



Mary Taylor, CPA
Auditor of State

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marietta City School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marietta City School District, Washington County, Ohio, as of June 30, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2008, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 14, 2008

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The discussion and analysis of the Marietta City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2007 are as follows:

- Net assets of governmental activities decreased \$273,918.
- General receipts accounted for \$21,843,166 in receipts or 81% of all receipts. Program specific cash receipts in the form of charges for services, grants, contributions, and interest accounted for \$5,051,971 or 19% of total receipts of \$26,895,137.
- The School District had \$27,169,055 in disbursements related to governmental activities; only \$5,051,971 of these disbursements were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$21,843,166 were not adequate to provide for these programs by \$273,918.
- The School District's major funds were the General Fund and the Bond Retirement Fund. The General Fund had \$21,406,385 in receipts and \$21,159,611 in disbursements. The General Fund's balance increased \$134,349. The Bond Retirement Fund had \$968,876 in receipts and \$1,147,546 in disbursements. The Bond Retirement Fund's balance decreased \$178,670.

Using this Annual Financial Report

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

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Reporting the School District as a Whole

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

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, “How did we do financially during fiscal year 2007?” The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer this question. These two statements report the School District’s net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

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

Reporting the School District’s Most Significant Funds

Fund Financial Statements

The analysis of the School District’s major funds begins on page 8. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District’s most significant funds. The School District’s major governmental funds are the General Fund and the Bond Retirement Fund.

Governmental Funds Most of the School District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported on a modified cash basis. The governmental fund statements provide a detailed short-term view of the School District’s general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

The School District as a Whole

Recall that the Statement of Net Assets – Cash Basis provides the perspective of the School District as a whole. Table 1 provides a summary of the School District’s net assets for 2007 compared to 2006.

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
 Unaudited

Table 1
 Net Assets - Cash Basis

	Governmental Activities		
	2007	2006	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,341,022	\$5,614,940	(\$273,918)
Net Assets			
Restricted	\$2,306,948	\$2,817,100	(\$510,152)
Unrestricted	3,034,074	2,797,840	236,234
Total Net Assets	\$5,341,022	\$5,614,940	(\$273,918)

The above table reflects a decrease in net assets of \$273,918. This decrease can be attributed to the expenditure of the H.B.264 energy conservation project funds which was funded the previous fiscal year but the majority of the expenditures were made during fiscal year 2007.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2007, and comparisons to June 30, 2006.

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
 Unaudited

Table 2
 Changes in Net Assets

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
Receipts		
Program Cash Receipts:		
Charges for Services	\$1,284,075	\$1,180,194
Operating Grants, Contributions and Interest	3,725,738	3,610,978
Capital Grants and Contributions	42,158	15,157
Total Program Cash Receipts	<u>5,051,971</u>	<u>4,806,329</u>
General Receipts:		
Property Taxes	11,603,376	11,459,451
Grants and Entitlements	9,035,905	8,718,872
Investment Earnings	240,719	187,603
Receipts from Sale of Capital Assets	5,798	148,492
Notes Issued	542,445	719,173
Inception of Capital Lease	106,000	0
Payments in Lieu of Taxes	63,766	71,289
Miscellaneous	245,157	160,504
Total General Receipts	<u>21,843,166</u>	<u>21,465,384</u>
Total Receipts	<u>26,895,137</u>	<u>26,271,713</u>
Program Disbursements		
Instruction:		
Regular	10,973,144	10,407,657
Special	3,206,791	3,196,051
Vocational	94,172	76,450
Adult/Continuing	75,624	72,582
Support Services:		
Pupils	1,224,888	1,226,690
Instructional Staff	1,603,153	1,564,241
Board of Education	85,759	80,680
Administration	1,922,104	1,915,477
Fiscal	449,698	476,761
Business	315,685	260,756
Operation and Maintenance of Plant	3,307,885	2,194,522
Pupil Transportation	1,183,213	1,162,285
Central	154,078	82,176
Operation of Non-Instructional Services:		
Food Service Operations	804,419	731,577
Other	126,978	122,282
Extracurricular Activities	498,104	494,372
Capital Outlay	0	486,111
Principal Retirement	1,079,600	989,600
Interest and Fiscal Charges	63,760	70,436
Total Disbursements	<u>27,169,055</u>	<u>25,610,706</u>
Changes in Net Assets	(273,918)	661,007
Net Assets Beginning of Year	<u>5,614,940</u>	<u>4,953,933</u>
Net Assets End of Year	<u>\$5,341,022</u>	<u>\$5,614,940</u>

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

During fiscal year 2007, the School District completed a \$1,275,000 H.B. 264 energy saving project that entailed replacement of boilers and upgrading heating systems at Harmar, Phillips, and Putnam Elementary Schools and the High School Vocational Building. In addition there were restroom upgrades at the High School, lighting upgrades and heating controls throughout the School District, and spray foam insulation at the Student Services and Administrative Buildings.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreases as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 43% of revenues for governmental activities for the Marietta City School District in fiscal year 2007.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2006 have been made.

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
 Unaudited

Table 3
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2007	2007	2006	2006
Program Disbursements				
Instruction:				
Regular	\$10,973,144	\$9,916,197	\$10,407,657	\$9,466,940
Special	3,206,791	1,566,579	3,196,051	1,453,860
Vocational	94,172	82,918	76,450	63,198
Adult/Continuing	75,624	(5,482)	72,582	1,874
Support Services:				
Pupils	1,224,888	1,133,658	1,226,690	1,112,193
Instructional Staff	1,603,153	993,472	1,564,241	1,014,242
Board of Education	85,759	85,759	80,680	80,680
Administration	1,922,104	1,720,025	1,915,477	1,726,328
Fiscal	449,698	449,698	476,761	476,761
Business	315,685	315,685	260,756	260,756
Operation and Maintenance of Plant	3,307,885	3,257,488	2,194,522	2,166,841
Pupil Transportation	1,183,213	1,056,304	1,162,285	1,039,520
Central	154,078	75,512	82,176	67,378
Operation of Non-Instructional Services				
Food Service	804,419	(68,264)	731,577	(27,949)
Other	126,978	14,360	122,282	(15,825)
Extracurricular Activities	498,104	379,815	494,372	371,433
Capital Outlay	0	0	486,111	486,111
Principal Retirement	1,079,600	1,079,600	989,600	989,600
Interest and Fiscal Charges	63,760	63,760	70,436	70,436
Total	<u>\$27,169,055</u>	<u>\$22,117,084</u>	<u>\$25,610,706</u>	<u>\$20,804,377</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2007, approximately 80% of instruction activities were supported through taxes and other general revenues.

The School District Funds

The School District's major funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$26,240,894 and disbursements of \$27,168,423. The General Fund had an increase in fund balance of \$134,349. Although there was an increase of 4% in General Fund expenditures for the fiscal year, there was still a small increase in revenues which allowed revenues to exceed expenditures for the year. The Bond Retirement Fund had a decrease in fund balance of \$178,670 because the tax rate has been reduced to 1.70 mills. This rate will be reviewed annually until the refunding bonds are retired in fiscal year 2008.

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
 Unaudited

General Fund Budgeting Highlights

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

During the course of 2007, the School District amended its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis receipts equaled final estimates of \$21,382,766, above original estimates of \$20,745,261. Original estimates were increased \$637,505 due to two factors. The majority of the increase was due to tangible personal revenues exceeding original estimates. In a year in which tangible tax revenues were anticipated to decrease by 25% due to State law, the actual drop was only 2.6%. The other increase occurred as investment revenues and insurance reimbursements exceeded original estimates. Original appropriations were not adjusted during the year.

The School District's ending unobligated General Fund balance was \$2,839,434.

Debt Administration

At June 30, 2007, the School District had the following outstanding obligations:

Table 4
 Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2007	2006
2002 School Improvement Refunding Bonds:		
Serial Bonds	\$0	\$960,000
Capital Appreciation Bonds at Maturity	690,000	690,000
2003 Energy Conservation Bonds	650,000	690,000
2006 Energy Conservation Loan	1,205,000	719,173
High School Bleachers Capital Lease Purchase	106,000	0
Lunchroom Loan	21,600	31,200
Totals	\$2,672,600	\$3,090,373

On December 1, 2002, the School District issued \$4,690,000 in general obligation refunding bonds, with a discount of \$295,000, to retire \$4,395,000 of outstanding school improvement bonds. \$4,504,661 was paid to bondholders on January 2, 2003, to retire the 1993 school improvement bonds. The School District decreased its total debt service payments by \$251,650 as a result of the current refunding. The refunding bonds issue included serial and capital appreciation bonds in the amount of \$3,705,000 and \$690,000, respectively. The capital appreciation bonds will mature in fiscal year 2008.

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

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

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

During fiscal year 2007, the School District received \$106,000 in capital lease proceeds. The lease purchase was used to construct new bleachers in the High School gymnasium.

During fiscal year 2005, the School District obtained a \$48,000 five-year interest free loan to finance a point-of-sale equipment purchase for its lunchroom. \$800 payments are made monthly toward the loan.

Current Issues

Over the past several years, the School District has remained in a difficult financial position with an ending cash balance less than recommended. The School District finally reached the recommended cash balance at the end of fiscal year 2006 and added to that balance for fiscal year 2007. There was a replacement levy approved in May, 2007, which was projected to generate approximately \$300,000 in new revenue annually. However, in August, 2007, Marietta Memorial Hospital announced that it was applying for a tax abatement on property they had been paying taxes on for two years. They are also seeking repayment of taxes already paid, which will be nearly \$500,000 when the abatement finally goes into effect starting with fiscal year 2009. The repayment is to be made over a nine year period. The net effect is an approximate drop in revenue of \$250,000 annually starting in fiscal year 2009. Even with this startling news, the School District is projected to spend approximately the same amount as the revenue received for fiscal year 2008. Consequently, the School District is projected to be in deficit spending starting with fiscal year 2009. Due to static State revenues, changes in the law which reduces the business tax base, and the overall economic climate, the School District will remain in this position for the foreseeable future until new funding can be assured.

Based on the current financial situation, and the uncertainty of funding, the School District will be challenged to maintain the current program and staffing levels. Additional staff and program reductions may have to be made in the future in order to balance the budget.

The Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to balance the budget annually.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact David B. Combs, Treasurer/CFO at Marietta City School District, 11 Academy Drive, Marietta, Ohio 45750, or E-Mail at MA_DAVIDC@SEOVEC.ORG.

Marietta City School District, Ohio

Statement of Net Assets - Cash Basis

June 30, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,341,022</u>
Net Assets	
Restricted for:	
Capital Projects	\$491,493
Debt Service	733,010
Textbooks	65,684
Budget Stabilization	79,089
Bus Purchases	7,479
Unclaimed Monies	5,666
Other Purposes	924,527
Unrestricted	<u>3,034,074</u>
<i>Total Net Assets</i>	<u>\$5,341,022</u>

See accompanying notes to the basic financial statements

Marietta City School District, Ohio

*Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2007*

	Program Cash Receipts				Net (Disbursements)
	Cash	Charges for	Operating Grants,	Capital	Receipts and
					Disbursements
			and Interest	Contributions	Net Assets
					Governmental
					Activities
Governmental Activities					
Instruction:					
Regular	\$10,973,144	\$638,723	\$398,708	\$19,516	(\$9,916,197)
Special	3,206,791	35,570	1,604,642	0	(1,566,579)
Vocational	94,172	0	11,254	0	(82,918)
Adult/Continuing	75,624	0	81,106	0	5,482
Support Services:					
Pupils	1,224,888	389	90,841	0	(1,133,658)
Instructional Staff	1,603,153	0	609,681	0	(993,472)
Board of Education	85,759	0	0	0	(85,759)
Administration	1,922,104	57,467	144,612	0	(1,720,025)
Fiscal	449,698	0	0	0	(449,698)
Business	315,685	0	0	0	(315,685)
Operation and Maintenance of Plant	3,307,885	0	50,397	0	(3,257,488)
Pupil Transportation	1,183,213	29,106	75,161	22,642	(1,056,304)
Central	154,078	0	78,566	0	(75,512)
Operation of Non-Instructional Services:					
Food Service Operations	804,419	403,206	469,477	0	68,264
Other	126,978	1,325	111,293	0	(14,360)
Extracurricular Activities	498,104	118,289	0	0	(379,815)
Principal Retirement	1,079,600	0	0	0	(1,079,600)
Interest and Fiscal Charges	63,760	0	0	0	(63,760)
Totals	\$27,169,055	\$1,284,075	\$3,725,738	\$42,158	(22,117,084)
General Receipts					
Property Taxes Levied for:					
General Purposes					10,727,386
Debt Service					875,990
Grants and Entitlements not Restricted to Specific Programs					9,035,905
Investment Earnings					240,719
Receipts from Sale of Capital Assets					5,798
Receipts from Sale of Notes					542,445
Inception of Capital Lease					106,000
Payments in Lieu of Taxes					63,766
Miscellaneous					245,157
Total General Receipts					21,843,166
Change in Net Assets					(273,918)
Net Assets Beginning of Year					5,614,940
Net Assets End of Year					\$5,341,022

See accompanying notes to the financial statements

Marietta City School District, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2007

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,899,265	\$733,010	\$1,370,831	\$5,003,106
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	330,548	0	0	330,548
<i>Total Assets</i>	<u>\$3,229,813</u>	<u>\$733,010</u>	<u>\$1,370,831</u>	<u>\$5,333,654</u>
Fund Balances				
Reserved for Encumbrances	\$241,488	\$0	\$505,771	\$747,259
Reserved for Capital Improvements	172,630	0	0	172,630
Reserved for Textbooks	65,684	0	0	65,684
Reserved for Budget Stabilization	79,089	0	0	79,089
Reserved for School Bus Purchase	7,479	0	0	7,479
Reserved for Unclaimed Monies	5,666	0	0	5,666
Unreserved, Undesignated, Reported in:				
General Fund	2,657,777	0	0	2,657,777
Special Revenue Funds	0	0	737,359	737,359
Capital Projects Funds	0	0	127,701	127,701
Debt Service Fund	0	733,010	0	733,010
<i>Total Fund Balances</i>	<u>\$3,229,813</u>	<u>\$733,010</u>	<u>\$1,370,831</u>	<u>\$5,333,654</u>

See accompanying notes to the basic financial statements

Marietta City School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2007*

Total Governmental Fund Balances	\$5,333,654
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*Amounts reported for governmental activities in the statement of
net assets are different because*

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

7,368

Net Assets of Governmental Activities

\$5,341,022

See accompanying notes to the basic financial statements

Marietta City School District, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Taxes	\$10,727,386	\$875,990	\$0	\$11,603,376
Payments in Lieu of Taxes	63,766	0	0	63,766
Intergovernmental	9,742,278	63,950	2,981,875	12,788,103
Investment Earnings	211,783	28,936	15,698	256,417
Charges for Services	0	0	403,206	403,206
Tuition and Fees	453,564	0	249,835	703,399
Extracurricular Activities	0	0	177,470	177,470
Miscellaneous	207,608	0	37,549	245,157
<i>Total Receipts</i>	<u>21,406,385</u>	<u>968,876</u>	<u>3,865,633</u>	<u>26,240,894</u>
Disbursements				
Current:				
Instruction:				
Regular	10,314,089	0	658,788	10,972,877
Special	2,337,392	0	869,304	3,206,696
Vocational	94,171	0	0	94,171
Adult/Continuing	0	0	75,622	75,622
Support Services:				
Pupils	1,128,110	0	96,747	1,224,857
Instructional Staff	1,027,451	0	575,628	1,603,079
Board of Education	85,759	0	0	85,759
Administration	1,713,739	0	208,307	1,922,046
Fiscal	435,907	13,786	0	449,693
Business	315,676	0	0	315,676
Operation and Maintenance of Plant	2,170,792	0	1,137,052	3,307,844
Pupil Transportation	1,172,745	0	10,427	1,183,172
Central	63,796	0	90,279	154,075
Operation of Non-Instructional Services	0	0	931,392	931,392
Extracurricular Activities	299,984	0	198,120	498,104
Debt Service:				
Principal Retirement	0	1,070,000	9,600	1,079,600
Interest and Fiscal Charges	0	63,760	0	63,760
<i>Total Disbursements</i>	<u>21,159,611</u>	<u>1,147,546</u>	<u>4,861,266</u>	<u>27,168,423</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>246,774</u>	<u>(178,670)</u>	<u>(995,633)</u>	<u>(927,529)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	5,798	0	0	5,798
Notes Issued	0	0	542,445	542,445
Inception of Capital Lease	0	0	106,000	106,000
Advances In	53,448	0	68,371	121,819
Advances Out	(68,371)	0	(53,448)	(121,819)
Transfers In	0	0	103,300	103,300
Transfers Out	(103,300)	0	0	(103,300)
<i>Total Other Financing Sources (Uses)</i>	<u>(112,425)</u>	<u>0</u>	<u>766,668</u>	<u>654,243</u>
<i>Net Change in Fund Balance</i>	134,349	(178,670)	(228,965)	(273,286)
<i>Fund Balances Beginning of Year</i>	<u>3,095,464</u>	<u>911,680</u>	<u>1,599,796</u>	<u>5,606,940</u>
<i>Fund Balances End of Year</i>	<u>\$3,229,813</u>	<u>\$733,010</u>	<u>\$1,370,831</u>	<u>\$5,333,654</u>

See accompanying notes to the financial statements

Marietta City School District, Ohio
*Reconciliation of the Statement of Cash Receipts, Cash Disbursements and Changes
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2007*

Net Change in Fund Balances - Total Governmental Funds (\$273,286)

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

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

(632)

Change in Net Assets of Governmental Activities

(\$273,918)

See accompanying notes to the financial statements

Marietta City School District, Ohio
*Statement of Cash Receipts, Cash Disbursements and Changes
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Taxes	\$10,250,623	\$10,727,386	\$10,727,386	\$0
Payments in Lieu of Taxes	70,000	63,766	63,766	0
Intergovernmental	9,761,958	9,722,348	9,722,348	0
Investment Earnings	158,000	211,783	211,783	0
Tuition and Fees	400,750	453,564	453,564	0
Miscellaneous	103,930	203,919	203,919	0
<i>Total Receipts</i>	<u>20,745,261</u>	<u>21,382,766</u>	<u>21,382,766</u>	<u>0</u>
Disbursements				
Current:				
Instruction:				
Regular	10,746,629	10,746,629	10,333,416	413,213
Special	2,477,791	2,477,791	2,383,698	94,093
Vocational	101,251	101,251	94,640	6,611
Support Services:				
Pupils	1,245,431	1,245,431	1,167,816	77,615
Instructional Staff	1,130,460	1,130,460	1,059,663	70,797
Board of Education	99,405	99,405	90,765	8,640
Administration	1,786,296	1,786,296	1,730,225	56,071
Fiscal	482,881	482,881	436,568	46,313
Business	332,540	332,540	322,081	10,459
Operation and Maintenance of Plant	2,626,514	2,626,514	2,346,794	279,720
Pupil Transportation	1,277,921	1,277,921	1,205,967	71,954
Central	72,913	72,913	71,813	1,100
Non-Instructional Services	3,640	3,640	0	3,640
Extracurricular Activities	306,226	306,226	299,984	6,242
<i>Total Disbursements</i>	<u>22,689,898</u>	<u>22,689,898</u>	<u>21,543,430</u>	<u>1,146,468</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(1,944,637)</u>	<u>(1,307,132)</u>	<u>(160,664)</u>	<u>1,146,468</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	2,000	5,798	5,798	0
Refund of Prior Year Expenditures	5,000	23,619	23,619	0
Refund of Prior Year Receipts	(6,560)	(6,560)	(6,560)	0
Other Financing Uses	(917,413)	(917,413)	0	917,413
Advances In	50,000	53,448	53,448	0
Advances Out	(68,800)	(68,800)	(68,371)	429
Transfers Out	(182,389)	(182,389)	(103,300)	79,089
<i>Total Other Financing Sources (Uses)</i>	<u>(1,118,162)</u>	<u>(1,092,297)</u>	<u>(95,366)</u>	<u>996,931</u>
<i>Net Change in Fund Balance</i>	<u>(3,062,799)</u>	<u>(2,399,429)</u>	<u>(256,030)</u>	<u>2,143,399</u>
<i>Fund Balance Beginning of Year</i>	<u>2,718,717</u>	<u>2,718,717</u>	<u>2,718,717</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>376,747</u>	<u>376,747</u>	<u>376,747</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$32,665</u>	<u>\$696,035</u>	<u>\$2,839,434</u>	<u>\$2,143,399</u>

See accompanying notes to the basic financial statements

Marietta City School District, Ohio
Statement of Fund Net Assets - Cash Basis
Internal Service Fund
June 30, 2007

	Vision Insurance
Current Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$7,368</u>
Net Assets	
Unrestricted	<u>\$7,368</u>

See accompanying notes to the basic financial statements

Marietta City School District, Ohio
Statement of Cash Receipts, Cash
Disbursements and Changes in Fund Net Assets - Cash Basis
Internal Service Fund
For the Fiscal Year Ended June 30, 2007

	Vision Insurance
Operating Receipts	
Charges for Services	\$50,086
Operating Disbursements	
Purchased Services	4,314
Claims	46,404
Total Operating Expenses	50,718
Change in Net Assets	(632)
Net Assets Beginning of Year	8,000
Net Assets End of Year	\$7,368

See accompanying notes to the basic financial statements

Marietta City School District, Ohio
Statement of Fiduciary Net Assets - Cash Basis
Agency Funds
June 30, 2007

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$73,046</u>
Net Assets	
Restricted for Students	<u>\$73,046</u>

See accompanying notes to the basic financial statements

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's 6 instructional facilities staffed by 110 classified employees and 215 certified personnel, who provide services to 2,842 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Marietta City School District, this includes general operations, food service, and student-related activities. The following activities are also included within the reporting entity.

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

The School District participates in four jointly governed organizations and one insurance purchasing pool. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Washington County Career Center, the Coalition of Rural and Appalachian Schools, the South Eastern Ohio Special Education Regional Resource Center, and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 15 and 16 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

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

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

Bond Retirement Fund The Bond Retirement Fund accounts for the accumulation of resources for, and the payment of, principal and interest on long-term debt and related costs.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

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

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

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. Cash, Cash Equivalents, and Investments

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

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

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

During fiscal year 2007, 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, 2007.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2007 was \$211,783, including \$76,286 assigned from other School District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets include amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization, for the purchase of textbooks, unclaimed monies, and for the acquisition or construction of capital assets. Restricted assets also represent unexpended grants restricted for the purchase of buses. See Note 12 for additional information regarding set-asides.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-term Obligations

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

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide statement of net assets reports \$2,306,948 of restricted net assets, of which none is restricted by enabling legislation.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

N. Fund Balance Reserves

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, capital improvements, textbooks, budget stabilization, unclaimed monies, and school bus purchases. The reserve for budget stabilization represents money set-aside to protect against cyclical changes in receipts and disbursements.

O. Interfund Transactions

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

Note 3 - Budgetary Basis of Accounting

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

Net Change in Fund Balance

Cash Basis	\$134,349
Encumbrances	<u>(390,379)</u>
Budget Basis	<u><u>(\$256,030)</u></u>

Note 4 - Deposits and Investments

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

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

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

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

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

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

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$5,252,212 of the School District's bank balance of \$5,452,212 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirement could potentially subject the School District to a successful claim by the FDIC.

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

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Investments As of June 30, 2007, the School District had an investment in STAROhio. The carrying and fair value of this investment was \$2,750, with an average maturity of 38.56 days. This investment is in an internal investment pool.

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

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Note 5 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value listed as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Washington County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$387,971,600	88%	\$389,601,930	87%
Public Utility Personal	14,992,920	3%	14,307,120	3%
Tangible Personal Property	39,283,040	9%	43,287,190	10%
	<u>\$442,247,560</u>	<u>100%</u>	<u>\$447,196,240</u>	<u>100%</u>
 Tax Rate per \$1,000 of Assessed Valuation	 \$45.84		 \$45.84	

Note 6 - Interfund Balances

Unpaid interfund cash advances at June 30, 2007, were as follows:

	Receivables	Payables
General Fund	\$32,819	\$0
Nonmajor Special Revenue Funds:		
Public School Support	0	269
State Grants Fund	0	2,621
Federal Grants Fund	0	3,129
Total Special Revenue Funds	<u>0</u>	<u>6,019</u>
Permanent Improvement Capital Projects Fund	0	26,800
Total All Funds	<u>\$32,819</u>	<u>\$32,819</u>

Note 7 - 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 2007, the School District contracted with Utica National Insurance Group for general liability, vehicle, and property insurance. Coverage provided by the Utica National Insurance Group is as follows:

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Building and Contents-replacement cost (\$5,000 deductible)	\$51,427,000
Boiler and Machinery (\$5,000 deductible)	51,427,000
Inland Marine:	
Cameras and audio-visual equipment (\$250 deductible)	\$50,000
Signs (\$250 deductible)	30,000
Music Instruments and Band Uniforms (\$250 deductible)	500,000
Computers per Building (\$100 deductible)	
Hardware	75,000
Software	10,000
Extra Expense	10,000
Miscellaneous School Equipment and Property (\$250 deductible)	500,000
Valuable Papers & Records per Building (\$100 deductible)	100,000
Accounts Receivable (no deductible)	50,000
Crime (no deductible) -	
Public Employee Dishonesty	100,000
Money and Securities -	
Inside Premises - Per Occurrence	25,000
Outside Premises - Per Messenger	25,000
Forgery or Alteration	100,000
Automobile Liability (no deductible):	
Bodily Injury and Property Damage - combined single limit	1,000,000
Medical Payments - each person	5,000
Hired Auto Liability	1,000,000
Non-owned Auto Liability	1,000,000
Hired Car Physical Damage	50,000
General Liability (no deductible):	
Each Occurrence	1,000,000
Aggregate Limit	3,000,000
Medical Expense Limit - per person/accident	5,000
Employee Benefits Liability (\$1,000 deductible):	
Per Claim	1,000,000
Aggregate Limit	3,000,000
Educators Legal Liability (\$5,000 deductible):	
Per Claim	1,000,000
Aggregate Limit	3,000,000
Umbrella:	
Each Occurrence	2,000,000
Aggregate Limit	2,000,000
Retention	10,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2007.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

B. Workers' Compensation

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Benefits

Vision insurance is offered to employees through a self-insurance internal service fund. Monthly premiums for the cost of claims are remitted to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$5,408, which is based on an estimate provided by the third party administrator, includes unpaid claim costs and estimates of costs relating to incurred but not reported claims. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. A comparison of self-insurance fund cash and investments to the actuarially-measured liability as of June 30 follows:

	<u>Cash and Investments</u>	<u>Actuarial Liabilities</u>
2006	\$8,000	\$5,085
2007	7,368	5,408

Note 8 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$1,350,002, \$1,321,943, and \$1,299,893 respectively; 83.14 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$1,528 made by the School District and \$16,144 made by the plan members.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 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 2007, 10.68 percent of annual covered salary was the portion 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, 2007, 2006, and 2005, were \$323,608, \$304,143 and \$341,675 respectively; 43.87 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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 Retirement System. As of June 30, 2007, four members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages.

Note 9 - Postemployment Benefits

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$103,846 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 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. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$149,736.

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 projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 10 - Long-Term Debt

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

	Principal Outstanding 6/30/06	Additions	Reductions	Principal Outstanding 6/30/07	Amounts Due in One Year
Governmental Activities					
2002 School Improvement Refunding Bonds:					
Serial Bonds - 2%-2.75%	\$960,000	\$0	\$960,000	\$0	\$0
Capital Appreciation Bonds at Maturity - 3.91%	690,000	0	0	690,000	690,000
2003 Energy Conservation Improvement Bonds - 4.54%	690,000	0	40,000	650,000	50,000
Total General Obligation Bonds	<u>2,340,000</u>	<u>0</u>	<u>1,000,000</u>	<u>1,340,000</u>	<u>740,000</u>
2006 Energy Conservation Loan - 4.75%	732,555	542,445	70,000	1,205,000	73,000
2007 Capital Lease - 4.15%	0	106,000	0	106,000	34,000
Loan Payable - 0%	31,200	0	9,600	21,600	9,600
Total Governmental Activities Long-Term Obligations	<u>\$3,103,755</u>	<u>\$648,445</u>	<u>\$1,079,600</u>	<u>\$2,672,600</u>	<u>\$856,600</u>

On December 1, 2002, the School District issued \$4,690,000 in general obligation refunding bonds, with a discount of \$295,000, to retire \$4,395,000 of outstanding school improvement bonds. \$4,504,661 was paid to bondholders on January 2, 2003, to retire the 1993 school improvement bonds. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$109,661. The School District decreased its total debt service payments by \$251,650 as a result of the current refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$237,973.

The refunding bonds issue included serial and capital appreciation bonds in the amount of \$3,705,000 and \$690,000, respectively. The bonds are being retired from the Bond Retirement Debt Service Fund. The serial general obligation bonds were sold at a premium of \$35,767 with issuance costs associated with the refunding bonds at \$80,960. The refunding bonds are not subject to redemption prior to stated maturity.

The capital appreciation bonds were sold at a premium of \$154,854. The capital appreciation bonds will mature in fiscal year 2008. The maturity amount of the bonds is \$985,000. The refunding bonds are not subject to redemption prior to stated maturity.

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

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

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The School District obtained a \$48,000 interest free loan to purchase a point-of-sale system for the lunchroom. \$9,600 payments will be made yearly for five years.

During fiscal year 2007, the School District received \$106,000 in capital lease proceeds. The lease purchase was used to construct new bleachers in the high school gymnasium. The lease will be paid out of the Permanent Improvement Capital Projects Fund.

The overall debt margin of the School District as of June 30, 2007, was \$35,402,287, with an unvoted debt margin of \$401,025.

Principal and interest requirements to retire the debt outstanding at June 30, 2007, is as follows:

Fiscal Year Ending	Refunding Bonds		2003		2006	
	Capital Appreciation		Energy Conservation		Energy Conservation	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$690,000	\$295,000	\$50,000	\$28,375	\$73,000	57,237
2009	0	0	50,000	26,105	76,000	53,770
2010	0	0	50,000	23,835	79,000	50,160
2011	0	0	50,000	21,565	83,000	46,408
2012	0	0	60,000	19,068	84,000	42,465
2013-2017	0	0	315,000	54,142	435,000	151,525
2018-2021	0	0	75,000	1,702	375,000	45,078
	<u>\$690,000</u>	<u>\$295,000</u>	<u>\$650,000</u>	<u>\$174,792</u>	<u>\$1,205,000</u>	<u>\$446,643</u>

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

Note 11 – Capital Lease

In 2007, the School District entered into a capital lease purchase contract to finance the replacement of the high school gymnasium bleachers. The lease met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 “Accounting for Leases”, which defined a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Future minimum lease payments through 2010 are as follows:

Fiscal Year	Governmental Activities	
	Principal	Interest
2008	\$34,000	\$3,910
2009	36,000	2,988
2010	36,000	1,494
Total	<u>\$106,000</u>	<u>\$8,392</u>

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 12 - Set-Aside Calculations

State statute annually requires the School District to set aside in the general fund an amount based on a statutory formula to purchase textbooks and other instructional materials and an equal amount to acquire and construct capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward for the same uses in future years. In prior fiscal years, the School District was also required to set aside money for budget stabilization. At June 30, 2007, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

The following cash basis information describes the change in the year end set-aside amounts for textbooks and capital acquisition. State statute requires disclosing this information.

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2006	\$79,089	\$224,304	\$137,351
Current Year Set-aside Requirement	0	429,492	429,492
Qualifying Disbursements	0	(481,166)	(501,159)
Total	<u>\$79,089</u>	<u>\$172,630</u>	<u>\$65,684</u>
Set-aside Balance Carry Forward to Future Fiscal Years	<u>\$79,089</u>	<u>\$172,630</u>	<u>\$65,684</u>

Note 13 - Interfund Transfers

During the fiscal year, the General Fund transferred \$65,000 and \$38,300 to the Athletic and Music and State Grants Special Revenue Funds, respectively, to reduce deficit cash balances.

Note 14 - Contingencies

A. Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2007, will not have a material adverse effect on the School District.

B. Litigation

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

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 15 - Jointly Governed Organizations

A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 30 participants consisting of 26 school districts and 4 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. During fiscal year 2007, the School District paid \$66,791 to SEOVEC. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

B. Washington County Career Center

The Washington County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school districts' elected boards and one representative from the 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 Career Center, Janine Satterfield, Treasurer, at 21740 State Route 676, Marietta, Ohio 45750.

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers of 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 Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2007.

D. South Eastern Ohio Special Education Regional Resource Center (SEOSERRC)

SEOSERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. SEOSERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Ohio University, and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2007, the School District paid \$3,130 to SEOSERRC. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 16 - Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Program

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

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Food Donation	10.550	N/A	\$	\$ 21,676	\$	\$ 21,676
Nutrition Cluster:						
School Breakfast Program	10.553	05PU-2006 05PU-2007	43,847 <u>113,878</u>		43,847 <u>113,878</u>	
Total School Breakfast Program			<u>157,725</u>	<u>0</u>	<u>157,725</u>	<u>0</u>
National School Lunch Program	10.555	LLP4-2006 LLP4-2007	72,573 <u>204,980</u>		72,573 <u>204,980</u>	
Total National School Lunch Program			<u>277,553</u>	<u>0</u>	<u>277,553</u>	<u>0</u>
Special Milk Program for Children	10.556	02PU-2006 02PU-2007	601 <u>1,157</u>		601 <u>1,157</u>	
Total Special Milk Program for Children			<u>1,758</u>	<u>0</u>	<u>1,758</u>	<u>0</u>
Total Nutrition Cluster			<u>437,036</u>	<u>0</u>	<u>437,036</u>	<u>0</u>
Total United States Department of Agriculture			437,036	21,676	437,036	21,676
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Adult Education - State Grant Program	84.002	ABS1-2006 ABS1-2007	6,200 <u>66,532</u>		6,200 <u>66,532</u>	
Total Adult Education - State Grant Program			<u>72,732</u>	<u>0</u>	<u>72,732</u>	<u>0</u>
Title I Grants to Local Educational Agencies	84.010	C1S1-2006 C1S1-2007 C1SD-2006 C1SD-2007	79,772 686,751 3,234 <u>47,944</u>		111,844 611,559 5,373 <u>32,291</u>	
Total Title I Grants to Local Educational Agencies			<u>817,701</u>	<u>0</u>	<u>761,067</u>	<u>0</u>
Special Education - Grants to States	84.027	6BSD-2006 6BSF-2006 6BSF-2007	5,441 44,835 <u>692,573</u>		11,457 70,745 <u>595,901</u>	
Total Special Education - Grants to States			<u>742,849</u>	<u>0</u>	<u>678,103</u>	<u>0</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	DRS1-2006 DRS1-2007	2,277 <u>14,860</u>		3,206 <u>12,596</u>	
Total Safe and Drug-Free Schools and Communities - State Grants			<u>17,137</u>	<u>0</u>	<u>15,802</u>	<u>0</u>
Education for Homeless Children and Youth	84.196	HCS1-2006 HCS1-2007	5,420 <u>37,863</u>		22,235 <u>20,328</u>	
Total Education for Homeless Children and Youth			<u>43,283</u>	<u>0</u>	<u>42,563</u>	<u>0</u>
State Grants for Innovative Programs	84.298	C2S1-2006 C2S1-2007	(219) <u>5,333</u>		162 <u>4,389</u>	
Total State Grants for Innovative Programs			<u>5,114</u>	<u>0</u>	<u>4,551</u>	<u>0</u>
Education Technology State Grants	84.318	TJS1-2006 TJS1-2007	(668) <u>9,563</u>		0 <u>6,522</u>	
Total Education Technology State Grants			<u>8,895</u>	<u>0</u>	<u>6,522</u>	<u>0</u>
Improving Teacher Quality State Grants	84.367	TRS1-2006 TRS1-2007	19,071 <u>180,393</u>		30,846 <u>161,484</u>	
Total Improving Teacher Quality State Grants			<u>199,464</u>	<u>0</u>	<u>192,330</u>	<u>0</u>
Hurricane Education Recovery	84.938	HR01-2006	500		500	
<i>Passed through Washington County Department of Job and Family Services:</i>						
Early Reading First	84.359	N/A	<u>9,324</u>		<u>9,324</u>	
Total United States Department of Education			1,916,999	0	1,783,494	0

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through Washington County</i>						
<i>Department of Job and Family Services:</i>						
Temporary Assistance for Needy Families	93.558	N/A	10,016		10,016	
<i>Passed through Ohio Department of Mental</i>						
<i>Retardation and Development Disabilities</i>						
Medical Assistance Program (CAFS)	93.778	N/A	<u>1,543</u>			
Total United States Department of Health and Human Services			11,559	0	10,016	0
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
<i>Passed through Ohio Department of Education:</i>						
<i>Learn and Serve America - School</i>						
<i>and Community Based Programs</i>						
	94.004	SVS1-2006	3,209		871	
		SVS1-2007	<u>15,000</u>		<u>12,831</u>	
Total Learn and Serve America - School and Community Based Programs			<u>18,209</u>	<u>0</u>	<u>13,702</u>	<u>0</u>
Total Corporation for National and Community Service			<u>18,209</u>	<u>0</u>	<u>13,702</u>	<u>0</u>
UNITED STATES DEPARTMENT OF HOMELAND SECURITY						
<i>Passed through the Ohio Emergency Management Agency:</i>						
Disaster Grants - Public Assistance	97.036	N/A	<u>47,583</u>		<u>48,899</u>	
Total United States Department of Homeland Security			<u>47,583</u>	<u>0</u>	<u>48,899</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 2,431,386</u>	<u>\$ 21,676</u>	<u>\$ 2,293,147</u>	<u>\$ 21,676</u>

The 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 THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

NOTE D – TRANSFERS

During fiscal year 2007, the Ohio Department of Education (ODE) authorized the School District to carryover monies from the prior fiscal year to the current fiscal year. Authorized carryover monies are shown as a reduction of federal revenues in the program that the transfer was made from and increased federal revenue in the program that received the transfer or carryover. A detailed listing of the carryovers is as follows:

CFDA Number	Program Title	Pass-Through Entity Number	Transfers Out	Transfers In
84.010	Title I Grants to Local Educational Agencies	C1S1-2006	\$ 12,094	\$
84.010	Title I Grants to Local Educational Agencies	C1S1-2007		12,094
84.010	Title I Grants to Local Educational Agencies	C1SD-2006	550	
84.010	Title I Grants to Local Educational Agencies	C1SD-2007		550
84.027	Special Education - Grants to States	6BSF-2006	25,637	
84.027	Special Education - Grants to States	6BSF-2007		25,637
84.186	Safe and Drug-Free Schools and Communities	DRS1-2006	731	
84.186	Safe and Drug-Free Schools and Communities	DRS1-2007		731
84.298	State Grants for Innovated Programs	C2S1-2006	219	
84.298	State Grants for Innovated Programs	C2S1-2007		219
84.318	Education Technology State Grants	TJS1-2006	668	
84.318	Education Technology State Grants	TJS1-2007		668
84.367	Improving Teacher Quality State Grants	TRS1-2006	5,019	
84.367	Improving Teacher Quality State Grants	TRS1-2007		5,019
Total			<u>\$ 44,918</u>	<u>\$44,918</u>

NOTE E – CAFS PAYMENTS

During fiscal year 2007, the School District received a CAFS settlement payment in the amount of \$1,543. This amount relates to a settlement payment for CAFS services provided during prior years.

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marietta City School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 14, 2008, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted a certain matter that we reported to the School District's management in a separate letter dated January 14, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2007-001.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 14, 2008.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 14, 2008



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Marietta City School District, Washington County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the Marietta City School District, Washington County, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control over Compliance

The School District's management 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

January 14, 2008

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2007**

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

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

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

FINDING NUMBER 2007-001

Noncompliance Citation

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

Ohio Admin. Code Section 117-2-03(B) requires the School District to file its annual financial report pursuant to generally accepted accounting principles. However, the School District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

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

3. FINDINGS FOR FEDERAL AWARDS

None.

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315(b)
FOR THE YEAR ENDED JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	A material noncompliance citation was issued under Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for not reporting on a GAAP basis.	No	Not Corrected: This item is repeated in the current audit as Finding 2007-001.



Mary Taylor, CPA
Auditor of State

MARIETTA CITY SCHOOL DISTRICT

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 12, 2008**