



Dave Yost • Auditor of State

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Mariemont City School District
Hamilton County
6743 Chestnut Street
Cincinnati, Ohio 45227

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 Mariemont City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mariemont City School District, Hamilton County, Ohio, as of June 30, 2011, and the respective changes in financial position, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note U to the basic financial statements, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2012, on our consideration of the 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the

Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The schedule of federal awards receipts and expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards receipts and expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 28, 2012

MARIEMONT CITY SCHOOL DISTRICT, OHIO MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2011

(Unaudited)

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

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets decreased \$3.5 million, which represents a 23% decrease from 2010.
- General revenue accounted for \$23.9 million in revenue or 93.1% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1.8 million or 6.9% of total revenues of \$25.6 million.
- Total assets of governmental activities increased by \$29.3 million as taxes receivable increased by \$.36 million while cash increased by \$28.1 million. Capital assets, net of depreciation increased by \$.4 million.
- The District had \$29.1 million in expenses related to governmental activities; only \$1.8 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$23.9 million were not adequate to provide for these programs and the District had to expend cash reserves to fund the difference.
- All governmental funds had total revenues of \$25.6 million. All governmental funds had total expenditures of \$30.4 million. The net change in fund balance for the year was a decrease of \$4.8 million before other financing sources/uses.

Overview of the Financial Statements

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 District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's

**MARIEMONT CITY SCHOOL DISTRICT, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS – (continued)
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

most significant funds with all other nonmajor funds presented in total in one column. The General Fund, Bond Retirement, and the Building Fund are the major funds of the District.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2011?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include *all assets and liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the 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 and the Statement of Activities, the District has one distinct kind of activity. Governmental Activities – The District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

Governmental Funds Most of the 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 year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government 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 relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS – (continued)
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2011 compared to 2010:

Table 1
Net Assets

	Governmental Activities	
	2010	2011
Assets		
Current and other	\$29,806,518	\$58,705,224
Capital assets	11,682,978	12,093,619
Total Assets	41,489,496	70,798,843
Liabilities		
Long-term liabilities	8,553,338	48,691,510
Other Liabilities	18,468,792	11,147,232
Total Liabilities	27,022,130	59,838,742
Net Assets		
Invested in capital assets, net of debt	3,876,380	4,863,871
Restricted	1,362,445	35,803,989
Unrestricted	9,228,541	(29,707,759)
Total Net Assets	\$14,467,366	\$10,960,101

Total assets increased \$29.3 million. Equity in pooled cash and cash equivalents increased \$28.1 million primarily due to cash balances related to the bond issuance. Taxes receivable decreased \$.36 million. Other Liabilities decreased \$7.3 million primarily due to the retirement of short term note obligations. The increase in Long-term liabilities and subsequent decrease in unrestricted net assets are primarily related to the \$39.8 million in bonds issuance during the fiscal year. Total liabilities increased \$32.8 million, resulting in a net asset decrease of \$3.5 million.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS – (continued)
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

Table 2 shows the change in net assets from fiscal year 2010 to 2011

Table 2
Changes in Net Assets

	Governmental Activities 2010	Governmental Activities 2011
Revenues		
Program Revenues:		
Charges for services & sales	\$755,452	\$735,301
Operating grants	984,992	1,029,372
Capital grants	0	0
General Revenues:		
Property taxes	14,585,870	17,046,915
Grants and entitlements	7,239,626	6,518,208
Earnings on investments	48,930	166,982
Other revenues	5,070	149,434
Total Revenues	23,619,940	25,646,212
Program expenses:		
Instruction	11,772,329	12,633,139
Support services:		
Pupil and instructional staff	2,871,491	2,799,060
Administration	2,304,332	2,209,127
Operations & maintenance	2,790,445	8,510,404
Pupil transportation	762,491	473,955
Central	195,018	329,337
Non-instructional services	227,276	211,067
Extracurricular activities	585,884	729,895
Interest and fiscal charges	328,324	1,257,493
Total Expenses	21,837,590	29,153,477
Increase (Decrease) in Net Assets	\$1,782,350	(\$3,507,265)

Governmental Activities

The District revenues are mainly from two sources. Property taxes and grants and entitlements comprised ninety-six percent (96%) of the District's revenues for governmental activities. Property tax revenue increased \$2.5 million due to the timing of the receipt of property tax advances from the County Auditor. Operations and maintenance expenses increased \$5 million primarily due to the demolition of three buildings and the costs involved in the subsequent preparation and moving costs associated with the relocation of students. Interest and fiscal charges increased by \$.9 Million due to the costs associated with the short-term note payable, which was retired during the year, as well as the costs associated with the \$39.8 bond issuance.

MARIEMONT CITY SCHOOL DISTRICT, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS – (continued)
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The District depends greatly on property tax as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up sixty-six percent (66%) of revenue for governmental activities for the District in fiscal year 2011.

Instruction comprises forty-three percent (43%) of governmental program expenses. All other expenses were fifty-seven percent (57%) of governmental program expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Changes in Net Assets

	Total Cost of Services		Net Cost of Services	
	2010	2011	2010	2011
Instruction	11,772,329	12,633,139	\$11,065,869	\$11,834,318
Support services:				
Pupil and instructional staff	2,871,491	2,799,060	2,476,319	2,575,549
Administration	2,304,332	2,209,127	2,304,332	2,209,127
Operations & maintenance	2,790,445	8,510,404	2,748,537	8,486,437
Pupil transportation	762,491	473,955	571,791	243,054
Central	195,018	329,337	195,018	329,337
Non-instructional services	227,276	211,067	36,004	18,174
Extracurricular activities	585,884	729,895	370,952	435,315
Interest and fiscal charges	328,324	1,257,493	328,324	1,257,493
Total Expenses	\$21,837,590	\$29,153,477	\$20,097,146	\$27,388,804

MARIEMONT CITY SCHOOL DISTRICT, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS – (continued)
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The District's Funds

These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$25.6 million and expenditures of \$30.4 million. The net change in fund balance for the year was a decrease of \$4.8 million.

The District's major funds are the General Fund, the Bond Retirement Fund, and the Building Fund. The General Fund had \$22 million in revenues and \$19.9 million in expenditures. The General Fund's balance at year end was \$10.7 million, an increase over the previous year by 17.2%. The Bond Retirement Fund received \$1.6 million in taxes in 2011 and had debt payment requirements of \$1.8 million; the cash reserves were adequate to fund the difference.

In August of 2010, the District passed a \$39.8 million bond issue. The Bond Issue will finance new construction and renovations for three school facilities and sites. The 5.28 mill bond issue (collected at a net increase 3.6 mills bond rate) will finance the entire \$39,800,000 Board-approved Facilities Master Plan. This issuance will enable the district to take advantage of historically low interest rates and construction costs, to attract lower bids with a multiple-project site and to pursue limited-time state and federal financing programs that will significantly lower the district's borrowing costs. The Building Fund was established in June of 2010 with the deposit of \$6 million in bond anticipation notes. Those notes were retired in 2011 with the issuance of \$39,800,000 in bonds.

General Fund Budgeting Highlights

The 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 fiscal 2011, the District amended its general fund budget twice, however neither was significant. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$20.9 million, slightly above original budget estimates of \$20.8 million. Of this \$.1 million difference, most was due to an increase in the amount of taxes.

The District's ending unobligated cash balance was \$1.5 million above the original budget amount.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS – (continued)
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

**Capital Assets and Debt Administration
Capital Assets**

At the end of fiscal 2011, the District had \$12.1 million invested in land, buildings, equipment and vehicles. Table 4 shows fiscal 2011 balances compared to fiscal 2010:

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2010	2011
Land	\$927,079	\$1,110,469
Buildings & Improvements	9,840,973	10,065,039
Equipment	873,146	866,654
Vehicles	41,780	51,457
Total Net Assets	<u>\$11,682,978</u>	<u>\$12,093,619</u>

The increase in capital assets is due to \$1,548,726 in acquisitions, offset by the recognition of \$508,862 in depreciation expense. During the 2011 year, the District disposed of \$1,325,062 mostly fully depreciated capital assets. This District continues its ongoing commitment to maintaining and improving its capital assets. For additional information on capital assets see Note G of the Notes to Basic Financial Statements.

Debt

At June 30, 2011, the District had \$45,318,644 in bonds outstanding, \$364,478 due within one year. Table 5 summarizes notes outstanding.

Table 5
Outstanding Debt, at June 30

	Governmental Activities	
	2010	2011
General Obligation Bonds:		
Permanent Improvement	<u>\$5,928,644</u>	<u>\$45,318,644</u>
Total General Obligation Bonds	<u>\$5,928,644</u>	<u>\$45,318,644</u>

**MARIEMONT CITY SCHOOL DISTRICT, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS – (continued)
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

The Bonded Debt was issued based upon two ballot issues. In 2000, the District passed a 2.23 mill bond levy, providing \$8.016 million for a building and other various capital improvements. In 2011, the District passed a \$39.8 million bond issue also to fund capital improvements.

At June 30, 2011 the District's overall legal debt margin was \$32,057,076 with an unvoted debt margin of \$356,190.

For additional information on long-term debt see Notes I and J of the Notes to Basic Financial Statements.

For the Future

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not "equitable" nor "adequate".

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Natalie Lucas, Treasurer at Mariemont City School District, 6743 Chestnut Street, Mariemont, OH 45227 or e-mail her at NLucas@MariemontSchools.org.

MARIEMONT CITY SCHOOL DISTRICT, OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>
ASSETS:	
Equity in pooled cash and investments	\$41,488,516
Receivables:	
Taxes	16,698,577
Accounts	24,058
Materials and supplies inventory	6,233
Deferred charges	487,840
Nondepreciable capital assets	1,110,469
Depreciable capital assets, net	<u>10,983,150</u>
TOTAL ASSETS	<u><u>\$70,798,843</u></u>
LIABILITIES:	
Accounts payable	\$83,334
Accrued wages and benefits	1,849,200
Unearned revenue	8,799,936
Intergovernmental payable	315,641
Accrued interest payable	99,121
Long-term liabilities	
Due within one year	661,161
Due within more than one year	<u>48,030,349</u>
TOTAL LIABILITIES	<u>59,838,742</u>
NET ASSETS:	
Invested in capital assets, net of related debt	4,863,871
Restricted for:	
Budget stabilization	140,000
Capital Outlay	33,856,540
Debt Service	1,807,449
Unrestricted	<u>(29,707,759)</u>
TOTAL NET ASSETS	<u><u>\$10,960,101</u></u>

See accompanying notes.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
					<u>Governmental Activities</u>
Governmental activities:					
Instruction:					
Regular	\$10,148,774	\$249,019	\$35,377	\$0	(\$9,864,378)
Special	2,374,400	32,334	471,357	0	(1,870,709)
Adult	2,316	3,592	0	0	1,276
Other	107,649	0	7,142	0	(100,507)
Support services:					
Pupil	1,483,034	0	160,656	0	(1,322,378)
Instructional staff	1,316,026	0	62,855	0	(1,253,171)
General administration	14,042	0	0	0	(14,042)
School administration	1,625,737	0	0	0	(1,625,737)
Fiscal	507,237	0	0	0	(507,237)
Business	62,111	0	0	0	(62,111)
Operations & maintenance	8,510,404	23,967	0	0	(8,486,437)
Pupil transportation	473,955	0	230,901	0	(243,054)
Central	329,337	0	0	0	(329,337)
Non-instructional services	211,067	131,809	61,084	0	(18,174)
Extracurricular activities	729,895	294,580	0	0	(435,315)
Debt service:					
Interest and fiscal charges	1,257,493	0	0	0	(1,257,493)
Total governmental activities	<u>\$29,153,477</u>	<u>\$735,301</u>	<u>\$1,029,372</u>	<u>\$0</u>	<u>(\$27,388,804)</u>

General revenues:

Property taxes levied for:	
General purposes	15,589,231
Debt Service	1,457,684
Grants and Entitlements not Restricted to Specific Programs	6,518,208
Earnings on Investments	166,982
Other revenues	149,434
Total general revenues	<u>23,881,539</u>
Change in net assets	<u>(3,507,265)</u>
Net assets beginning of year	<u>14,467,366</u>
Net assets end of year	<u>\$10,960,101</u>

See accompanying notes.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General Fund	Bond Retirement Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Equity in pooled cash and investments	\$6,608,491	\$665,182	\$33,553,949	\$520,894	\$41,348,516
Restricted cash	140,000	0	0	0	140,000
Receivables:					
Taxes	14,987,459	1,711,118	0	0	16,698,577
Accounts	8,386	33	3,654	11,985	24,058
Inventory	0	0	0	6,233	6,233
TOTAL ASSETS	<u>\$21,744,336</u>	<u>\$2,376,333</u>	<u>\$33,557,603</u>	<u>\$539,112</u>	<u>\$58,217,384</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts payable	\$72,483	\$0	\$0	\$10,851	\$83,334
Accrued wages and benefits	1,849,200	0	0	0	1,849,200
Deferred revenue	8,631,159	1,003,118	0	0	9,634,277
Intergovernmental payable	315,641	0	0	0	315,641
Compensated absences payable	164,672	0	0	0	164,672
Total liabilities	<u>11,033,155</u>	<u>1,003,118</u>	<u>0</u>	<u>10,851</u>	<u>12,047,124</u>
Fund Balances					
Nonspendable	0	0	0	6,233	6,233
Restricted	140,000	1,373,215	30,248,710	330,938	32,092,863
Committed	33,771	0	3,308,893	191,090	3,533,754
Unassigned	10,537,410	0	0	0	10,537,410
Total fund balances	<u>10,711,181</u>	<u>1,373,215</u>	<u>33,557,603</u>	<u>528,261</u>	<u>46,170,260</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$21,744,336</u>	<u>\$2,376,333</u>	<u>\$33,557,603</u>	<u>\$539,112</u>	<u>\$58,217,384</u>

See accompanying notes.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011**

Total Governmental Fund Balances \$46,170,260

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Land	1,110,469	
Buildings and improvements	15,860,969	
Furniture and equipment	5,193,717	
Vehicles	461,854	
Accumulated depreciation	<u>(10,533,390)</u>	
Total Capital Assets		12,093,619

Other long-term assets that are not available to pay for current period expenditures and therefore are deferred in the funds.

Taxes - delinquent receivables	834,341	
Total		834,341

In the statement of net assets, interest is accrued, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources. (99,121)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	45,318,644	
Less issuance costs	(487,840)	
Unamortized premium on bonds	117,984	
Capital lease payable	1,711,104	
Compensated absences	<u>1,379,106</u>	
Total		<u>(48,038,998)</u>

Net Assets of Governmental Activities \$10,960,101

See accompanying notes.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General Fund	Bond Retirement Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes	\$15,363,019	\$1,638,000	\$0	\$0	\$17,001,019
Tuition and fees	284,954	0	0	0	284,954
Charges for services	4,164	0	0	131,809	135,973
Earnings on investments	46,294	342	120,346	0	166,982
Extracurricular activities	46,547	0	0	252,714	299,261
Other local revenues	66,918	0	49,934	26,987	143,839
Intergovernmental	6,374,506	143,702	0	1,029,372	7,547,580
Total revenues	22,186,402	1,782,044	170,280	1,440,882	25,579,608
Expenditures:					
Current:					
Instruction:					
Regular	9,484,396	0	0	51,656	9,536,052
Special	1,782,447	0	0	509,599	2,292,046
Adult	2,316	0	0	0	2,316
Other	100,263	0	0	7,386	107,649
Support services:					
Pupil	1,293,242	0	0	173,064	1,466,306
Instructional staff	1,192,857	0	0	61,670	1,254,527
General administration	13,969	0	0	0	13,969
School administration	1,621,701	2,670	6,531	0	1,630,902
Fiscal	494,902	13,643	0	0	508,545
Business	60,871	0	0	0	60,871
Operations & maintenance	2,013,151	0	13,930	0	2,027,081
Pupil transportation	571,506	0	0	260,079	831,585
Central	329,337	0	0	0	329,337
Non-instructional services	0	0	0	206,376	206,376
Extracurricular activities	463,720	0	0	217,451	681,171
Capital Outlay	357,274	0	6,392,216	506,862	7,256,352
Debt service:					
Principal retirement	166,850	410,000	0	0	576,850
Interest and fiscal charges	88,758	1,433,673	88,000	0	1,610,431
Total expenditures	20,037,560	1,859,986	6,500,677	1,994,143	30,392,366
Excess (deficiency) of revenues over (under) expenditures	2,148,842	(77,942)	(6,330,397)	(553,261)	(4,812,758)
Other financing sources (uses):					
Proceeds of Bonds	0	0	39,800,000	0	39,800,000
Premium on Bonds Issued	0	706,117	0	0	706,117
Transfers in	0	0	90,000	308,000	398,000
Transfers out	(308,000)	(90,000)	0	0	(398,000)
Total other financing sources (uses)	(308,000)	616,117	39,890,000	308,000	40,506,117
Net change in fund balances	1,840,842	538,175	33,559,603	(245,261)	35,693,359
Fund balance, July 1, restated	8,870,339	835,040	(2,000)	773,522	10,476,901
Fund balance, June 30	<u>\$10,711,181</u>	<u>\$1,373,215</u>	<u>\$33,557,603</u>	<u>\$528,261</u>	<u>\$46,170,260</u>

See accompanying notes.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Net Change in fund Balance - Total Governmental Funds \$35,693,359

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital asset additions, net	223,664	
Accumulated Depreciation, net	186,977	
Total Capital Assets	410,641	410,641

Other long-term assets that are not available to pay for current period expenditures and therefore are deferred in the funds. 41,538

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Bond principal	410,000	
Lease principal	166,850	
Total	576,850	576,850

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets. (39,800,000)

Governmental funds report the effect of issuance costs, premiums and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (312,903)

In the statement of activities, interest is accrued, whereas in the governmental funds, and interest expenditure is reported when due. (15,210)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (101,540)

Change in net assets of governmental activities (\$3,507,265)

See accompanying notes.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET-ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2011**

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:				
From local sources:				
Taxes	\$13,939,760	\$14,306,019	\$14,306,019	\$0
Tuition	100,000	100,000	104,205	4,205
Earnings on investments	50,000	50,000	45,836	(4,164)
Other local revenues	150,000	145,684	98,928	(46,756)
Intergovernmental - state and local	6,569,032	6,348,432	6,374,506	26,074
Total revenues	<u>20,808,792</u>	<u>20,950,135</u>	<u>20,929,494</u>	<u>(20,641)</u>
Expenditures:				
Current:				
Instruction:				
Regular	9,986,606	9,951,088	9,282,619	668,469
Special	1,767,215	1,664,215	1,812,275	(148,060)
Other	135,000	135,000	100,263	34,737
Support services:				
Pupil	1,466,780	1,466,780	1,290,920	175,860
Instructional staff	1,309,710	1,191,130	1,243,734	(52,604)
General administration	14,300	14,300	17,056	(2,756)
School administration	1,794,160	1,917,160	1,691,077	226,083
Fiscal	584,885	584,885	504,477	80,408
Business	105,570	43,570	60,778	(17,208)
Operations and maintenance	2,180,255	2,180,255	2,071,461	108,794
Pupil transportation	661,725	661,725	571,323	90,402
Central	255,800	330,800	317,340	13,460
Extracurricular activities	528,200	528,200	463,532	64,668
Capital Outlay	303,800	365,800	357,274	8,526
Debt Service:				
Principal	140,000	140,000	93,840	46,160
Interest	36,500	36,500	82,029	(45,529)
Total expenditures	<u>21,270,506</u>	<u>21,211,408</u>	<u>19,959,998</u>	<u>1,251,410</u>
Excess (deficiency) of revenues over (under) expenditures	(461,714)	(261,273)	969,496	1,230,769
Other financing sources (uses):				
Proceeds from sale of capital assets	0	0	20,320	20,320
Operating transfers in	0	600,000	600,000	0
Operating transfers (out)	50,000	50,000	(908,000)	(958,000)
Refund of prior year expenditures	0	0	325	325
Total other financing sources (uses)	50,000	650,000	(287,355)	(937,355)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(411,714)	388,727	682,141	293,414
Fund balance, July 1	5,745,902	5,745,902	5,745,902	0
Prior year encumbrances appropriated	139,037	139,037	139,037	0
Fund balance, June 30	<u>\$5,473,225</u>	<u>\$6,273,666</u>	<u>\$6,567,080</u>	<u>\$293,414</u>

**MARIEMONT CITY SCHOOL DISTRICT, OHIO
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2011**

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
ASSETS:		
Equity in pooled cash and investments	<u>\$85,341</u>	<u>\$39,169</u>
LIABILITIES:		
Due to others		<u>\$39,169</u>
NET ASSETS:		
Held in trust for Scholarships	<u>85,341</u>	
TOTAL NET ASSETS	<u><u>\$85,341</u></u>	

See accompanying notes.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
ADDITIONS:	
Interest	<u>\$340</u>
DEDUCTIONS:	
Award	<u>1,781</u>
Change in net assets	(1,441)
Net assets beginning of year	<u>86,782</u>
Net assets end of year	<u><u>\$85,341</u></u>

See accompanying notes.

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**MARIEMONT CITY SCHOOL DISTRICT, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

NOTE A--DESCRIPTION OF THE DISTRICT

The District was chartered by the Ohio State Legislature. In 1853 state laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 55 non-certificated personnel and 128 certificated full time teaching and administrative personnel to provide services to students and other community members. The District is the 16th largest in Hamilton County (among 22 Districts) in terms of enrollment. It currently operates 2 elementary schools, 1 junior high school (grades 7-8), and 1 high school (grades 9-12).

THE REPORTING ENTITY

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the District. This includes general operations, food service, preschool and student related activities of the District.

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

The District is associated with two organizations that are defined as jointly governed organizations. These organizations are H/CCA and Great Oaks Institute of Technology and Career Development and are presented in Note P to the Purpose Financial Statements.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

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 statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

MARIEMONT CITY SCHOOL DISTRICT, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

FUND ACCOUNTING

The 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 District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

Bond Retirement Fund The bond retirement fund is used for the accumulation of resources for and the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

Building Fund The building fund is used to account for receipts and expenditures related to the construction of school facilities.

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

Fiduciary Funds report on net assets and changes in net assets. The District's fiduciary funds consist of a private-purpose trust fund and agency funds. The District's private-purpose trust fund accounts for scholarship programs for students from Fairfax Elementary. These assets are not available for the District's use. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District accounts for student activities in its agency funds.

MARIEMONT CITY SCHOOL DISTRICT, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

BUDGETARY DATA

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when encumbered, or paid in cash (budgetary), as opposed to when susceptible to accrual (GAAP).

The actual results of operations, compared to the budget, which includes amendments, for the General Fund by expenditure function and revenue by source are presented in the *Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual (Non-GAAP Budgetary Basis)*. The reserve

MARIEMONT CITY SCHOOL DISTRICT, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

for encumbrances is carried forward as part of the budgetary authority for the next year and is included in the revised budget amounts shown in the budget to actual comparisons.

The District adopts an annual budget for all governmental fund types. The specific timetable is as follows:

Prior to January 15 of the preceding fiscal year, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the board-adopted budget is filed with the Hamilton County Budget Commission for tax rate determination.

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

By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, level of expenditures, which are the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized appropriation. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2011 and none were significant. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated.

ENCUMBRANCES

Encumbrance accounting is utilized by District Funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, level. For governmental fund types encumbrances outstanding at fiscal year end appear as a reserve of the fund balance on a GAAP basis and for all budgeted funds as the equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note N provides a reconciliation of the budgetary basis and GAAP basis of accounting.

CASH AND INVESTMENTS

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. During fiscal year 2011, \$46,294 of interest revenue was credited to the general fund, \$342 was credited to the bond retirement fund and \$120,346 was credited to the building fund.

MARIEMONT CITY SCHOOL DISTRICT, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. (If a quoted market price is not available, the methods and significant assumptions used to estimate the fair value of investments must be disclosed.) Non-participating investment contracts such as repurchase agreements and non-negotiable certificates of deposit are reported at cost.

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

RESTRICTED ASSETS

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve as required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2010	\$ 0	\$ 0	\$ 140,000
Current Year Set-aside Requirement	249,390	249,390	0
Additional Qualifying Disbursements	<u>(778,129)</u>	<u>(7,872,145)</u>	<u>140,000</u>
Total	<u>\$(528,739)</u>	<u>\$(7,622,755)</u>	<u>\$ 140,000</u>
Set-aside Cash Balance as of June 30, 2011	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 140,000</u>

INVENTORY (MATERIALS AND SUPPLIES)

Inventory is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory consists of donated food, purchased food, and school supplies held for resale and are expensed when used.

CAPITAL ASSETS

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements but are not reported in the governmental fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	10-40 years
Furniture and Equipment	5-15 years
Vehicles	10 years

**MARIEMONT CITY SCHOOL DISTRICT, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

COMPENSATED ABSENCES

GASB Statement No. 16 specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment.

The District's policies regarding compensated absences are determined by state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>VACATION</u>	<u>Certified</u>	<u>Administrators and Exempt</u>	<u>Non-Certificated</u>
How earned	Not Eligible	25 days	10-20 days for each service year depending on length of service.
Maximum Accumulation	Not Applicable	25 days	20 days
Vested	Not Applicable	25 days	20 days
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
 <u>SICK LEAVE</u>			
How earned	1 ¼ days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	230	Contract days	230
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that has matured, for example, as a result of employee resignations and retirements.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the fiscal year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as

MARIEMONT CITY SCHOOL DISTRICT, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

ESTIMATES

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

FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

Restricted Fund Balance - is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

NOTE C—FUND BALANCE / NET ASSET DEFICIT

The Districts Title I Fund has a deficit fund balance of \$904, due to the timing of federal receipts in this reimbursement type grant.

MARIEMONT CITY SCHOOL DISTRICT, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

NOTE D—EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments".

State Statute requires the classification of monies held by the District into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposits-accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies that 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 pass book accounts.

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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 District, and must be purchased with the expectation that it will be held to

MARIEMONT CITY SCHOOL DISTRICT, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures"

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year-end, \$4,197,397 of the District's bank balance of \$4,447,397 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Investments

The District's investments at June 30, 2011 are as summarized as follows:

	<u>Fair Value</u>	<u>Average Maturity Years</u>
FHLB	\$20,504,847	1.98
Certificates of Deposit	10,034,083	1.09
Star Ohio	3,707,430	n/a
US Money Market Funds	3,107,017	n/a
	<u>\$37,353,377</u>	

Credit Risk

It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations. The District's investments in Federal Home Loan Bank (FHLB) securities were rated AAA by Standard & Poor's and Aaa by Moody's. The District's investments in the U.S. Money Market Funds were rated AAA by Standard & Poor's. Investments in STAR Ohio were rated AAAM by Standard & Poor's.

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District is required to disclose the amount of investments with any one issuer that represent five percent or more of total investments. Investments issued by the U.S. government,

MARIEMONT CITY SCHOOL DISTRICT, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

investments, and investments in external investment pools are excluded from this requirement. The District's investments in FHLB securities represent 55% of total investments.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment securities are registered in the name of the District.

Interest Rate Risk

In accordance with the investment policy, the District manages its exposure to declines in fair value by limiting the maximum maturity of investments in its portfolio to five years.

NOTE E--PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 2011 were based are as follows:

Tangible personal property	\$ 8,381,960
Real estate	<u>347,807,770</u>
Total assessed property value	<u>\$356,189,730</u>

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at twenty-five percent of true value (as defined). In 2011, each business was eligible to receive a \$10,000 exemption in assessed value, which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2011, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due June 20th.

The County Auditor remits portions of the taxes collected to all taxing Districts with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes that are measurable at June 30, 2011. Property tax advances available at year end and delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2011. All other tax receivables are recorded with an offset credit to deferred revenue, because although measurable, they are intended to finance the next fiscal year's operations.

NOTE F--RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts receivable, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose of the nonpayment of taxes, the stable condition of State Programs, and the current year guarantee of Federal Funds.

MARIEMONT CITY SCHOOL DISTRICT, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

NOTE G—CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	Ending <u>Balance</u>
Government Activities				
<i>Capital assets not being depreciated:</i>				
Land	\$927,079	\$183,390	\$0	\$1,110,469
<i>Capital Assets being depreciated:</i>				
Buildings & Improvements	15,844,387	1,103,581	1,086,999	15,860,969
Equipment	5,197,325	234,455	238,063	5,193,717
Vehicles	<u>434,554</u>	<u>27,300</u>	<u>0</u>	<u>461,854</u>
Total Historical Cost	<u>\$22,403,345</u>	<u>\$1,548,726</u>	<u>\$1,325,062</u>	<u>\$22,627,009</u>
Less Accumulated Depreciation:				
Buildings & Improvements	6,003,414	262,000	469,484	5,795,930
Equipment	4,324,179	229,239	226,355	4,327,063
Vehicles	<u>392,774</u>	<u>17,623</u>	<u>0</u>	<u>410,397</u>
Total Accumulated Depreciation	<u>\$10,720,367</u>	<u>\$508,862</u>	<u>\$695,839</u>	<u>\$10,533,390</u>
Governemental Activities Capital Assets, Net	<u>\$11,682,978</u>	<u>\$1,039,864</u>	<u>\$629,223</u>	<u>\$12,093,619</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$185,164
Special	811
Support Services:	
Pupils	329
Instructional Staff	83,309
General Administration	73
School Administration	7,287
Business	1,240
Operations and Maintenance	179,234
Pupil Transportation	7,438
Operation of Non-Instructional Services:	4,691
Extracurricular Activities:	<u>39,286</u>
Total Depreciation Expense	<u>\$508,862</u>

NOTE H--CAPITALIZED LEASES - LESSEE

In prior years, the District has entered into capitalized leases for the acquisition of phone, office, musical and energy conservation equipment and building improvements. The terms of each equipment lease agreement provide options to purchase the equipment. The cost of equipment under capital lease at June 30, 2011 is \$985,668. The cost of building improvements under capital lease at June 30, 2011 is \$1,078,600. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee at the conclusion of the lease

MARIEMONT CITY SCHOOL DISTRICT, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

term. Capital lease payments have been reclassified and are reflected as debt service in the basic financial statements for the governmental funds.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2011.

Year Ending <u>June 30</u>	<u>Amount</u>
2012	\$203,990
2013	181,601
2014	174,692
2015	174,847
2016	173,926
2017-2021	871,516
2022-2025	447,357
	<u>\$2,227,929</u>
Less: Amounts representing Interest	<u>516,823</u>
Present Value of Minimum Lease Payments	<u>\$1,711,106</u>

NOTE I-- LONG-TERM LIABILITIES

In 2011, the District issued \$39,800,000 of general obligation bonds. The purpose of the bonds was to provide general, ongoing permanent improvements consisting of building renovations, improvements and repair. The bond issue is a general obligation of the school district for which the full faith and credit of the school district is pledged for repayment.

In 2005, the District issued \$5,124,989 in general obligation refunding bonds to provide resources that were placed in an irrevocable trust for the purpose of providing resources for all future debt service payments of \$4,382,067 of general obligations bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets

In 2001, the District issued \$8,015,722 of general obligation bonds (which were partially refunded in 2005 as discussed above). The purpose of the bonds was to provide general, ongoing permanent improvements consisting of building renovations, improvements and repair. The bond issue is a general obligation of the school district for which the full faith and credit of the school district is pledged for repayment. The following is a description of the District's long term bonds outstanding as of June 30, 2011:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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Purpose	Balance July 1, 2010	Addition	Retirement	Balance June 30, 2011
Bonds:				
Permanent Improvement				
2011 Issue	\$0	\$39,800,000	\$0	\$39,800,000
Interest Rate	5.9%- 6.55%			
Issue Date	8/26/2010			
Maturity Date	12/01/2047			
2005 Issue	4,709,989	0	75,000	4,634,989
Interest Rate	5.69%			
Issue Date	4/01/2005			
Maturity Date	12/01/2025			
2001 Issue	1,218,655	0	335,000	883,655
Interest Rate	6.34%			
Issue Date	8/01/2001			
Maturity Date	12/01/2026			

The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

Year Ending June 30,	Principal	Interest	Total
2012	\$364,478	\$1,521,964	\$1,886,442
2013	476,755	1,514,213	1,990,968
2014	467,905	1,518,343	1,986,248
2015	459,518	1,521,599	1,981,117
2016	192,371	1,730,312	1,922,683
2017-2021	1,922,617	7,437,054	9,359,671
2022-2026	3,295,000	6,072,841	9,367,841
2027-2031	14,900,000	5,366,839	20,266,839
2032-2036	6,560,000	4,329,167	10,889,167
2037-2041	5,925,000	2,975,588	8,900,588
2042-2046	7,310,000	1,714,282	9,024,282
2047-2048	3,445,000	220,113	3,665,113
Total	<u>\$45,318,644</u>	<u>\$35,922,315</u>	<u>\$81,240,959</u>

MARIEMONT CITY SCHOOL DISTRICT, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

NOTE J--CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2011, the following changes occurred in long-term liabilities:

	June 30, 2010	Additions	Deductions	June 30, 2011	Amounts Due in One Year
Governmental Activities:					
Bonds Payable	\$5,928,644	\$39,800,000	(\$410,000)	\$45,318,644	\$364,478
Less deferred amounts:					
For issuance premiums	518,389	706,117	(23,681)	1,200,825	
On refunding	(1,100,363)		17,522	(1,082,841)	
Compensated Absences	1,328,714	1,379,106	(1,164,042)	1,543,778	164,672
Capital Leases	1,877,954		(166,850)	1,711,104	132,011
Total Governmental Activities					
Long-Term Liabilities	<u>\$8,553,338</u>	<u>\$41,885,223</u>	<u>(\$1,747,051)</u>	<u>\$48,691,510</u>	<u>\$661,161</u>

Bonds will be paid from the Bond Retirement fund and capital leases will be paid from the General Fund.

NOTE K--LEGAL DEBT MARGIN

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2011 are a voted debt margin of \$32,057,076 and an unvoted debt margin of \$356,190.

NOTE L-EMPLOYEE RETIREMENT SYSTEMS

STATE TEACHERS RETIREMENT SYSTEM

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

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 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% 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 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.

MARIEMONT CITY SCHOOL DISTRICT, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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A DB or Combined Plan member with five or more years credited service who becomes disabled 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.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,430,364 \$1,435,236, and \$1,400,970 respectively; 84 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009. With \$231,872 representing the unpaid contribution for fiscal year 2011, it is recorded as a liability within the respective funds.

SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District participates in the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 2011, 11.81 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$375,956 and \$363,208 and \$378,452, respectively. The District has contributed 87.6 percent for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009.

NOTE M—POSTEMPLOYMENT BENEFITS

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

STRS Ohio administers a pension plan that is comprised of : a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. The 14% employer contribution rate is the maximum rate established under Ohio law. For fiscal year 2011, STRS allocated

MARIEMONT CITY SCHOOL DISTRICT, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$102,169, \$121,143, and \$100,069 respectively.

In addition to a cost-sharing multiple-employer defined benefit pension plan, the SERS administers two post-employment benefit plans.

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as 353.10 per month depending on their income. SERS reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76%. Mariemont City School District contributions for the year ended June 30, 2011, 2010, and 2009 were \$2,857, \$2,760 and \$4,147, which equaled the required contributions for the year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2011, the health care allocation was .46%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect an aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. Mariemont City School District contributions for the years ended June 30, 2011, 2010, and 2009 were \$38,923, \$54,606, and \$122,793 respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, OH 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under forms and publications.

**MARIEMONT CITY SCHOOL DISTRICT, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

NOTE N--BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements to the budgetary basis follows:

	Net Change in Fund Balance General Fund
	General Fund
GAAP Basis	\$ 1,782,526
Revenue Accruals	(1,076,167)
Expenditure Accruals	(9,206)
Other Sources and Uses Accruals	20,645
Encumbrances	<u>(35,657)</u>
 Budgetary Basis	 <u>\$ 682,141</u>

NOTE O--CONTINGENT LIABILITIES

GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2011.

LITIGATION

Currently, no litigation is pending against the District.

NOTE P--JOINTLY GOVERNED ORGANIZATIONS

HAMILTON/CLERMONT COOPERATIVE ASSOCIATION

The Hamilton/Clermont Cooperative Association (H/CCA) is a governmental jointly governed organization among two county consortium of school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports H/CCA based upon a per pupil charge dependent upon the software package utilized. H/CCA is governed by a Board of Directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board.

GREAT OAKS INSTITUTE OF TECHNOLOGY AND CAREER DEVELOPMENT

The Great Oaks Institute of Technology and Career Development (Great Oaks), a jointly governed organization, 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 participating school district's elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of the member school districts, which includes the students of the District. The District has no ongoing financial interest in nor

MARIEMONT CITY SCHOOL DISTRICT, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

responsibility for Great Oaks. To obtain financial information, write to Great Oaks, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

GREATER CINCINNATI INSURANCE CONSORTIUM

For coverage related to certain benefits the District participates as a member of the Greater Cincinnati Insurance Consortium (GCIC), a shared risk pool, comprised of twelve Hamilton County School Districts and the Hamilton County Educational Service Center. Decisions concerning the operation of the consortium are made by a Board of Directors consisting of one representative selected from each participating member. Each member pays an administrative fee to the pool. Anthem Blue Cross Blue Shield provides claim review and processing.

NOTE Q--RISK MANAGEMENT

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability insurance. Vehicle policies include liability coverage for bodily injury and property damage. Payments have not exceeded this coverage in any of the past three years. There has been no significant decline in coverage from the prior year.

NOTE R - INTERFUND TRANSACTIONS

During the year ended June 30, 2011, the General Fund made transfers of \$308,000 to non-major governmental funds. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The Bond Retirement Fund made a transfer of \$90,000 to cover the interest cost of the Short-Term Obligation disclosed in Note S.

NOTE S - SHORT-TERM OBLIGATIONS

As of June 30, 2010, the District had \$6,000,000 in outstanding short-term bond anticipation notes with an interest rate of 1.5%. This note was retired in 2011 with the proceeds of issuance of \$39.8 million in long-term bonds. The activity was recorded in the Building Capital Projects Fund. The long-term bond proceeds are funding the construction of replacement school buildings.

NOTE T - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

MARIEMONT CITY SCHOOL DISTRICT, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

	General	Bond Retirement	Building	Non Major Governmental	Total
Fund Balance					
<i>Nonspendable</i>					
Inventory				\$6,233	\$6,233
<i>Restricted for</i>					
Budget Stabilization	140,000				140,000
Food Service Operations				6,941	6,941
Expendable Trust				91,909	91,909
Local Grants				21,955	21,955
District Managed Student Act.				79,086	79,086
State Grants				7,101	7,101
Federal Grants				2,209	2,209
Bond Retirement		1,373,215			1,373,215
Permanent Improvements				121,737	121,737
Building Funds			30,248,710	0	30,248,710
<i>Total Restricted</i>	140,000	1,373,215	30,248,710	330,938	32,092,863
<i>Committed</i>					
Encumbrances	33,771		3,308,893	191,090	3,533,754
<i>Assigned to</i>					
Other Purposes	0	0	0	0	0
<i>Unassigned</i>	10,537,410	0	0	0	10,537,410
Total	\$10,711,181	\$1,373,215	\$33,557,603	\$528,261	\$46,170,260

NOTE U – CHANGE IN ACCOUNTING PRINCIPLE

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

	General	Other Governmental Funds	Total Governmental Funds
Fund Balance at June 30, 2010	\$8,780,766	\$863,095	\$9,643,861
Change in fund structure	89,573	(89,573)	0
Restated Fund Balance at June 30, 2010	\$8,870,339	\$773,522	\$9,643,861

NOTE V - COMPLIANCE

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Building fund by \$3,308,390 for the year ended June 30, 2011.

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MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY

FEDERAL AWARD RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
National School Lunch Program	3L60	10.555	\$ 39,495	\$ 13,071	\$ 39,495	\$ 13,071
Total U.S. Department of Agriculture			39,495	13,071	39,495	13,071
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	3M20	84.027	306,672	-	306,672	-
ARRA - IDEA Part B	3DJ0	84.391	85,044	-	113,847	-
IDEA Preschool	3C50	84.173	3,800	-	3,800	-
ARRA - IDEA Preschool	3DL0	84.392	4,087	-	5,217	-
Total Special Education Cluster			399,603	-	429,536	-
Title I, Part A Cluster:						
Grants to Local Educational Agencies (ESEA Title I)	3M00	84.010	98,140	-	118,392	-
ARRA - ESEA Title IA	3DK0	84.389	15,629	-	21,814	-
Total Title I, Part A Cluster			113,769	-	140,206	-
Education Jobs	3ET0	84.410	161,599	-	161,599	-
Drug-Free Schools Grant	3D10	84.186	-	-	901	-
Title III Limited English Proficiency	3Y70	84.365	895	-	-	-
Improving Teacher Quality	3Y60	84.367	36,158	-	32,472	-
ARRA - State Fiscal Stabilization Fund	GRF	84.394	238,043	-	267,465	-
Technology Literacy Challenge Grant	3S20	84.318	403	-	720	-
<i>Passed through the Great Oaks Institute of Technology & Career Development</i>						
Carl Perkins/Vocational Education	N/A	84.048	3,717	-	3,939	-
Total U.S. Department of Education			954,187	-	1,036,838	-
Totals			\$ 993,682	\$ 13,071	\$ 1,076,333	\$ 13,071

The accompanying notes to this schedule are an integral part of this schedule.

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Mariemont City School District
Hamilton County
6743 Chestnut Street
Cincinnati, Ohio 45227

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 Mariemont City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 28, 2012, in which we noted the District implemented Government Accounting Standards Board Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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 District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

Mariemont City School District
Hamilton County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 28, 2012.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 28, 2012



Dave Yost • Auditor of State

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

Mariemont City School District
Hamilton County
6743 Chestnut Street
Cincinnati, Ohio 45227

To the Board of Education:

Compliance

We have audited the compliance of Mariemont City School District, Hamilton County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The 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 District's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

March 28, 2012

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster – CFDA # 84.027, 84.391, 84.173, and 84.392
<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

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

FINDING NUMBER 2011-01

NONCOMPLIANCE

Ohio Rev. Code, Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures plus encumbrances of \$9,721,570 exceeded appropriations of \$6,412,680 in the Building Fund at June 30, 2011 by \$3,308,890.

Failure to limit expenditures to appropriations may result in overspending and negative fund balances. We recommend that the District limit expenditures to the appropriated amount. The Treasurer should deny any payments until the Board has passed the necessary changes to the appropriation measure.

**FINDING NUMBER 2011-01
(Continued)**

Officials' Response:

The district did have the appropriate available funds in the Building Fund bank accounts to cover the \$3,308,890 encumbrance. A clerical oversight at the end of the year neglected to include encumbrances in the amended final appropriations for the Building Fund. These encumbrances were carried over into FY12 and the FY12 appropriations reflect these expenses. The district realizes the importance of limiting expenditures to the appropriated amount and always strives to meet the ORC.

3. FINDINGS FOR FEDERAL AWARDS

None.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Mariemont City School District
Hamilton County
6743 Chestnut Street
Cincinnati, Ohio 45227

To the Board of Directors:

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

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

1. In our report dated March 28, 2012, we noted the Board adopted an updated anti-harassment policy on January 11, 2011. This policy included all matters required by Ohio Rev. Code 3313.666.

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

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

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

Dave Yost
Auditor of State

March 28, 2012

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MARIEMONT CITY SCHOOL DISTRICT

HAMILTON 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
APRIL 12, 2012**