
Total Other Financing Sources (Uses)	(437,833)	4,107	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(273,973)	(77,569)	(58,457)
Fund Balances at Beginning of Year - Restated (Note 3)	1,199,774	546,725	1,266,722
Decrease in Reserve for Inventory	(3,245)	0	0
Fund Balances at End of Year	\$922,556	\$469,156	\$1,208,265

See accompanying notes to the general purpose financial statements

Capital Projects	Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only)
\$0	\$0	\$10,100,140
233,000	0	11,590,521
0	26	215,672
482	0	141,652
0	0	154,067
11,250	5,213	462,202
244,732	5,239	22,664,254
0	0	9,453,336
0	0	2,555,299
0	0	142,225
0	0	96,908
0	0	954,548
0	0	1,186,456
0	0	107,282
0	0	1,917,402
0	0	423,255
0	0	269,369
0	0	2,202,131
0	0	981,989
0	0	105,607
0	0	143,960
0	0	462,218
316,642	0	316,642
0	0	1,041,898
0	0	346,673
316,642	0	22,707,198
(71,910)	5,239	(42,944)
0	0	277
0	0	4,107
0	0	(438,110)
0	0	(433,726)
(71,910)	5,239	(476,670)
141,184	0	3,154,405
0	0	(3,245)
\$69,274	\$5,239	\$2,674,490

Marietta City School District, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental and Similar Fiduciary Fund Types
 For the Fiscal Year Ended June 30, 2001

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$9,293,390	\$9,389,373	\$95,983
Intergovernmental	8,916,176	8,906,176	(10,000)
Interest	171,019	182,111	11,092
Tuition and Fees	94,000	86,914	(7,086)
Extracurricular Activities	0	0	0
Miscellaneous	274,000	267,492	(6,508)
Total Revenues	18,748,585	18,832,066	83,481
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	9,293,849	9,358,049	(64,200)
Special	1,681,940	1,741,652	(59,712)
Vocational	179,440	146,999	32,441
Adult/Continuing	1,602	1,513	89
Support Services:			
Pupils	947,557	945,669	1,888
Instructional Staff	991,783	975,511	16,272
Board of Education	133,082	113,224	19,858
Administration	1,738,467	1,757,692	(19,225)
Fiscal	406,551	394,364	12,187
Business	275,375	244,802	30,573
Operation and Maintenance of Plant	2,467,252	2,304,776	162,476
Pupil Transportation	1,207,891	1,123,717	84,174
Central	138,991	82,618	56,373
Operation of Non-Instructional Services	16,997	14,677	2,320
Extracurricular Activities	260,769	245,595	15,174
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	19,741,546	19,450,858	290,688
Excess of Revenues Over (Under) Expenditures	(992,961)	(618,792)	374,169
<u>Other Financing Sources (Uses):</u>			
Refund of Prior Year Receipts	(2,958)	0	2,958
Refund of Prior Year Expenditures	500	500	0
Proceeds from Sale of Fixed Assets	3,000	277	(2,723)
Advances In	1,201,716	1,201,716	0
Advances Out	(956,612)	(983,903)	(27,291)
Operating Transfers Out	(393,709)	(438,110)	(44,401)
Total Other Financing Sources (Uses)	(148,063)	(219,520)	(71,457)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,141,024)	(838,312)	302,712
Fund Balances at Beginning of Year	878,320	878,320	0
Prior Year Encumbrances Appropriated	254,236	254,236	0
Fund Balances (Deficit) at End of Year	(\$8,468)	\$294,244	\$302,712

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$1,012,397	\$912,397	(\$100,000)
2,030,050	2,026,604	(3,446)	67,449	67,449	0
1,755	1,755	0	31,941	31,941	0
0	0	0	0	0	0
186,177	149,012	(37,165)	0	0	0
186,316	175,134	(11,182)	0	0	0
<u>2,404,298</u>	<u>2,352,505</u>	<u>(51,793)</u>	<u>1,111,787</u>	<u>1,011,787</u>	<u>(100,000)</u>
441,664	372,844	68,820	0	0	0
980,000	814,724	165,276	0	0	0
0	0	0	0	0	0
117,595	101,349	16,246	0	0	0
59,828	40,104	19,724	0	0	0
483,494	377,441	106,053	0	0	0
0	0	0	0	0	0
255,901	169,228	86,673	0	0	0
11,550	11,550	0	21,500	19,454	2,046
15,437	15,437	0	0	0	0
0	0	0	0	0	0
25,362	13,302	12,060	0	0	0
45,629	24,000	21,629	0	0	0
202,504	189,780	12,724	0	0	0
241,485	224,454	17,031	0	0	0
0	0	0	0	0	0
0	0	0	685,000	685,000	0
0	0	0	339,538	339,538	0
<u>2,880,449</u>	<u>2,354,213</u>	<u>526,236</u>	<u>1,046,038</u>	<u>1,043,992</u>	<u>2,046</u>
<u>(476,151)</u>	<u>(1,708)</u>	<u>474,443</u>	<u>65,749</u>	<u>(32,205)</u>	<u>(97,954)</u>
(62,144)	0	62,144	0	0	0
2,000	2,000	0	0	0	0
0	0	0	0	0	0
65,394	65,394	0	0	0	0
(951)	(951)	0	0	0	0
0	0	0	0	0	0
<u>4,299</u>	<u>66,443</u>	<u>62,144</u>	<u>0</u>	<u>0</u>	<u>0</u>
(471,852)	64,735	536,587	65,749	(32,205)	(97,954)
402,755	402,755	0	1,197,520	1,197,520	0
87,959	87,959	0	0	0	0
<u>\$18,862</u>	<u>\$555,449</u>	<u>\$536,587</u>	<u>\$1,263,269</u>	<u>\$1,165,315</u>	<u>(\$97,954)</u>

(continued)

Marietta City School District, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental and Similar Fiduciary Fund Types (Continued)
 For the Fiscal Year Ended June 30, 2001

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$0	\$0	\$0
Intergovernmental	233,000	233,000	0
Interest	0	0	0
Tuition and Fees	1,721	482	(1,239)
Extracurricular Activities	0	0	0
Miscellaneous	11,750	11,250	(500)
Total Revenues	246,471	244,732	(1,739)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	0	0	0
Special	0	0	0
Vocational	0	0	0
Adult/Continuing	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	386,846	330,048	56,798
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	386,846	330,048	56,798
Excess of Revenues Over (Under) Expenditures	(140,375)	(85,316)	55,059
<u>Other Financing Sources (Uses):</u>			
Refund of Prior Year Receipts	0	0	0
Refund of Prior Year Expenditures	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(140,375)	(85,316)	55,059
Fund Balances at Beginning of Year	65,607	65,607	0
Prior Year Encumbrances Appropriated	82,365	82,365	0
Fund Balances (Deficit) at End of Year	\$7,597	\$62,656	\$55,059

See accompanying notes to the general purpose financial statements

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$10,305,787	\$10,301,770	(\$4,017)
0	0	0	11,246,675	11,233,229	(13,446)
50	13	(37)	204,765	215,820	11,055
0	0	0	95,721	87,396	(8,325)
0	0	0	186,177	149,012	(37,165)
5,450	5,213	(237)	477,516	459,089	(18,427)
5,500	5,226	(274)	22,516,641	22,446,316	(70,325)
0	0	0	9,735,513	9,730,893	4,620
0	0	0	2,661,940	2,556,376	105,564
0	0	0	179,440	146,999	32,441
0	0	0	119,197	102,862	16,335
0	0	0	1,007,385	985,773	21,612
0	0	0	1,475,277	1,352,952	122,325
0	0	0	133,082	113,224	19,858
0	0	0	1,994,368	1,926,920	67,448
0	0	0	439,601	425,368	14,233
0	0	0	290,812	260,239	30,573
0	0	0	2,467,252	2,304,776	162,476
0	0	0	1,233,253	1,137,019	96,234
5,500	0	5,500	190,120	106,618	83,502
0	0	0	219,501	204,457	15,044
0	0	0	502,254	470,049	32,205
0	0	0	386,846	330,048	56,798
0	0	0	685,000	685,000	0
0	0	0	339,538	339,538	0
5,500	0	5,500	24,060,379	23,179,111	881,268
0	5,226	5,226	(1,543,738)	(732,795)	810,943
0	0	0	(65,102)	0	65,102
0	0	0	2,500	2,500	0
0	0	0	3,000	277	(2,723)
0	0	0	1,267,110	1,267,110	0
0	0	0	(957,563)	(984,854)	(27,291)
0	0	0	(393,709)	(438,110)	(44,401)
0	0	0	(143,764)	(153,077)	(9,313)
0	5,226	5,226	(1,687,502)	(885,872)	801,630
0	0	0	2,544,202	2,544,202	0
0	0	0	424,560	424,560	0
\$0	\$5,226	\$5,226	\$1,281,260	\$2,082,890	\$801,630

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, 2001

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
<u>Operating Revenues:</u>			
Sales	\$626,189	\$0	\$626,189
Charges for Services	5,729	2,288,508	2,294,237
Total Operating Revenues	<u>631,918</u>	<u>2,288,508</u>	<u>2,920,426</u>
<u>Operating Expenses:</u>			
Purchased Services	369,556	186,490	556,046
Materials and Supplies	179,880	0	179,880
Cost of Sales	291,660	0	291,660
Depreciation	34,202	0	34,202
Claims	0	2,097,910	2,097,910
Total Operating Expenses	<u>875,298</u>	<u>2,284,400</u>	<u>3,159,698</u>
Operating Income (Loss)	<u>(243,380)</u>	<u>4,108</u>	<u>(239,272)</u>
<u>Non-Operating Revenues:</u>			
Federal Donated Commodities	32,629	0	32,629
Interest Income	896	0	896
Operating Grants	269,750	0	269,750
Other Non-Operating Revenues	411	0	411
Total Non-Operating Revenues	<u>303,686</u>	<u>0</u>	<u>303,686</u>
Income before Operating Transfers	60,306	4,108	64,414
Operating Transfers In	<u>69,275</u>	<u>368,835</u>	<u>438,110</u>
Net Income	129,581	372,943	502,524
Retained Earnings (Deficits) at Beginning of Year - Restated (Note 3)	<u>(129,765)</u>	<u>(1,633,740)</u>	<u>(1,763,505)</u>
Retained Earnings (Deficits) at End of Year	<u>(\$184)</u>	<u>(\$1,260,797)</u>	<u>(\$1,260,981)</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, 2001

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$574,964	\$569,268	(\$5,696)
Charges for Services	5,729	5,729	0
Interest Income	1,002	748	(254)
Operating Grants	285,000	284,916	(84)
Other Non-Operating Revenues	411	411	0
Total Revenues	867,106	861,072	(6,034)
<u>Expenses:</u>			
Fringe Benefits	0	0	0
Purchased Services	671,648	644,319	27,329
Materials and Supplies	186,414	181,654	4,760
Capital Outlay	51,459	47,532	3,927
Debt Service Principal	20,000	20,000	0
Total Expenses	929,521	893,505	36,016
Excess of Revenues Under Expenses	(62,415)	(32,433)	29,982
Advances In	13,956	13,956	0
Advances Out	(24,874)	(24,874)	0
Operating Transfers In	69,684	69,275	(409)
Excess of Revenues Over (Under) Expenses, Advances, and Transfers	(3,649)	25,924	29,573
Fund Equity at Beginning of Year	3,649	3,649	0
Fund Equity at End of Year	\$0	\$29,573	\$29,573

(continued)

Marietta City School District, Ohio
 Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 All Proprietary Fund Types (Continued)
 For the Fiscal Year Ended June 30, 2001

	Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$0	\$0	\$0
Charges for Services	2,335,447	2,317,831	(17,616)
Interest Income	0	0	0
Operating Grants	0	0	0
Other Non-Operating Revenues	0	0	0
Total Revenues	2,335,447	2,317,831	(17,616)
<u>Expenses:</u>			
Fringe Benefits	2,399,752	2,142,910	256,842
Purchased Services	209,000	194,602	14,398
Materials and Supplies	0	0	0
Capital Outlay	0	0	0
Debt Service Principal	0	0	0
Total Expenses	2,608,752	2,337,512	271,240
Excess of Revenues Under Expenses	(273,305)	(19,681)	253,624
Advances In	904,553	904,553	0
Advances Out	(1,175,891)	(1,175,891)	0
Operating Transfers In	480,177	368,835	(111,342)
Excess of Revenues Over (Under) Expenses, Advances, and Transfers	(64,466)	77,816	142,282
Fund Equity at Beginning of Year	64,466	64,466	0
Fund Equity at End of Year	\$0	\$142,282	\$142,282

Totals (Memorandum Only)

<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$574,964	\$569,268	(\$5,696)
2,341,176	2,323,560	(17,616)
1,002	748	(254)
285,000	284,916	(84)
<u>411</u>	<u>411</u>	<u>0</u>
<u>3,202,553</u>	<u>3,178,903</u>	<u>(23,650)</u>
2,399,752	2,142,910	256,842
880,648	838,921	41,727
186,414	181,654	4,760
51,459	47,532	3,927
<u>20,000</u>	<u>20,000</u>	<u>0</u>
<u>3,538,273</u>	<u>3,231,017</u>	<u>307,256</u>
<u>(335,720)</u>	<u>(52,114)</u>	<u>283,606</u>
918,509	918,509	0
(1,200,765)	(1,200,765)	0
<u>549,861</u>	<u>438,110</u>	<u>(111,751)</u>
(68,115)	103,740	171,855
<u>68,115</u>	<u>68,115</u>	<u>0</u>
<u>\$0</u>	<u>\$171,855</u>	<u>\$171,855</u>

Marietta City School District, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2001

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$574,997	\$0	\$574,997
Cash Received from Quasi-External Transactions with Other Funds	0	2,317,831	2,317,831
Cash Payments to Suppliers for Goods and Services	(789,733)	(193,602)	(983,335)
Cash Payments for Claims	0	(2,142,910)	(2,142,910)
Other Non-Operating Revenues	411	0	411
Net Cash Used for Operating Activities	<u>(214,325)</u>	<u>(18,681)</u>	<u>(233,006)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Advances In	13,956	904,553	918,509
Advances Out	(24,874)	(1,175,891)	(1,200,765)
Operating Transfers In	69,275	368,835	438,110
Operating Grants Received	237,384	0	237,384
Net Cash Provided by Noncapital Financing Activities	<u>295,741</u>	<u>97,497</u>	<u>393,238</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Capital Contributions	47,532	0	47,532
Principal Paid on Loan	(20,000)	0	(20,000)
Payments for Capital Acquisitions	(47,532)	0	(47,532)
Net Cash Used for Capital and Related Financing Activities	<u>(20,000)</u>	<u>0</u>	<u>(20,000)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest Income	748	0	748
Net Increase in Cash and Cash Equivalents	62,164	78,816	140,980
Cash and Cash Equivalents at Beginning of Year	<u>3,649</u>	<u>64,466</u>	<u>68,115</u>
Cash and Cash Equivalents at End of Year	<u>\$65,813</u>	<u>\$143,282</u>	<u>\$209,095</u>
Reconciliation of Operating Income (Loss) to			
<u>Net Cash Used for Operating Activities:</u>			
Operating Income (Loss)	<u>(\$243,380)</u>	<u>\$4,108</u>	<u>(\$239,272)</u>
Adjustments to Reconcile Operating Income (Loss)			
<u>to Net Cash Used for Operating Activities:</u>			
Donated Commodities Used During Year	32,629	0	32,629
Other Non-Operating Revenues	411	0	411
Depreciation	34,202	0	34,202
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(44,383)	0	(44,383)
Decrease in Prepaid Items	0	2,539	2,539
Increase in Intergovernmental Receivables	(13,956)	0	(13,956)
Decrease in Inventory Held for Resale	1,098	0	1,098
Increase in Materials and Supplies Inventory	(657)	0	(657)
Increase (Decrease) in Accounts Payable	20,593	(9,651)	10,942
Decrease in Intergovernmental Payable	(882)	0	(882)
Increase in Deferred Revenue	0	29,323	29,323
Decrease in Claims Payable	0	(45,000)	(45,000)
Total Adjustments	<u>29,055</u>	<u>(22,789)</u>	<u>6,266</u>
Net Cash Used for Operating Activities	<u>(\$214,325)</u>	<u>(\$18,681)</u>	<u>(\$233,006)</u>

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 119 classified employees, 229 certified teaching personnel, and 18 administrators, who provide services to 3,356 students and other community members.

The reporting entity is composed 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. This activity 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 20 and 21.

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, 2001

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 include an expendable trust fund and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental 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 and the expendable trust fund 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, 2001

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, expendable trust, and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees, and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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 fiscal 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 fiscal 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 fiscal year. The certificate may be further amended during the fiscal 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 2001.

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 fund appropriation totals. The Board may pass supplemental

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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. The Treasurer has been given the authority to allocate appropriations among functions and objects within a fund during the fiscal year. During the fiscal 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 fiscal 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-fiscal 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 2001, investments were limited to STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2001.

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 2001 amounted to \$179,037, which includes \$71,147 assigned from other School District funds.

The School District has a segregated bank account for athletic 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.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

The School District utilizes financial institutions to service bonded debt as principal and interest payments come due. The balance in this account is 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 purchase of textbooks and for the creation of a reserve for budget stabilization. See Note 19 for additional information regarding set-asides.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental 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 spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and expendable supplies held for consumption and are expended when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal 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 fiscal 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.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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. 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".

J. 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.

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.

K. 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 fiscal 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.

L. 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.

M. Fund Balance Reserves and Designations

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, textbooks, budget stabilization, 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.

The School District had a fund balance designation on the balance sheet for additional money set-aside by the Board of Education above the reserve for textbooks required by State statute.

N. Contributed Capital

Contributed capital represents resources from other funds, grant, and private sources 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 fiscal year end.

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.

O. 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.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

P. 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.

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Reporting for Certain Shared Nonexchange Revenues." The implementation of GASB Statements 33 and 36 had the following effect on fund balance at June 30, 2000:

	Special Revenue
Fund Balance at June 30, 2000	\$412,151
Implementation of GASB 33	134,574
Adjusted Fund Balance at June 30, 2000	\$546,725

Other Restatements For fiscal year 2001, the restatement of a loan payable and contributed capital had the following effect on retained earnings at June 30, 2000:

	Enterprise
Retained Earnings at June 30, 2000	(\$95,389)
Loan Payable	(100,000)
Overstated Contributed Capital	65,624
Adjusted Retained Earnings at June 30, 2000	(\$129,765)

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2001, the Disadvantaged Pupil Impact Aid, Telecommunications Grant, Active Teaching, and Guidance Grant Special Revenue Funds had deficit fund balances of \$9,600, \$1,902, \$77, and \$24,784 respectively. The deficit fund balances were created by the application of generally accepted accounting principles. 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 a deficit retained earnings of \$47,320 at June 30, 2001. Also, the Self-Insurance Internal Service Fund had deficit retained earnings of \$1,260,797, which is the result of accumulated losses. The School District is analyzing fund operations to determine appropriate steps to alleviate the deficits.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

B. Compliance

The following funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2001:

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$21,086,357	\$21,094,825	\$8,468
Athletic and Music Special Revenue Fund	252,442	255,080	2,638

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 and Similar Fiduciary 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).
5. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 and Similar Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$273,973)	(\$77,569)	(\$58,457)	(\$71,910)	\$5,239
Revenue Accruals	(393,508)	157,429	26,252	0	(13)
Non-Budgeted Activity	0	(5,598)	0	0	0
Advances In	1,201,716	65,394	0	0	0
Prepaid Items	26,897	3,634	0	0	0
Expenditure Accruals	(83,959)	54,694	0	(5,653)	0
Advances Out	(983,903)	(951)	0	0	0
Encumbrances	(331,582)	(132,298)	0	(7,753)	0
Budget Basis	<u>(\$838,312)</u>	<u>\$64,735</u>	<u>(\$32,205)</u>	<u>(\$85,316)</u>	<u>\$5,226</u>

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

	<u>Enterprise</u>	<u>Internal Service</u>
GAAP Basis	\$129,581	\$372,943
Revenue Accruals	(41,903)	29,323
Advances In	13,956	904,553
Expense Accruals	18,734	(52,112)
Capital Outlay	(47,532)	0
Depreciation Expense	34,202	0
Encumbrances	(36,240)	(1,000)
Debt Principal	(20,000)	0
Advances Out	<u>(24,874)</u>	<u>(1,175,891)</u>
Budget Basis	<u>\$25,924</u>	<u>\$77,816</u>

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.

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;

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 fiscal year end, the School District had \$1,500 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents."

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$193,496 and the bank balance was \$710,450. Of the bank balance, \$100,000 was covered by federal depository insurance and \$610,450 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 fiscal 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 STAROhio, 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. The fair value of the investment in STAROhio at June 30, 2001, was \$2,659,485.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$2,854,481	\$0
Cash on Hand	(1,500)	0
Investment in STAROhio	(2,659,485)	2,659,485
GASB Statement 3	\$193,496	\$2,659,485

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value listed as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2001 real property taxes are collected in and intended to finance fiscal year 2002.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

The assessed values upon which the fiscal year 2001 taxes were collected for Washington County are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$285,434,360	80%	\$288,210,080	80%
Public Utility	19,248,150	5%	17,789,820	5%
Tangible Personal Property	53,282,810	15%	55,576,600	15%
Total Assessed Value	\$357,965,320	100%	\$361,576,500	100%
Tax Rate per \$1,000 of Assessed Valuation	\$44.20		\$43.90	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current fiscal year operations. The amount available as an advance at June 30, 2001, was \$453,756 and is recognized as revenue. \$413,719 was available to the General Fund and \$40,037 was available to the Debt Service Fund. At June 30, 2000, \$655,386 was available to the School District. \$586,184 was available to the General Fund and \$69,202 was available to the Debt Service Fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2001, 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:

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

	<u>Amounts</u>
General Fund:	
Excess Costs	\$36,660
CAFS Reimbursement	20,967
Homestead and Rollback	507,184
Tuition	16,260
Charges for Services	93,583
Total General Fund	674,654
Special Revenue Funds:	
Telecommunications Grant	5,228
Kids on Campus	68,731
Pre-Kindergarten Readiness	3,165
Good Conduct/Good Effort	780
Active Teaching	20,910
Total Special Revenue Funds	98,814
Enterprise Funds:	
School Lunch Reimbursement	32,366
Reimbursed Fees	13,956
Total Enterprise Funds	46,322
Total	\$819,790

NOTE 9 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$252,004
Less: Accumulated depreciation	(112,773)
Net Fixed Assets	\$139,231

A summary of the changes in general fixed assets during fiscal year 2001 follows:

	Balance at 06/30/00	Additions	Reductions	Balance at 06/30/01
Land	\$852,907	\$0	\$0	\$852,907
Buildings	5,171,000	94,887	0	5,265,887
Furniture and Equipment	4,224,814	339,441	3,549	4,560,706
Vehicles	1,525,641	2,007	0	1,527,648
Total	\$11,774,362	\$436,335	\$3,549	\$12,207,148

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 2001, the School District contracted with Nationwide 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	\$44,808,296 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 three fiscal years. There have been no significant reductions in insurance coverage from last fiscal year.

B. Workers' Compensation

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 21). 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.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 \$310,000 reported in the internal service fund at June 30, 2001, 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>
2000	\$504,930	\$1,821,102	\$1,971,032	\$355,000
2001	355,000	2,097,910	2,142,910	310,000

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District participates in the School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic 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 43215-3771.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 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, 2001, 2000, and 1999, were \$587,547, \$635,013 and \$414,314, respectively; 86.37 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$80,079 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

B. School Employees Retirement System

Marietta City School District contributes to the School Employees Retirement System (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 State statute per 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 North Fourth Street, Columbus, Ohio 43215-3634.

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 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the 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, 2001, 2000, and 1999, were \$109,433, \$121,476 and \$177,104, respectively; 39.41 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$66,300 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

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, 2001, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 cost 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, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$783,397 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 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 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, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$279,119.

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 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants 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 or will become 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 in the amount of the lesser of two years or one-fifth of the employee's total service credit for 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 for the purchased credit 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, 2001

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.

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 \$103,490, 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 2001 totaled \$25,264.

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 2002	\$19,534
Fiscal Year 2003	12,654
Fiscal Year 2004	<u>2,614</u>
Total	<u>34,802</u>
Less: Amount Representing Interest	<u>(2,420)</u>
Present Value of Net Minimum Lease Payments	<u>\$32,382</u>

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	<u>Outstanding</u> <u>06/30/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>06/30/01</u>
General Obligation Bonds:				
School Improvement				
Bonds - 5.75% to 7.2%	\$6,545,000	\$0	\$685,000	\$5,860,000
Lunchroom Enterprise Fund				
Loan - 0%	100,000	0	20,000	80,000
Capital Leases	53,539	4,107	25,264	32,382
Compensated Absences	2,193,322	319,775	267,862	2,245,235
Early Retirement Incentive	0	331,634	331,634	0
Pension Obligation	<u>145,490</u>	<u>171,027</u>	<u>145,490</u>	<u>171,027</u>
Total Long-Term Obligations	<u>\$9,037,351</u>	<u>\$826,543</u>	<u>\$1,475,250</u>	<u>\$8,388,644</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.

The Lunchroom Enterprise Fund loan was obtained to finance lunchroom operations. \$20,000 payments will be made yearly through fiscal year 2005.

Capital leases will be paid from the General Fund and the Kids on Campus 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 \$27,890,150, with an unvoted debt margin of \$361,577 at June 30, 2001.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$715,000	\$306,622	\$1,021,622
2003	750,000	271,088	1,021,088
2004	785,000	230,144	1,015,144
2005	830,000	183,712	1,013,712
2006	875,000	134,694	1,009,694
2007 - 2008	<u>1,905,000</u>	<u>111,119</u>	<u>2,016,119</u>
Total	<u>\$5,860,000</u>	<u>\$1,237,379</u>	<u>\$7,097,379</u>

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	Receivables		Payables	
	Interfund	Due From	Interfund	Due To
General Fund	\$983,903	\$2,729	\$0	\$3,074
Special Revenue Funds:				
Title VI-B	0	0	0	2,729
Public School Support	0	0	485	0
E-Rate	0	0	5,447	0
Good Effort/Good Conduct	0	0	780	0
Guidance Grant	0	0	37,772	0
Active Teaching	0	0	20,910	0
Total Special Revenue Funds	0	0	65,394	2,729
Bond Retirement Fund	0	2,913	0	0
Euna Brown Expendable Trust Fund	0	13	0	0
Enterprise Funds:				
Uniform School Supplies	0	0	13,956	0
Lunchroom	0	148	0	0
Total Enterprise Funds	0	148	13,956	0
Self-Insurance Internal Service Fund	0	0	904,553	0
Total	\$983,903	\$5,803	\$983,903	\$5,803

NOTE 17 - CONTRIBUTED CAPITAL

Changes in contributed capital for the fiscal year ended June 30, 2001:

Contributed Capital June 30, 2000	\$204,472
Adjustment at July 1, 2000	(65,624)
Adjusted Contributed Capital at July 1, 2000	138,848
Current Contributions:	
Intergovernmental	47,532
Contributed Capital June 30, 2001	\$186,380

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 18 - 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, 2001

	<u>Lunchroom</u>	<u>Uniform School Supplies</u>	<u>Transportation</u>	<u>Total</u>
Operating Revenues	\$447,534	\$178,929	\$5,455	\$631,918
Depreciation Expense	34,202	0	0	34,202
Operating Income (Loss)	(262,380)	19,680	(680)	(243,380)
Donated Commodities	32,629	0	0	32,629
Operating Grants	269,750	0	0	269,750
Interest Income	896	0	0	896
Other Non-Operating Revenues	411	0	0	411
Transfers In	20,000	49,275	0	69,275
Net Income (Loss)	61,306	68,955	(680)	129,581
Fixed Asset Additions	47,532	0	0	47,532
Capital Contributions	47,532	0	0	47,532
Net Working Capital	79,829	47,136	0	126,965
Long-term Liabilities	80,000	0	0	80,000
Total Assets	242,075	64,633	0	306,708
Total Equity	139,060	47,136	0	186,196
Encumbrances (Cash Basis)	33,000	3,240	0	36,240

Marietta City School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 19 - SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. Effective April 10, 2001, Senate Bill 345 eliminated the requirement for a budget reserve; however, the amount of the budget reserve funded with workers' compensation refunds or rebates may only be used to offset a budget deficit or certain other expenditures as directed by the Board of Education.

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

	<u>Budget Stabilization Reserve</u>	<u>Capital Improvements Reserve</u>	<u>Textbooks/ Instructional Materials Reserve</u>
Set-aside Reserve Balance as of June 30, 2000	\$244,110	\$0	(\$10,371)
Reduction authorized by Statutory revision	(132,769)	0	0
Required Set-Aside	0	374,178	374,178
Qualifying Disbursements	<u>0</u>	<u>(718,535)</u>	<u>(356,535)</u>
Total	<u>\$111,341</u>	<u>(\$344,357)</u>	<u>\$7,272</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$111,341</u>	<u>\$0</u>	<u>\$7,272</u>
Set-aside Reserve Balance as of June 30, 2001	<u>\$111,341</u>	<u>\$0</u>	<u>\$7,272</u>

Although, the School District had qualifying disbursements during the fiscal year that reduced the capital improvements set-aside amount below zero, this extra amount may not be used to reduce the set-aside requirement in future fiscal years. This negative balance is therefore not presented as being carried forward to future fiscal years.

NOTE 20 - 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.

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 21 - 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 fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 22 - STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 26, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

NOTE 23 - 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, 2001.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$	\$32,629	\$	\$32,629
National School Breakfast Program	044321-05-PU-01	10.553	28,321		28,321	
National School Lunch Program	044321-LL-P1/P4-01	10.555	144,048		144,048	
Total U.S. Department of Agriculture - Nutrition Cluster			172,369	32,629	172,369	32,629
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States (IDEA Part B)	044321-6B-SF	84.027	242,047		233,640	
Adult Education- State Grant Program	044321-AB-S1	84.002	69,820		96,989	
Grants to Local Educational Agencies (ESEA Title I)	044321-C1-S1	84.010	821,354		714,594	
Innovative Educational Program Strategies	044321-C2-S1	84.298	18,409		20,490	
Education for Homeless Children and Youth	044321-HC-S1	84.196	19,203		1,262	
Eisenhower Professional Development Grants - Title II, Part B	044321-MS-S1	84.281	19,331		16,025	
Drug-Free Schools Grant	044321-DR-S1	84.186	16,028		8,891	
Class Size Reduction	044321-CR-S1	84.340	103,718			
Total Passed Through Ohio Department of Education			1,309,910		1,091,891	
<i>Passed Through Washington County Educational Service Center:</i>						
Continuous Improvement Implementation Program	N/A	84.276	1,500		1,322	
Total Passed Through Washington County Educational Service Center			1,500		1,322	
Total U.S. Department of Education			1,311,410		1,093,213	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through Ohio Department of Education:</i>						
Family Support Act/Jobs Grants	JB-S1-97	93.002			1,125	
<i>Passed Through Ohio Department of MRDD:</i>						
Community Alternative Funding Systems		93.778	59,722		59,722	
Total U.S. Department of Health and Human Services			59,722		60,847	
Total Federal Awards Receipts and Expenditures			\$1,543,501	\$32,629	\$1,326,429	\$32,629

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

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes the activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the School District had no significant food commodities in inventory.



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**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 financial statements of the Marietta City School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2001, and have issued our report thereon dated November 26, 2001, wherein we noted that during 2001, the School District adopted Governmental Accounting Statement No. 33. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated November 26, 2001.

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 financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated November 26, 2001.

This report is intended for the information and use of the audit committee, 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.

Jim Petro
Auditor of State

November 26, 2001



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**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 the 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 each of its major federal programs for the year ended June 30, 2001. The School District's major federal programs are 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 each of its major federal programs 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 auditing standards generally accepted in the United States of America; 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 each of its major federal programs for the year ended June 30, 2001.

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. However, we noted another matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the School District in a separate letter dated November 26, 2001.

This report is intended for the information and use of the audit committee, 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.

Jim Petro
Auditor of State

November 26, 2001

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
JUNE 30, 2001**

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 control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(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):	Grants to Local Educational Agencies (ESEA Title I), CFDA #84.010 and Nutrition Cluster, CFDA's #10.550, 10.553 and 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001
(Continued)**

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



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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
DECEMBER 27, 2001**