



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY

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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, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Marietta City School District, Washington County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2000, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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.

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

Jim Petro
Auditor of State

December 21, 2000

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**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$804,122	\$490,714	\$1,197,520	\$147,972
Cash and Cash Equivalents in Segregated Accounts		13,445		
Cash with Fiscal and Escrow Agents			111	
Receivables:				
Taxes	9,606,498		943,705	
Accounts	9,868	474		
Intergovernmental	13,119	52,640		
Interfund	1,201,716			
Due from Other Funds	52			
Prepaid Items	181,681	9,199		
Inventory Held for Resale				
Materials and Supplies				
Inventory	20,080			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	328,434			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	\$12,165,570	\$566,472	\$2,141,336	\$147,972

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$3,649	\$64,466	\$83,803	\$	\$	\$2,792,246
					13,445
					111
					10,550,203
3,054					13,396
					65,759
					1,201,716
					52
	4,956				195,836
9,578					9,578
1,088					21,168
					328,434
125,901			11,774,362		11,900,263
				1,266,722	1,266,722
				7,670,629	7,670,629
<u>\$143,270</u>	<u>\$69,422</u>	<u>\$83,803</u>	<u>\$11,774,362</u>	<u>\$8,937,351</u>	<u>\$36,029,558</u>

(continued)

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$103,112	\$10,187	\$	\$6,646
Accrued Wages Payable	1,372,609	115,581		47
Compensated Absences Payable	119,286			
Interfund Payable		951		
Due to Other Funds		52		
Intergovernmental Payable	350,475	27,550		95
Deferred Revenue	9,020,314		874,503	
Due to Students				
Claims Payable				
Matured Interest Payable			111	
Capital Leases Payable				
General Obligation Bonds Payable				
Total Liabilities	10,965,796	154,321	874,614	6,788
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved (Deficits)				
Fund Balance:				
Reserved for Encumbrances	183,224	78,350		75,816
Reserved for Inventory	20,080			
Reserved for Property Taxes	586,184		69,202	
Reserved for School Bus Purchases	84,324			
Reserved for Budget Stabilization	244,110			
Unreserved:				
Designated	145,879			
Undesignated (Deficit)	(64,027)	333,801	1,197,520	65,368
Total Fund Equity (Deficit) and Other Credits	1,199,774	412,151	1,266,722	141,184
Total Liabilities, Fund Equity and Other Credits	\$12,165,570	\$566,472	\$2,141,336	\$147,972

The notes to the general purpose financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$3,242	\$9,813	\$	\$	\$	\$133,000
					1,488,237
				2,193,322	2,312,608
24,874	1,175,891				1,201,716
					52
882				145,490	524,492
5,189	162,458				10,062,464
		83,803			83,803
	355,000				355,000
					111
				53,539	53,539
				6,545,000	6,545,000
<u>34,187</u>	<u>1,703,162</u>	<u>83,803</u>	<u>0</u>	<u>8,937,351</u>	<u>22,760,022</u>
204,472			11,774,362		11,774,362
					204,472
(95,389)	(1,633,740)				(1,729,129)
					337,390
					20,080
					655,386
					84,324
					244,110
					145,879
					1,532,662
<u>109,083</u>	<u>(1,633,740)</u>	<u>0</u>	<u>11,774,362</u>	<u>0</u>	<u>13,269,536</u>
<u>\$143,270</u>	<u>\$69,422</u>	<u>\$83,803</u>	<u>\$11,774,362</u>	<u>\$8,937,351</u>	<u>\$36,029,558</u>

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Revenues:			
Taxes	\$9,650,098	\$	\$1,003,528
Intergovernmental	9,238,829	1,777,981	119,906
Interest	158,926	1,174	31,988
Tuition and Fees	201,651		
Extracurricular Activities		159,730	
Miscellaneous	125,461	237,281	
Total Revenues	19,374,965	2,176,166	1,155,422
Expenditures:			
Current:			
Instruction:			
Regular	8,947,224	310,140	
Special	1,597,022	705,676	
Vocational	194,845	3,586	
Adult/Continuing	3,620	97,898	
Support Services:			
Pupils	864,126	51,945	
Instructional Staff	877,572	236,925	
Board of Education	56,517		
Administration	1,604,808	133,921	
Fiscal	385,721	7,292	20,348
Business	230,468	14,821	
Operation and Maintenance of Plant	2,052,343	4,815	
Pupil Transportation	1,030,331	1,020	
Central	99,305	18,016	
Operation of Non-Instructional Services	9,307	148,340	
Extracurricular Activities	235,808	324,422	
Capital Outlay			
Debt Service:			
Principal Retirement	429,463		655,000
Interest and Fiscal Charges	27,944		370,321
Total Expenditures	18,646,424	2,058,817	1,045,669
Excess of Revenues Over Expenditures	728,541	117,349	109,753
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets	5,261		
Inception of Capital Lease	17,943		
Operating Transfers In	0		1,126
Operating Transfers Out	(1,126)		
Total Other Financing Sources (Uses)	22,078	0	1,126
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	750,619	117,349	110,879
Fund Balances at Beginning of Year	447,785	294,802	1,155,843
Increase in Reserve for Inventory	1,370		
Fund Balances at End of Year	\$1,199,774	\$412,151	\$1,266,722

The notes to the general purpose financial statements are an integral part of this statement.

Capital Projects	Totals (Memorandum Only)
\$	\$10,653,626
114,441	11,251,157
9	192,097
1,888	203,539
	159,730
101,000	463,742
<u>217,338</u>	<u>22,923,891</u>
	9,257,364
	2,302,698
	198,431
	101,518
	916,071
	1,114,497
	56,517
	1,738,729
	413,361
	245,289
	2,057,158
	1,031,351
	117,321
	157,647
189,565	560,230
	189,565
	1,084,463
	398,265
<u>189,565</u>	<u>21,940,475</u>
<u>27,773</u>	<u>983,416</u>
	5,261
	17,943
	1,126
	(1,126)
<u>0</u>	<u>23,204</u>
27,773	1,006,620
113,411	2,011,841
	1,370
<u>\$141,184</u>	<u>\$3,019,831</u>

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$9,265,000	\$9,139,298	(\$125,702)
Intergovernmental	9,283,000	9,260,832	(22,168)
Interest	160,016	158,926	(1,090)
Tuition and Fees	242,143	208,375	(33,768)
Extracurricular Activities			
Miscellaneous	132,503	114,972	(17,531)
Total Revenues	19,082,662	18,882,403	(200,259)
Expenditures:			
Current:			
Instruction:			
Regular	9,703,596	9,497,044	206,552
Special	1,727,288	1,601,615	125,673
Vocational	259,609	202,734	56,875
Adult/Continuing	7,447	3,620	3,827
Support Services:			
Pupils	924,465	885,611	38,854
Instructional Staff	1,005,923	908,912	97,011
Board of Education	63,306	58,507	4,799
Administration	1,645,545	1,635,198	10,347
Fiscal	404,796	388,570	16,226
Business	267,083	235,273	31,810
Operation and Maintenance of Plant	2,413,888	2,169,414	244,474
Pupil Transportation	1,146,341	1,063,333	83,008
Central	208,575	103,591	104,984
Operation of Non-Instructional Services	23,056	9,264	13,792
Extracurricular Activities	266,850	235,136	31,714
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	20,067,768	18,997,822	1,069,946
Excess of Revenues Over (Under) Expenditures	(985,106)	(115,419)	869,687
Other Financing Sources (Uses):			
Refund of Prior Year Receipts	(14,235)		14,235
Refund of Prior Year Expenditures	4,850	4,850	
Other Financing Uses			
Proceeds from Sale of Fixed Assets	8,300	5,261	(3,039)
Advances In	1,033,770	1,033,770	
Advances Out	(1,201,716)	(1,201,716)	
Operating Transfers In			
Operating Transfers Out	(1,126)	(1,126)	
Total Other Financing Sources (Uses)	(170,157)	(158,961)	11,196
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,155,263)	(274,380)	880,883
Fund Balances at Beginning of Year	738,896	738,896	0
Prior Year Encumbrances Appropriated	413,804	413,804	0
Fund Balances (Deficits) at End of Year	(\$2,563)	\$878,320	\$880,883

The notes to the general purpose financial statements are an integral part of this statement.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$	\$	\$	\$850,000	\$943,265	\$93,265
1,919,705	1,762,984	(156,721)	125,000	119,906	(5,094)
1,208	1,174	(34)	40,000	31,988	(8,012)
166,776	155,676	(11,100)			
246,096	237,281	(8,815)	1,126		(1,126)
<u>2,333,785</u>	<u>2,157,115</u>	<u>(176,670)</u>	<u>1,016,126</u>	<u>1,095,159</u>	<u>79,033</u>
381,916	338,993	42,923			
916,684	730,526	186,158			
3,638	3,638				
131,313	101,200	30,113			
74,227	53,717	20,510			
360,182	242,388	117,794			
238,813	143,049	95,764			
7,292	7,292		22,500	20,348	2,152
14,908	14,908				
4,823	4,823				
5,220	1,020	4,200			
26,336	18,016	8,320			
195,045	156,776	38,269			
354,731	333,938	20,793			
			655,000	655,000	
			370,321	370,321	
<u>2,715,128</u>	<u>2,150,284</u>	<u>564,844</u>	<u>1,047,821</u>	<u>1,045,669</u>	<u>2,152</u>
(381,343)	6,831	388,174	(31,695)	49,490	81,185
(7,126)	(1,233)	5,893			
1,730	1,730		(1,116,335)		1,116,335
951	951				
(5,069)	(5,069)		(1,126)	(1,126)	
			1,126	1,126	
<u>(9,514)</u>	<u>(3,621)</u>	<u>5,893</u>	<u>(1,116,335)</u>	<u>0</u>	<u>1,116,335</u>
(390,857)	3,210	394,067	(1,148,030)	49,490	1,197,520
317,898	317,898	0	1,148,030	1,148,030	0
81,647	81,647	0	0	0	0
<u>\$8,688</u>	<u>\$402,755</u>	<u>\$394,067</u>	<u>\$0</u>	<u>\$1,197,520</u>	<u>\$1,197,520</u>

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$	\$	\$
Intergovernmental	115,891	114,441	(1,450)
Interest	50	9	(41)
Tuition and Fees	1,950	1,888	(62)
Extracurricular Activities			
Miscellaneous	101,000	101,000	
Total Revenues	218,891	217,338	(1,553)
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Adult/Continuing			
Support Services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Business			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Operation of Non-Instructional Services			
Extracurricular Activities			
Capital Outlay	333,314	265,838	67,476
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	333,314	265,838	67,476
Excess of Revenues Over (Under) Expenditures	(114,423)	(48,500)	65,923
Other Financing Sources (Uses):			
Refund of Prior Year Receipts	(41)		41
Refund of Prior Year Expenditures			
Other Financing Uses			
Proceeds from Sale of Fixed Assets			
Advances In			
Advances Out			
Operating Transfers In			
Operating Transfers Out			
Total Other Financing Sources (Uses)	(41)	0	41
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(114,464)	(48,500)	65,964
Fund Balances at Beginning of Year	103,590	103,590	0
Prior Year Encumbrances Appropriated	10,517	10,517	0
Fund Balances (Deficits) at End of Year	(\$357)	\$65,607	\$65,964

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$10,115,000	\$10,082,563	(\$32,437)
11,443,596	11,258,163	(185,433)
201,274	192,097	(9,177)
244,093	210,263	(33,830)
166,776	155,676	(11,100)
480,725	453,253	(27,472)
<u>22,651,464</u>	<u>22,352,015</u>	<u>(299,449)</u>
10,085,512	9,836,037	249,475
2,643,972	2,332,141	311,831
263,247	206,372	56,875
138,760	104,820	33,940
998,692	939,328	59,364
1,366,105	1,151,300	214,805
63,306	58,507	4,799
1,884,358	1,778,247	106,111
434,588	416,210	18,378
281,991	250,181	31,810
2,418,711	2,174,237	244,474
1,151,561	1,064,353	87,208
234,911	121,607	113,304
218,101	166,040	52,061
621,581	569,074	52,507
333,314	265,838	67,476
655,000	655,000	
370,321	370,321	
<u>24,164,031</u>	<u>22,459,613</u>	<u>1,704,418</u>
<u>(1,512,567)</u>	<u>(107,598)</u>	<u>1,404,969</u>
(21,402)	(1,233)	20,169
6,580	6,580	
(1,116,335)		1,116,335
8,300	5,261	(3,039)
1,034,721	1,034,721	
(1,207,911)	(1,207,911)	
1,126	1,126	
(1,126)	(1,126)	
<u>(1,296,047)</u>	<u>(162,582)</u>	<u>1,133,465</u>
(2,808,614)	(270,180)	2,538,434
2,308,414	2,308,414	0
505,968	505,968	0
<u>\$5,768</u>	<u>\$2,544,202</u>	<u>\$2,538,434</u>

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating Revenues:			
Sales	\$475,564	\$	\$475,564
Charges for Services	3,377	1,986,861	1,990,238
Total Operating Revenues	<u>478,941</u>	<u>1,986,861</u>	<u>2,465,802</u>
Operating Expenses:			
Fringe Benefits	882		882
Purchased Services	496,404	172,855	669,259
Materials and Supplies	179,268		179,268
Cost of Sales	208,186		208,186
Depreciation	27,421		27,421
Claims		1,821,102	1,821,102
Total Operating Expenses	<u>912,161</u>	<u>1,993,957</u>	<u>2,906,118</u>
Operating Loss	<u>(433,220)</u>	<u>(7,096)</u>	<u>(440,316)</u>
Non-Operating Revenues:			
Federal Donated Commodities	26,602		26,602
Interest Income	4,740		4,740
Operating Grants	279,812		279,812
Other Non-Operating Revenues	55,867		55,867
Total Non-Operating Revenues	<u>367,021</u>	<u>0</u>	<u>367,021</u>
Net Loss	(66,199)	(7,096)	(73,295)
Retained Earnings (Deficits) at Beginning of Year	(19,479)	(1,626,644)	(1,646,123)
Residual Equity Transfer	(9,711)	0	(9,711)
Retained Earnings (Deficits) at End of Year	<u>(\$95,389)</u>	<u>(\$1,633,740)</u>	<u>(\$1,729,129)</u>

The notes to the general purpose are an integral part of this statement.

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**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, 2000**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$485,115	\$474,865	(\$10,250)
Charges for Services	4,000	3,708	(292)
Interest Income	5,043	4,740	(303)
Operating Grants	285,000	283,692	(1,308)
Other Non-Operating Revenues	141,765	141,765	
Total Revenues	920,923	908,770	(12,153)
Expenses:			
Salaries	878	878	
Fringe Benefits	166	166	
Purchased Services	693,130	681,941	11,189
Materials and Supplies	196,872	180,356	16,516
Capital Outlay	95,898	95,609	289
Total Expenses	986,944	958,950	27,994
Excess of Revenues Under Expenses	(66,021)	(50,180)	15,841
Advances In	24,874	24,874	
Advances Out			
Operating Transfers In	12,876		(12,876)
Excess of Revenues Over (Under) Expenses, Advances, and Transfers	(28,271)	(25,306)	2,965
Fund Equity at Beginning of Year	27,786	27,786	0
Prior Year Encumbrances Appropriated	1,169	1,169	0
Fund Equity at End of Year	\$684	\$3,649	\$2,965

(Continued)

The notes to the general purpose financial statements are an integral part of this statement.

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**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, 2000
(Continued)**

	Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$	\$	\$
Charges for Services	2,030,109	2,029,862	(247)
Interest Income			
Operating Grants			
Other Non-Operating Revenues			
Total Revenues	2,030,109	2,029,862	(247)
Expenses:			
Salaries			
Fringe Benefits	2,003,617	1,971,032	32,585
Purchased Services	203,650	171,522	32,128
Materials and Supplies			
Capital Outlay			
Total Expenses	2,207,267	2,142,554	64,713
Excess of Revenues Under Expenses	(177,158)	(112,692)	64,466
Advances In	1,175,891	1,175,891	
Advances Out	(1,027,575)	(1,027,575)	
Operating Transfers In			
Excess of Revenues Over (Under) Expenses, Advances, and Transfers	(28,842)	35,624	64,466
Fund Equity at Beginning of Year	28,842	28,842	
Prior Year Encumbrances Appropriated	0	0	0
Fund Equity at End of Year	\$0	\$64,466	\$64,466

Totals (Memorandum Only)

<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$485,115	\$474,865	(\$10,250)
2,034,109	2,033,570	(539)
5,043	4,740	(303)
285,000	283,692	(1,308)
<u>141,765</u>	<u>141,765</u>	
<u>2,951,032</u>	<u>2,938,632</u>	<u>(12,400)</u>
878	878	
2,003,783	1,971,198	32,585
896,780	853,463	43,317
196,872	180,356	16,516
<u>95,898</u>	<u>95,609</u>	<u>289</u>
<u>3,194,211</u>	<u>3,101,504</u>	<u>92,707</u>
<u>(243,179)</u>	<u>(162,872)</u>	<u>80,307</u>
1,200,765	1,200,765	
(1,027,575)	(1,027,575)	
<u>12,876</u>	<u></u>	<u>(12,876)</u>
(57,113)	10,318	67,431
56,628	56,628	0
<u>1,169</u>	<u>1,169</u>	<u>0</u>
<u>\$684</u>	<u>\$68,115</u>	<u>\$67,431</u>

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Increase (Decrease) in Cash and Cash Equivalents: Cash Flows from Operating Activities:			
Cash Received from Customers	\$478,573	\$	\$478,573
Cash Received from Quasi-External Transactions with Other Funds		2,029,862	2,029,862
Cash Payments to Suppliers for Goods and Services	(862,297)	(171,522)	(1,033,819)
Cash Payments for Employee Services	(878)		(878)
Cash Payments for Employee Benefits	(166)		(166)
Cash Payments for Claims		(1,971,032)	(1,971,032)
Other Non-Operating Revenues	55,867		55,867
Net Cash Used for Operating Activities	<u>(328,901)</u>	<u>(112,692)</u>	<u>(441,593)</u>
Cash Flows from Noncapital Financing Activities:			
Advances In	24,874	1,175,891	1,200,765
Advances Out		(1,027,575)	(1,027,575)
Operating Grants Received	283,692		283,692
Net Cash Provided by Noncapital Financing Activities	<u>308,566</u>	<u>148,316</u>	<u>456,882</u>
Cash Flows from Capital and Related Financing Activities:			
Capital Contributions	85,898		85,898
Payments for Capital Acquisitions	(95,609)		(95,609)
Net Cash Used for Capital and Related Financing Activities	<u>(9,711)</u>	<u>0</u>	<u>(9,711)</u>
Cash Flows from Investing Activities:			
Interest Income	4,740		4,740
Net Increase (Decrease) in Cash and Cash Equivalents	(25,306)	35,624	10,318
Cash and Cash Equivalents at Beginning of Year	28,955	28,842	57,797
Cash and Cash Equivalents at End of Year	<u>\$3,649</u>	<u>\$64,466</u>	<u>\$68,115</u>

(Continued)

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:			
Operating Loss	(\$433,220)	(\$7,096)	(\$440,316)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:			
Donated Commodities Used During Year	26,602	0	26,602
Other Non-Operating Revenues	55,867	0	55,867
Depreciation	27,421	0	27,421
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(759)	225	(534)
Decrease in Due from Other Funds	61	3,582	3,643
Decrease in Intergovernmental Receivables	331	0	331
Increase in Inventory Held for Resale	(4,389)	0	(4,389)
Increase in Materials and Supplies Inventory	(1,088)	0	(1,088)
Increase in Accounts Payable	3,242	1,333	4,575
Decrease in Accrued Wages Payable	(878)	0	(878)
Decrease in Compensated Absences Payable	(1,652)	0	(1,652)
Decrease in Intergovernmental Payable	(439)	0	(439)
Increase in Deferred Revenue	0	39,194	39,194
Decrease in Claims Payable	0	(149,930)	(149,930)
Total Adjustments	104,319	(105,596)	(1,277)
Net Cash Used for Operating Activities	(\$328,901)	(\$112,692)	(\$441,593)

Non-Cash Activity:

During fiscal year 2000, the General Fixed Assets Account Group received \$7,911 from the Transportation Enterprise Fund. Also, the Permanent Improvement Capital Projects Fund acquired fixed assets for the Lunchroom Enterprise Fund in the amount of \$65,624.

The notes to the general purpose financial statements are an integral part of this statement.

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**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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 3,458 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. The activity of these State monies is reflected in a special revenue fund for financial reporting purposes.

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

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

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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.

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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.

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

Proprietary Fund Types:

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

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

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types:

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

Account Groups:

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

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

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

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded 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.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The fair value of donated commodities used during the fiscal 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.

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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 2000.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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 2000, 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, 2000.

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 2000 amounted to \$158,926, which includes \$79,308 assigned from other School District funds.

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

The School District utilizes financial institutions to service bonded debt as principal and interest

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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 creation of a reserve for budget stabilization. See Note 18 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, 2000, 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 at historical cost. 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 which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost in the general fixed assets account group. The costs of normal maintenance and repairs that do not add to the

**MARIETTA CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

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

I. Intergovernmental Revenues

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

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

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase

Special Revenue Funds

Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems
Eisenhower Grant
Title I
Title VI
Title VI-B
Drug Free Schools
Professional Development Block Grant
Venture Capital Grant
School to Work
Federal Vocational Education Grant
Adult Basic Education
Learn and Serve Grant
Good Effort, Good Conduct Grant
School Net Professional Development
Ohio Reads
Title VI-R
Kids on Campus
Pre-Kindergarten Readiness

**MARIETTA CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Capital Projects Funds

School Net
School Net Plus

Reimbursable Grants

General Fund
Drive Education

Proprietary Funds

National School Breakfast Program
National School Lunch Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 51 percent of governmental fund revenue during the 2000 fiscal year.

J. Interfund Assets/Liabilities

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

K. Compensated Absences

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

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.

**MARIETTA CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

L. Accrued Liabilities and Long-Term Obligations

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

M. Interfund Transactions

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

During the fiscal year, the Transportation Enterprise Fund transferred \$7,911 to the general fixed assets account group. Due to this being a non-routine transfer, it is recorded as a residual equity transfer. The residual equity transfer out will not equal a residual equity transfer in because the general fixed assets account group presents the transaction as an addition to fixed assets.

N. 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, 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.

Fund balance designations have been established for budget stabilization and textbooks which represent the School District's voluntary over funding of set-asides.

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

O. Contributed Capital

Contributed capital represents resources from other funds 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.

P. Estimates

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

Q. Total Columns on General Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2000, the Title I Special Revenue Fund had a deficit fund balance of \$11,697. The deficit resulted from expenditures made in excess of available revenues. The General Fund provides transfers to cover deficit balances in the special revenue funds; however, this is done when cash is needed rather than when accruals occur.

The Lunchroom and Uniform School Supplies Enterprise Funds had deficit retained earnings of \$74,250 and \$21,820, respectively, at June 30, 2000. Also, the Self-Insurance Internal Service Fund had deficit retained earnings of \$1,633,740 which was created by the application of generally accepted accounting principles. The School District is analyzing fund operations to determine appropriate steps to alleviate the deficits.

B. Compliance

The following funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2000:

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$21,282,282	\$21,284,845	\$2,563
Adult Basic Education Special Revenue Fund	\$27,531	\$29,843	\$2,312
Computer Center Capital Projects Fund	\$15,311	\$15,669	\$358

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$750,619	\$117,349	\$110,879	\$27,773
Revenue Accruals	(505,655)	(12,661)	(60,263)	0
Prepaid Items	181,681	9,199	0	0
Non-Budgeted Activity	0	(4,660)	0	0
Advances In	1,033,770	951	0	0
Expenditure Accruals	(278,843)	(13,940)	0	6,092
Advances Out	(1,201,716)	(5,069)	(1,126)	0
Encumbrances	(254,236)	(87,959)	0	(82,365)
Budget Basis	(\$274,380)	\$3,210	\$49,490	(\$48,500)

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

	Enterprise	Internal Service
GAAP Basis	(\$66,199)	(\$7,096)
Revenue Accruals	62,808	43,001
Advances In	24,874	1,175,891
Expense Accruals	21,399	(148,597)
Capital Outlay	(95,609)	0
Depreciation Expense	27,421	0
Advances Out	0	(1,027,575)
Budget Basis	(\$25,306)	\$35,624

NOTE 5 - 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.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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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;
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.

**MARIETTA CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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 \$562,599 and the bank balance was \$795,599. Of the bank balance, \$100,000 was covered by federal depository insurance and \$695,599 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 STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The fair value of the investment in STAROhio at June 30, 2000, was \$2,570,137.

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:

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$3,134,236	\$0
Cash on Hand	(1,500)	0
Investment in STAROhio	<u>(2,570,137)</u>	<u>2,570,137</u>
GASB Statement 3	<u>\$562,599</u>	<u>\$2,570,137</u>

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

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. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000 and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which the fiscal year 2000 taxes were collected for Washington County are:

**MARIETTA CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>1999 Second- Half Collections</u>		<u>2000 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$288,397,560	80%	\$285,434,360	80%
Public Utility	20,215,950	6%	19,248,150	5%
Tangible Personal Property	<u>49,195,380</u>	<u>14%</u>	<u>53,282,810</u>	<u>15%</u>
Total Assessed Value	<u>\$357,808,890</u>	<u>100%</u>	<u>\$357,965,320</u>	<u>100%</u>

Tax Rate per \$1,000 of Assessed Valuation	\$44.20	\$44.20
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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, 2000, are available to finance fiscal year 2000 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, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current fiscal year operations. The amount available as an advance at June 30, 2000, was \$655,386 and is recognized as revenue. \$586,184 was available to the General Fund and \$69,202 was available to the Debt Service Fund. At June 30, 1999, \$84,323 was available to the School District. \$75,384 was available to the General Fund and \$8,939 was available to the Debt Service Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund:	
Excess Costs	\$1,260
CAFS Reimbursement	1,106
Drivers Education	3,450
Substitute Reimbursement	756
Transportation	5,880
Other Reimbursements	<u>667</u>

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Total General Fund	13,119
Special Revenue Funds:	
Adult Basic Education	51,396
Schoolnet Professional Development	1,000
Miscellaneous	244
Total Special Revenue Funds	52,640
Total	\$65,759

NOTE 8 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$204,472
Less: Accumulated depreciation	(78,571)
Net Fixed Assets	\$125,901

A summary of the changes in general fixed assets during fiscal year 2000 follows:

	Balance at 06/30/99	Additions	Reductions	Balance at 06/30/00
Land	\$752,500	\$100,407	\$0	\$852,907
Buildings	5,171,000	0	0	5,171,000
Furniture and Equipment	3,850,055	523,023	148,264	4,224,814
Vehicles	1,492,710	32,931	0	1,525,641
Total	\$11,266,265	\$656,361	\$148,264	\$11,774,362

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Wausau Insurance Company for general liability with a \$2,000,000 per occurrence limit, a \$20,000,000 aggregate limit, and a \$10,000 deductible. The School District has an umbrella liability endorsement with a \$10,000,000 per occurrence limit and a \$10,000 deductible.

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

**MARIETTA CITY SCHOOL DISTRICT
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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 five fiscal years. There have been no significant reductions in insurance coverage from last fiscal year.

B. Workers' Compensation

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

Medical/surgical benefits, vision, life, and dental insurance are offered to employees through a self-insurance internal service fund through Accordia National Insurance Company. The claims liability of \$355,000 reported in the internal service fund at June 30, 2000, 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:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
1999	\$509,626	\$1,860,503	\$1,865,199	\$504,930
2000	\$504,930	\$1,821,102	\$1,971,032	\$355,000

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. 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, 2000, 1999, and 1998, were \$635,013, \$414,314 and \$987,705, respectively; 86.23 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$87,467 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds.

B. School Employees Retirement System

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

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 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1999, 7.7 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$121,476, \$177,104 and \$242,423, respectively; 37.89 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$75,444 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

**MARIETTA CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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, 2000, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$846,684 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. 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 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$208,195.

**MARIETTA CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

NOTE 12 - 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.

**MARIETTA CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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.

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 13 - 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 \$99,383, 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 2000 totaled \$21,578.

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 2001	\$27,370
Fiscal Year 2002	17,981
Fiscal Year 2003	11,101
Fiscal Year 2004	<u>2,355</u>
Total	<u>58,807</u>
Less: Amount Representing Interest	<u>(5,268)</u>
Present Value of Net Minimum Lease Payments	<u>\$53,539</u>

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Outstanding 06/30/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 06/30/00</u>
General Obligation Bonds:				
School Improvement Bonds - 5.75% to 7.2%	\$7,125,000	\$0	\$580,000	\$6,545,000
School Improvement Bonds - 6.05%	<u>75,000</u>	<u>0</u>	<u>75,000</u>	<u>0</u>
Total General Obligation Bonds	<u>7,200,000</u>	<u>0</u>	<u>655,000</u>	<u>6,545,000</u>
Capital Leases	57,174	17,943	21,578	53,539
Compensated Absences	1,993,808	319,791	120,277	2,193,322
Early Retirement Incentive	245,873	162,012	407,885	0
Pension Obligation	<u>138,031</u>	<u>145,490</u>	<u>138,031</u>	<u>145,490</u>
Total Long-Term Obligations	<u>\$9,634,886</u>	<u>\$645,236</u>	<u>\$1,342,771</u>	<u>\$8,937,351</u>

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

School Improvement General Obligation Bonds - On February 8, 1993, Marietta City School District issued \$510,000 in voted general obligation bonds for the purpose of improvements to school buildings.

Capital leases will be paid from the General 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 \$26,938,601, with an unvoted debt margin of \$357,965 at June 30, 2000.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2000, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$685,000	\$339,537	\$1,024,537
2002	715,000	306,622	1,021,622
2003	750,000	271,087	1,021,087
2004	785,000	230,144	1,015,144
2005	830,000	183,712	1,013,712
2006 - 2008	<u>2,780,000</u>	<u>245,813</u>	<u>3,025,813</u>
Total	<u>\$6,545,000</u>	<u>\$1,576,915</u>	<u>\$8,121,915</u>

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 15 - INTERFUND ACTIVITY

As of June 30, 2000, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>Receivables</u>		<u>Payables</u>	
	<u>Interfund</u>	<u>Due From</u>	<u>Interfund</u>	<u>Due To</u>
General Fund	\$1,201,716	\$52	\$0	\$0
Special Revenue Funds:				
Title I	0	0	951	0
Public School Support	0	0	0	52
Uniform School Supplies				
Enterprise Fund	0	0	24,874	0
Self-Insurance Internal				
Service Fund	<u>0</u>	<u>0</u>	<u>1,175,891</u>	<u>0</u>
Total	<u>\$1,201,716</u>	<u>\$52</u>	<u>\$1,201,716</u>	<u>\$52</u>

NOTE 16 - CONTRIBUTED CAPITAL

Changes in contributed capital for the fiscal year ended June 30, 2000:

Contributed Capital June 30, 1999	<u>\$51,150</u>
Current Contributions:	
Private Donations	85,898
Other Funds	<u>67,424</u>
Total Contributions	<u>153,322</u>
Contributed Capital June 30, 2000	<u>\$204,472</u>

NOTE 17 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of the lunchroom, uniform school supplies, and transportation activities. The table below reflects the more significant financial data relating to the enterprise funds of the Marietta City School District as of and for the fiscal year ended June 30, 2000.

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Lunchroom</u>	<u>Uniform School Supplies</u>	<u>Transportation</u>	<u>Total</u>
Operating Revenues	\$355,169	\$120,395	\$3,377	\$478,941
Depreciation Expense	27,421	0	0	27,421
Operating Income (Loss)	(410,251)	(26,346)	3,377	(433,220)
Donated Commodities	26,602	0	0	26,602
Operating Grants	279,812	0	0	279,812
Interest Income	4,740	0	0	4,740
Other Non-Operating Revenues	55,867	0	0	55,867
Net Income (Loss)	(43,230)	(26,346)	3,377	(66,199)
Fixed Asset Additions	153,322	0	0	153,322
Capital Contributions	153,322	0	0	153,322
Net Working Capital	4,321	(21,820)	681	(16,818)
Total Assets	139,535	3,054	681	143,270
Total Equity	\$130,222	\$(21,820)	\$681	\$109,083

NOTE 18 - 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. The School District is also required to set aside money for budget stabilization.

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.

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Budget Stabilization Reserve</u>	<u>Capital Improvements Reserve</u>	<u>Textbooks/ Instructional Materials Reserve</u>
Set-aside Reserve Balance as of June 30, 1999	\$228,348	\$0	\$0
Current Fiscal Year Set-Aside Requirement	15,762	381,308	381,308
Qualifying Disbursements	<u>0</u>	<u>(579,559)</u>	<u>(391,679)</u>
Total	<u>\$244,110</u>	<u>(\$198,251)</u>	<u>(\$10,371)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$244,110</u>	<u>\$0</u>	<u>(\$10,371)</u>
Set-aside Reserve Balance as of June 30, 2000	<u>\$244,110</u>	<u>\$0</u>	<u>0</u>

The School District had qualifying disbursements during the fiscal year that reduced the capital improvements and textbooks set-aside amounts below zero. These extra amounts may be used to reduce the textbook set-aside requirements in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$244,110.

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

Southeast Ohio Voluntary Educational Consortium (SEOVEC) - SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. To obtain financial information write to the Southeast Ohio Voluntary Educational Consortium, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

Washington County Joint Vocational School - The Washington County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school districts' elected boards and one representative from the Washington County Educational Service Center's board. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Washington County Joint Vocational School, Mary Bee, Treasurer, at Route 2, Marietta, Ohio 45750.

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

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

a fourteen member Board which consists of one superintendent from each County elected by the school districts within that County. The Coalition provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition.

NOTE 20 - INSURANCE PURCHASING POOL

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

NOTE 21 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$8,019,244 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme court rendered an opinion on this issue. The Court concluded, "the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 22 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

B. Litigation

The School District is currently not party to any litigation.

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000**

FEDERAL GRANT OR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	Pass Through Entity Number	Federal CFDA Number	Cash Receipts	Noncash Receipts	Cash Disbursements	Noncash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$31,791	\$0	\$26,602
National School Breakfast Program	44321-05-PU 99/00	10.553	29,617		29,617	
National School Lunch Program	44321-03-PU 99/00	10.555	150,196		150,196	
Special Milk Program	44321-05-PU 99/00	10.556	3,880		3,880	
Total U.S. Department of Agriculture-Nutrition Cluster			183,693	31,791	183,693	26,602
Total U.S. Department of Agriculture			183,693	31,791	183,693	26,602
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Adult Education - State Grant Program	44321-AB-S1-99	84.002	13,965		15,514	
	44321-AB-S1-99 C	84.002			1,612	
	44321-AB-S1-00	84.002	67,551		67,551	
Total Adult Education - State Grant Program			81,516	0	84,677	0
Educationally Deprived Children - Local Educational Agencies Title I	44321-C1-S1-98C	84.010			28,606	
	44321-C1-S1-99	84.010	140,789		124,870	
	44321-C1-S1-99C	84.010			68,120	
	44321-C1-S1-00	84.010	525,476		456,468	
Total Title I			666,265	0	678,064	0
Special Education Cluster: Education of the Handicapped	44321-6B-SF-99P	84.027	21,581		21,581	
	44321-6B-SF-00P	84.027	193,826		149,643	
Total Education of the Handicapped - Special Education Cluster			215,407	0	171,224	0
Drug Free Schools and Communities Grant	44321-DR-S1-99	84.186	3,583		2,913	
	44321-DR-S1-99C	84.186			353	
	44321-DR-S1-00	84.186	14,149		2,875	
Total Drug Free Schools			17,732	0	6,141	0
Homeless Children Education Grant	44321-HC-S1-99	84.196			5,677	
	44321-HC-S1-99P	84.196	1,500		1,500	
	44321-HC-S1-99C	84.196			229	
	44321-HC-S1-00	84.196	21,337		21,204	
Total Homeless Children Education Grant			22,837	0	28,610	0
Eisenhower Professional Development State Grant	44321-MS-S1-98C	84.281			13,887	
	44321-MS-S1-99	84.281			482	
	44321-MS-S1-99C	84.281			10,382	
	44321-MS-S1-00	84.281	16,374		8,357	
Total Eisenhower Professional Development Grant			16,374	0	33,108	0
Innovative Programs, IASA Title VI	44321-C2-S1-98C	84.298			1,541	
	44321-C2-S1-99	84.298			12,746	
	44321-C2-S1-99C	84.298	2,606		1,168	
	44321-C2-S1-00	84.298	19,300		18,923	
Total Title VI			21,906	0	34,378	0
Class Size Reduction Grant - Title VI-R	44321-CR-S1-00	84.340	97,416		68,221	
Total U.S. Department of Education			1,139,453	0	1,104,423	0

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000**

(Continued)

FEDERAL GRANT OR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	Pass Through Entity Number	Federal CFDA Number	Cash Receipts	Noncash Receipts	Cash Disbursements	Noncash Disbursements
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Learn and Serve America Planning Grant	444321-SV-S1-97C	94.004	0		898	
Total Corporation for National and Community Service			<u>0</u>	<u>0</u>	<u>898</u>	<u>0</u>
<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			3,322	
<i>Passed Through Ohio Department of MRDD:</i>						
Community Alternative Funding Systems		93.778	74,200		74,200	
Total U.S. Department of Health and Human Services			<u>74,200</u>	<u>0</u>	<u>77,522</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u><u>\$1,397,346</u></u>	<u><u>\$31,791</u></u>	<u><u>\$1,366,536</u></u>	<u><u>\$26,602</u></u>

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, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes the activity of the 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, 2000, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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 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, 2000, and have issued our report thereon dated December 21, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 December 21, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. 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 December 21, 2000.

Marietta City School District
Washington County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the management, 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

December 21, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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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 its major federal program for the year ended June 30, 2000. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

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

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

This report is intended for the information and use of the management, 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

December 21, 2000

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable conditions reported at the financial statement level (GAGAS)?	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
(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
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

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

The audit of Marietta City School District, Washington County, for the year ending June 30, 2000 contained no findings related to the general purpose financial statements required to be reported in accordance with GAGAS.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

The audit of Marietta City School District, Washington County, for the year ending June 30, 2000 contained no findings or questioned costs for federal awards.

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Finding Number	Finding Summary	Fully Corrected	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
1999-11084-001	ORC Section 5705.39, Appropriations exceed total Estimated Resources	Yes	Finding No Longer Valid. The District has corrected this deficiency.
1999-11084-002	Budgetary amounts posted to District accounting records did not agree to legislatively approved amounts	Yes	Finding No Longer Valid. The District has corrected this weakness.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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P.O. Box 1140
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800-282-0370
Facsimile 614-466-4490

MARIETTA CITY SCHOOL DISTRICT

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 6, 2001**