



**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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STATE OF OHIO  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Martins Ferry City School District  
Belmont County  
633 Hanover Street  
Martins Ferry, Ohio 43935

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Martins Ferry City School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2000, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Jim Petro**  
Auditor of State

November 30, 2000

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MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY

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

	Governmental Fund Types			Proprietary Fund Type
	General	Special Revenue	Capital Projects	Enterprise
<b>Assets and Other Debits</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	(\$96,686)	\$220,019	\$561,983	(\$10,469)
Receivables:				
Taxes	2,926,553		182,059	
Accounts		2,278		
Intergovernmental	3,119	54,290		
Accrued Interest	1,977			
Prepaid Items	11,040	424		147
Inventory Held for Resale				9,438
Materials and Supplies Inventory	3,044			841
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	51,662			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				11,148
<b>Other Debits:</b>				
Amount to be Provided from General Government Resources				
<b>Total Assets and Other Debits</b>	<b>\$2,900,709</b>	<b>\$277,011</b>	<b>\$744,042</b>	<b>\$11,105</b>

Fiduciary Fund Type	Account Groups			Total (Memorandum Only)
Agency	General Fixed Assets	General Long-Term Obligations		
\$25,339	\$0	\$0	\$700,186	
			3,108,612	
			2,278	
			57,409	
			1,977	
			11,611	
			9,438	
			3,885	
			51,662	
	5,846,893		5,858,041	
		1,037,464	1,037,464	
<b>\$25,339</b>	<b>\$5,846,893</b>	<b>\$1,037,464</b>	<b>\$10,842,563</b>	(continued)

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>Liabilities, Fund Equity and Other Credits:</b>			
<b>Liabilities:</b>			
Accounts Payable	\$45,650	\$15,094	\$58,918
Accrued Wages and Benefits Payable	583,574	87,296	
Compensated Absences Payable	80,759		
Intergovernmental Payable	130,962	45,973	10
Deferred Revenue	2,819,007		174,153
Undistributed Monies			
Due to Students			
Accrued Interest Payable	672		2,151
Notes Payable	108,000		100,000
Early Retirement Incentive Payable	8,680		
General Obligation Bonds Payable			
Total Liabilities	3,777,304	148,363	335,232
<b>Fund Equity and Other Credits:</b>			
Investments in General			
Fixed Assets			
Contributed Capital			
Retained Earnings:			
Unreserved (Deficit)			
Fund Balances:			
Reserved for Encumbrances	18,685	19,380	422,279
Reserved for Inventory	3,044		
Reserved for Property Taxes	107,546		7,906
Reserved for Budget Stabilization	51,662		
Unreserved,			
Undesignated (Deficits)	(1,057,532)	109,268	(21,375)
Total Fund Equity (Deficits) and Other Credits	(876,595)	128,648	408,810
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$2,900,709</b>	<b>\$277,011</b>	<b>\$744,042</b>

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

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$789	\$	\$	\$	\$120,451
1,830				672,700
14,772			877,428	972,959
14,439			56,716	248,100
7,665				3,000,825
	39			39
	25,300			25,300
				2,823
				208,000
			17,320	26,000
			86,000	86,000
<u>39,495</u>	<u>25,339</u>	<u>0</u>	<u>1,037,464</u>	<u>5,363,197</u>
		5,846,893		5,846,893
79,748				79,748
(108,138)				(108,138)
				460,344
				3,044
				115,452
				51,662
				(969,639)
<u>(28,390)</u>	<u>0</u>	<u>5,846,893</u>	<u>0</u>	<u>5,479,366</u>
<u><b>\$11,105</b></u>	<u><b>\$25,339</b></u>	<u><b>\$5,846,893</b></u>	<u><b>\$1,037,464</b></u>	<u><b>\$10,842,563</b></u>

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Revenues:</b>					
Taxes	\$2,464,376	\$0	\$0	\$161,676	\$2,626,052
Intergovernmental	4,813,390	1,375,359		332,896	6,521,645
Interest	17,455				17,455
Tuition and Fees	19,839				19,839
Rent	2,700				2,700
Extracurricular Activities		93,714			93,714
Gifts and Donations		2,625		459,607	462,232
Customer Services	10,118				10,118
Miscellaneous	607			2,289	2,896
<b>Total Revenues</b>	<u>7,328,485</u>	<u>1,471,698</u>	<u>0</u>	<u>956,468</u>	<u>9,756,651</u>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	3,573,215	432,286			4,005,501
Special	570,144	434,714			1,004,858
Vocational	166,711	27,251			193,962
Adult/Continuing					0
Other	9,015				9,015
<b>Support Services:</b>					
Pupils	421,407	51,480			472,887
Instructional Staff	164,784	153,648			318,432
Board of Education	26,014				26,014
Administration	701,379	72,817			774,196
Fiscal	207,841	1,000			208,841
Operation and Maintenance of Plant	818,343	5,335			823,678
Pupil Transportation	298,536	6,715			305,251
Central	3,407	7,858			11,265
Non-Instructional Services		156,726			156,726
Extracurricular Activities	132,414	80,515			212,929
Capital Outlay		13,790		853,745	867,535
<b>Debt Service</b>					
Principal			40,000		40,000
Interest and Fiscal Charges	1,235		6,659	5,408	13,302
<b>Total Expenditures</b>	<u>7,094,445</u>	<u>1,444,135</u>	<u>46,659</u>	<u>859,153</u>	<u>9,444,392</u>
Excess of Revenue Over (Under) Expenditures	234,040	27,563	(46,659)	97,315	312,259
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Fixed Assets	1,650				1,650
Operating Transfers In			46,659		46,659
Operating Transfers Out	(46,659)				(46,659)
<b>Total Other Financing Sources (Uses)</b>	<u>(45,009)</u>	<u>0</u>	<u>46,659</u>	<u>0</u>	<u>1,650</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	189,031	27,563	0	97,315	313,909
Fund Balances (Deficit) at Beginning of Year	(1,068,427)	101,085	0	311,495	(655,847)
Decrease in Reserve for Inventory	2,801				2,801
<b>Fund Balances (Deficit) at End of Year</b>	<u><b>(\$876,595)</b></u>	<u><b>\$128,648</b></u>	<u><b>\$0</b></u>	<u><b>\$408,810</b></u>	<u><b>(\$339,137)</b></u>

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

MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY

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

	<u>General Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Taxes	\$2,440,000	\$2,469,648	\$29,648
Intergovernmental	4,761,692	4,813,621	51,929
Interest	27,000	16,194	(10,806)
Tuition and Fees	22,000	19,839	(2,161)
Rent	2,200	2,700	500
Extracurricular Activities			0
Gifts and Donations			0
Customer Services	9,800	10,118	318
Miscellaneous	2,200	607	(1,593)
Total Revenues	<u>7,264,892</u>	<u>7,332,727</u>	<u>67,835</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	3,704,300	3,703,758	542
Special	593,660	593,325	335
Vocational	169,550	169,410	140
Adult/Continuing			0
Other	10,200	10,109	91
Support Services:			
Pupils	417,600	417,272	328
Instructional Staff	162,040	161,848	192
Board of Education	27,570	27,109	461
Administration	720,740	720,582	158
Fiscal	208,200	208,062	138
Operation and Maintenance of Plant	807,170	807,104	66
Pupil Transportation	300,130	299,409	721
Central	3,500	3,407	93
Non-Instructional Services			
Extracurricular Activities	133,310	132,807	503
Capital Outlay			0
Debt Service			
Principal	220,000	220,000	0
Interest and Fiscal Charges	3,230	3,189	41
Total Expenditures	<u>7,481,200</u>	<u>7,477,391</u>	<u>3,809</u>
Excess of Revenue Over (Under) Expenditures	(216,308)	(144,664)	71,644
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Long-Term Notes	150,000	108,000	(42,000)
Proceeds from Sale of Fixed Assets	3,000	1,650	(1,350)
Operating Transfers In			
Advances In	110,000		(110,000)
Operating Transfers Out	(46,660)	(46,659)	1
Advances Out			0
Total Other Financing Sources (Uses)	<u>216,340</u>	<u>62,991</u>	<u>(153,349)</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	32	(81,673)	(81,705)
Fund Balances at Beginning of Year	3,455	3,455	0
Prior Year Encumbrances Appropriated	12,757	12,757	0
<b>Fund Balances at End of Year</b>	<b><u>\$16,244</u></b>	<b><u>(\$65,461)</u></b>	<b><u>(\$81,705)</u></b>

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

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

	<u>Special Revenue Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Taxes	\$0	\$0	\$0
Intergovernmental	1,638,434	1,365,985	(272,449)
Interest			0
Tuition and Fees			0
Rent			0
Extracurricular Activities	122,800	91,936	(30,864)
Gifts and Donations	4,800	2,625	(2,175)
Customer Services			0
Miscellaneous			0
	<hr/>	<hr/>	<hr/>
Total Revenues	1,766,034	1,460,546	(305,488)
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	521,041	429,942	91,099
Special	431,540	423,373	8,167
Vocational	30,000	26,118	3,882
Adult/Continuing			0
Other			0
Support Services:			
Pupils	43,130	42,548	582
Instructional Staff	171,610	146,901	24,709
Board of Education			0
Administration	83,383	73,951	9,432
Fiscal	1,000	1,000	0
Operation and Maintenance of Plant	6,100	5,335	765
Pupil Transportation			0
Central	12,770	9,301	3,469
Non-Instructional Services	195,360	172,403	22,957
Extracurricular Activities	109,700	85,824	23,876
Capital Outlay	9,500	9,405	95
Debt Service			
Principal			0
Interest and Fiscal Charges			0
	<hr/>	<hr/>	<hr/>
Total Expenditures	1,615,134	1,426,101	189,033
Excess of Revenue Over (Under) Expenditures	150,900	34,445	(116,455)
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Long-Term Notes			0
Proceeds from Sale of Fixed Assets			0
Operating Transfers In	37,340		(37,340)
Advances In			0
Operating Transfers Out	(570)		570
Advances Out		(3,200)	(3,200)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	36,770	(3,200)	(39,970)
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	187,670	31,245	(156,425)
Fund Balances at Beginning of Year	101,350	101,350	0
Prior Year Encumbrances Appropriated	62,654	62,654	0
	<hr/>	<hr/>	<hr/>
<b>Fund Balances at End of Year</b>	<b>\$351,674</b>	<b>\$195,249</b>	<b>(\$156,425)</b>

Debt Service Funds			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$157,000	\$161,810	\$4,810
		0	501,138	332,896	(168,242)
		0			0
		0			0
		0			0
		0	459,607	459,607	0
		0			0
		0		2,289	2,289
<u>0</u>	<u>0</u>	<u>0</u>	<u>1,117,745</u>	<u>956,602</u>	<u>(161,143)</u>
		0	1,005,040		1,005,040
		0			0
		0			0
		0	2,300		2,300
		0			0
		0			0
		0	1,000		1,000
		0			0
		0			0
		0	5,000		5,000
		0	23,450		23,450
		0	100		100
		0			0
		0	12,000		12,000
		0			0
		0	300,048	1,227,893	(927,845)
40,000	40,000	0			0
6,660	6,659	1	3,360	3,355	5
<u>46,660</u>	<u>46,659</u>	<u>1</u>	<u>1,352,298</u>	<u>1,231,248</u>	<u>121,050</u>
(46,660)	(46,659)	1	(234,553)	(274,646)	(40,093)
		0			0
		0			0
46,660	46,659	(1)			0
		0		13,200	13,200
		0			0
		0			0
<u>46,660</u>	<u>46,659</u>	<u>(1)</u>	<u></u>	<u>13,200</u>	<u>13,200</u>
0	0	0	(234,553)	(261,446)	(26,893)
0	0	0	359,104	359,104	0
0	0	0	41,302	41,302	0
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$165,853</u>	<u>\$138,960</u>	<u>(\$26,893)</u>

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

<b>Totals (Memorandum Only)</b>			
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Taxes	\$2,597,000	\$2,631,458	\$34,458
Intergovernmental	6,901,264	6,512,502	(388,762)
Interest	27,000	16,194	(10,806)
Tuition and Fees	22,000	19,839	(2,161)
Rent	2,200	2,700	500
Extracurricular Activities	122,800	91,936	(30,864)
Gifts and Donations	464,407	462,232	(2,175)
Customer Services	9,800	10,118	318
Miscellaneous	2,200	2,896	696
<b>Total Revenues</b>	<b>10,148,671</b>	<b>9,749,875</b>	<b>(398,796)</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	5,230,381	4,133,700	1,096,681
Special	1,025,200	1,016,698	8,502
Vocational	199,550	195,528	4,022
Adult/Continuing	2,300	0	2,300
Other	10,200	10,109	91
<b>Support Services:</b>			
Pupils	460,730	459,820	910
Instructional Staff	334,650	308,749	25,901
Board of Education	27,570	27,109	461
Administration	804,123	794,533	9,590
Fiscal	214,200	209,062	5,138
Operation and Maintenance of Plant	836,720	812,439	24,281
Pupil Transportation	300,230	299,409	821
Central	16,270	12,708	3,562
Non-Instructional Services	207,360	172,403	34,957
Extracurricular Activities	243,010	218,631	24,379
Capital Outlay	309,548	1,237,298	(927,750)
Debt Service			
Principal	260,000	260,000	0
Interest and Fiscal Charges	13,250	13,203	47
<b>Total Expenditures</b>	<b>10,495,292</b>	<b>10,181,399</b>	<b>313,893</b>
Excess of Revenue Over (Under) Expenditures	(346,621)	(431,524)	(84,903)
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Long-Term Notes	150,000	108,000	(42,000)
Proceeds from Sale of Fixed Assets	3,000	1,650	(1,350)
Operating Transfers In	84,000	46,659	(37,341)
Advances In	110,000	13,200	(96,800)
Operating Transfers Out	(47,230)	(46,659)	571
Advances Out		(3,200)	(3,200)
<b>Total Other Financing Sources (Uses)</b>	<b>299,770</b>	<b>119,650</b>	<b>(180,120)</b>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(46,851)	(311,874)	(265,023)
Fund Balances at Beginning of Year	463,909	463,909	0
Prior Year Encumbrances Appropriated	116,713	116,713	0
<b>Fund Balances at End of Year</b>	<b>\$533,771</b>	<b>\$268,748</b>	<b>(\$265,023)</b>

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND EQUITY - PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<b>Enterprise</b>
<b>Operating Revenues:</b>	
Sales	\$125,646
Total Operating Revenues	125,646
<b>Operating Expenses:</b>	
Salaries	144,493
Fringe Benefits	81,426
Purchased Services	1,122
Materials and Supplies	2,256
Cost of Sales	125,853
Depreciation	3,362
Total Operating Expenses	358,512
Operating Loss	(232,866)
<b>Non-Operating Revenues:</b>	
Federal Donated Commodities	20,561
Operating Grants	204,571
Total Non-Operating Revenues	225,132
Net Loss	(7,734)
Retained Earnings (Deficit) at Beginning of Year	(100,404)
Retained Earnings (Deficit) at End of Year	(108,138)
Contributed Capital at Beginning of Year	68,117
Capital Contributions During the Year	11,631
Contributed Capital at End of Year	79,748
<b>Total Fund Equity at End of Year</b>	<b>(\$28,390)</b>

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

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<b>Enterprise</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Sales	\$123,000	\$126,119	\$3,119
Operating Grants	227,000	204,571	(22,429)
<b>Total Revenues</b>	<b>350,000</b>	<b>330,690</b>	<b>(19,310)</b>
<b>Expenses:</b>			
Salaries	142,200	142,190	10
Fringe Benefits	82,380	82,344	36
Purchased Services	1,600	975	625
Materials and Supplies	115,000	106,879	8,121
<b>Total Expenses</b>	<b>341,180</b>	<b>332,388</b>	<b>8,792</b>
Excess of Revenues Over/(Under) Expenses	8,820	(1,698)	(10,518)
<b>Other Financing Uses:</b>			
Advances Out	0	(10,000)	(10,000)
<b>Total Other Financing Uses</b>	<b>0</b>	<b>(10,000)</b>	<b>(10,000)</b>
Excess of Revenues Over (Under) Expenses and Other Financing Uses	8,820	(11,698)	(20,518)
Total Equity at Beginning of Year	1,229	1,229	0
<b>Total Equity at End of Year</b>	<b>\$10,049</b>	<b>(\$10,469)</b>	<b>(\$20,518)</b>

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

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$126,119
Cash Payments to Supplies for Goods and Services	(107,854)
Cash Payments for Employee Services	(142,190)
Cash Payments for Employee Benefits	(82,344)
	(206,269)
Net Cash Used for Operating Activities	(206,269)
<b>Cash Flows from Noncapital Financing Activities:</b>	
Operating Grants Received	204,571
Advances Out	(10,000)
	194,571
Net Cash Provided by Noncapital Financing Activities	194,571
Net Decrease in Cash and Cash Equivalents	(11,698)
Cash and Cash Equivalents Beginning of Year	1,229
	(11,698)
<b>Cash and Cash Equivalents End of Year</b>	<b>(\$10,469)</b>
 <b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</b>	
Operating Loss	(\$232,866)
 <b>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</b>	
Donated Commodities Used During Year	20,561
Depreciation	3,362
 <b>Change in Assets and Liabilities:</b>	
Decrease in Inventory Held for Resale	523
Decrease in Intergovernmental Receivable	473
Decrease in Prepaid Items	147
Increase in Materials and Supply Inventory	(173)
Increase in Accounts Payable	305
Increase Accrued Wages Payable	615
Increase in Compensated Absences Payable	1,688
Decrease in Intergovernmental Payable	(918)
Increase in Deferred Revenue	14
	26,597
Total Adjustments	26,597
<b>Net Cash Used for Operating Activities</b>	<b>(\$206,269)</b>

Non-cash transactions:

During fiscal year 2000, the Food Service Enterprise Fund fixed asset additions in the amount of \$11,631 were received from governmental funds, and were recorded as contributed capital.

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

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Martins Ferry City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District was established in 1853 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 12 square miles. It is located in Belmont County and includes all of the City of Martins Ferry and portions of Pease and Colerain Townships. It is staffed by 58 classified employees, 102 certificated full-time teaching personnel and 6 administrative employees, who provide services to 1534 students and other community members. The School District currently operates 7 instructional/support facilities.

**A. Reporting Entity**

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Martins Ferry City School District, this includes general operations, food service, and student related activities of the School District.

**A. Component Units**

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

**B. Jointly Governed Organizations**

The School District is involved with the Belmont-Harrison Vocational School, the Ohio Mid Eastern Regional Educational Service Agency (OME-RESA), the Martins Ferry Public Library, and the Ohio School Boards Association Workers' Compensation Group Rating Program which are defined as jointly governed organizations, a related organization, and an insurance purchasing pool. These organizations are presented in Notes 16, 17, and 18 within the general purpose financial statements.

**C. Other Organizations - Parochial Schools**

Within the School District boundaries, St. Mary's Central Elementary School is operated through the Steubenville Catholic Diocese; Martins Ferry Christian School is operated as a private school. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The activity of these State monies by the School Districts are reflected in a special revenue fund for financial reporting purposes.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis Of Presentation - Fund Accounting**

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

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

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

**1. Governmental Fund Types:**

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

**A. General Fund**

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

**B. Special Revenue Funds**

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

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis Of Presentation - Fund Accounting (Continued)**

**C. Debt Service Fund**

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

**D. Capital Projects Funds**

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

**2. Proprietary Fund Type:**

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

**A. Enterprise Funds**

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

**3. Fiduciary Fund Types:**

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

**4. Account Groups:**

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

**A. General Fixed Assets Account Group**

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

**B. General Long-Term Obligations Account Group**

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund, function, and object level for the General and Permanent Improvement Funds, and at the fund level for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid. The district budgets for advances.

**1. Tax Budget**

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

**2. Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. During the year, several amendments were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final estimated revenue amounts, including all amendments to estimated resources. The amounts reported in the budgetary statements reflect the total certified resources at June 30, 2000.

**3. Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures for the General and Permanent Improvement Funds, and at the fund level for all other funds which represents the legal levels of budgetary control.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process (Continued)**

**3. Appropriations (Continued)**

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District.

The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**5. Lapsing of Appropriations**

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 2000, investments were limited to repurchase agreements and Star Ohio. Investment earnings are allocated to the General Fund.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Cash and Cash Equivalents (Continued)**

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The School District has invested in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2000. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2000. The District was not invested in STAROhio as of June 30, 2000. For presentation of the combined statement of cash flows and the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase by the School District are considered cash equivalents. Investments with an initial maturity greater than three months are reported as investments.

**E. Inventory**

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

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year which services are consumed.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Fixed Assets and Depreciation (Continued)**

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

**H. Intergovernmental Revenues**

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

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

*Entitlements*

*General Fund*

- State Foundation Program
- State Property Tax Relief
- School Bus Reimbursement

*Special Revenue Funds*

- Disadvantaged Pupil Impact Aid

*Non-Reimbursable Grants*

- Teacher Development
- Auxiliary Services
- Education Management Information Systems
- Title I
- Title VI
- Title VI-B
- Tech Equity
- Telecom (Erate)
- Goals 2000
- Ohio Reads
- Safe School Helpline
- Title VI-R
- Tech Prep
- Data Communication
- School Net Professional Development

*Capital Projects Funds*

- School Net
- Technology Equity
- School Facilities
- Power Up
- Raising the Bar
- Telecommunity

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Intergovernmental Revenues (Continued)**

*Reimbursable Grants*

*General Fund*

Driver Education

Community Alternative Funds System (CAFS)

*Proprietary Funds*

National School Lunch Program

National School Breakfast Program

Government Donated Commodities

Grants and entitlements amounted to approximately 67% of the School District's operating revenue during the 2000 fiscal year.

**I. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "interfund receivables" and "interfund payables" on the balance sheet. There were no interfund receivables/payables as of June 30, 2000.

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for employees after one year of current service with the School District. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**K. Accrued Liabilities and Long-Term Obligations**

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

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Accrued Liabilities and Long-Term Obligations (Continued)**

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

Under Ohio law, a debt retirement fund must be created and used for the payment of tax anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the activity of the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by the State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 2000, the School District received a \$503 refund from the Bureau of Workers' Compensation which state statute requires to be included in this reserve. This refund is presented as "other revenue" in the accompanying financial statements. A fund balance reserve has been established.

**N. Estimates**

The preparation of the 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 could differ from those estimates.

**O. Fund Balance Reserves**

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, budget stabilization for the worker's compensation refund, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. Contributed Capital**

Contributed capital represents resources from other funds provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

The amount of contributed capital increased in the amount of \$11,631 for contributions from governmental funds. Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

**Q. Total Columns on General Purpose Financial Statements**

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

**3. CHANGE IN ACCOUNTING PRINCIPLES**

No changes in accounting principles and no restatements occurred in fiscal year 2000.

**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2000, the following funds had deficit fund balance/retained earnings:

<u>Fund</u>	<u>Deficit Fund Balances/Retained Earnings</u>
General Fund	(\$876,595)
Special Revenue Funds	
Disadvantaged Pupil Impact Aid	(67,095)
Capital Projects Funds	
Permanent Improvement	(127,659)
Enterprise Fund	
Food Service	(28,390)

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

**4. ACCOUNTABILITY AND COMPLIANCE (Continued)**

**A. Accountability (Continued)**

These deficits are primarily due to the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances in the Special Revenue Funds and the Capital Projects Funds; however, this is done when cash is needed rather than when accruals occur. The Food Service Enterprise Fund had deficit retained earnings due to the recognition of contributed capital in accordance with generally accepted accounting principles. In addition, the School District has not established charges for services sufficient to cover costs of operation. The School District will review this practice to determine possible alternatives.

**B. Compliance**

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

Fund Type	Estimated Resources plus Unencumbered Balances	Appropriations	Excess
Capital Projects			
Permanent Improvement	250,429	263,600	13,171

In the future, the School District will revise the appropriation resolution during the year and amend the certificate of estimated resources as needed in an effort to eliminate appropriations in excess of estimated revenues.

The School District had negative cash fund balances at June 30, 2000 in the General Fund and the Lunchroom Enterprise Fund.

In the future, the School District will monitor cash fund balances in an effort to avoid negative fund balances.

The School District did not encumber all commitments required by Ohio law contrary to the Ohio Revised Code. The School District will monitor expenditures to determine if all commitments were properly encumbered prior to incurring the obligation.

The School District advanced monies which were not in accordance with the intended purpose of the fund advancing the cash (the "creditor" fund) for which the fund receiving the cash (the "debtor" fund) was established. The School District will determine the allowability of such advances prior to the advance of such funds in the future.

**5. BUDGETARY BASIS OF ACCOUNTING**

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

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

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

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

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

	General	Special Revenue	Capital Projects
GAAP Basis	\$189,031	\$27,563	\$97,315
Revenue Accruals	4,242	(11,152)	134
Sale of Notes	108,000	0	0
Expenditure Accruals	(151,595)	42,380	48,875
Principal Payment	(220,000)	0	0
Encumbrances	(20,437)	(24,770)	(423,023)
Prepaid Items	11,040	424	0
Interest & Fiscal Charges	(1,954)	0	2,053
Advances In	0	0	13,200
Advances Out	0	(3,200)	0
	(\$81,673)	\$31,245	(\$261,446)

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

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

Net Loss/Excess of Revenues Over/(Under) Expenses  
and Other Financing Uses - Proprietary Fund Type

	Enterprise
GAAP Basis	(7,734)
Revenue Accruals	473
Expenditure Accruals	1,704
Depreciation	3,362
Materials & Supply Inventory	(173)
Inventory Held for Resale	523
Prepaid Items	147
Advances Out	(10,000)
Budget Basis	(\$11,698)

**6. EQUITY IN POOLED CASH, CASH EQUIVALENTS, AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawals 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 deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one 1 year from the date of deposit, or by savings or deposit accounts including passbook accounts. Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys 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;

**MARTINS FERRY CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**6. EQUITY IN POOLED CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

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 (STAROhio); and,
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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, 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 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

**Deposits:** At fiscal year end, the carrying amount of the School District's deposits was \$51,848 and the bank balance was \$77,598. The entire bank balance was covered by federal depository insurance.

**Investments:** The School District's investments are required to be categorized at year-end to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

**MARTINS FERRY CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**6. EQUITY IN POOLED CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

	Category 3	Carrying/Fair Amount
Repurchase Agreement	\$700,000	\$700,000
Total	<u>\$700,000</u>	<u>\$700,000</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Account." A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of Deposits and Investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$751,848	\$0
Investment: Repurchase Agreement	<u>(700,000)</u>	<u>700,000</u>
GASB Statement No. 3	<u>\$51,848</u>	<u>\$700,000</u>

**7. PROPERTY TAXES**

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

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

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000 and are collected in 2001 with real property taxes.

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

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

**MARTINS FERRY CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**7. PROPERTY TAXES (Continued)**

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

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

	1999 Second Half- Collections		2000 First Half- Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential & Other Real Estate	\$69,877,680	74.13%	\$71,188,610	73.05%
Public Utility	8,583,610	9.11%	8,131,360	8.34%
Tangible Personal Property	15,799,000	16.76%	18,137,860	18.61%
Total Assessed Value	<u>94,260,290</u>	<u>100%</u>	<u>97,457,830</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$39.45		\$39.45	

The School District receives property taxes from Belmont County. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000 are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding, real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance, at June 30, 2000 was \$115,452 and is recognized as revenue. \$107,546 was available to the General Fund and \$7,906 was available to the permanent improvement capital projects fund. At June 30, 1999, \$120,858 was available to the School District. \$112,818 was available to the general fund and \$8,040 was available to the permanent improvement capital projects fund.

**8. RECEIVABLES**

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

A summary of the principal items of intergovernmental receivables follows:

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**8. RECEIVABLES (Continued)**

	Amount
<b>General Fund</b>	
Medicaid	\$3,119
<b>Special Revenue Funds</b>	
Title I	46,961
Title VI	967
Title VI-B	5,362
SchoolNet	1,000
<b>Total Special Revenue Funds</b>	54,290
<b>Total Intergovernmental Receivables</b>	\$57,409

**9. FIXED ASSETS**

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

Furniture and Equipment	\$79,748
Less Accumulated Depreciation	(68,600)
Net Fixed Assets	\$11,148

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

	Balance at June 30, 1999	Additions	Deletions	Balance at June 30, 2000
Land and Improvements	\$21,864	\$	\$	\$21,864
Buildings & Improvements	3,221,727	32,500		3,254,227
Furniture & Fixtures	1,522,000	328,314		1,850,314
Vehicles	751,812		31,324	720,488
<b>Total General Fixed Assets</b>	<b>\$5,517,403</b>	<b>\$360,814</b>	<b>\$31,324</b>	<b>\$5,846,893</b>

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

**10. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide Insurance, Westfield Insurance and Cincinnati Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided are as follows:

Building and Contents-replacement cost (\$250 deductible)	\$23,865,936
Boiler and Machinery (\$250 deductible)	\$100,000
Flood Insurance - Building and Contents (\$5,000 deductible)	\$122,400
Automobile Liability	\$1,000,000
Uninsured Motorists	\$1,000,000
General Liability:	
Per Occurrence	\$1,000,000
Total Per Year	\$5,000,000

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

**B. Workers' Compensation**

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the GRP.

**11. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute Chapter 3309 of the Ohio Revised Code.

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

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

**A. School Employees Retirement System (Continued)**

SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1999, 7.7 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to 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, 2000, 1999, and 1998 were \$57,583, \$80,596, and \$99,698, respectively; 45.3% percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$80,220 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. 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, 2000, 1999, and 1998 were \$257,933, \$274,644, and \$459,837, respectively; 83.4 percent has been contributed for fiscal year 2000 and 100 percent has been contributed for the fiscal years 1999 and 1998. \$99,620 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, all members of the Board of Education have elected School Employees Retirement System/State Teachers Retirement System.

**MARTINS FERRY CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**12. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS).

Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependants are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$343,910 for the fiscal year 2000.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$105,743.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expense for health care at June 30, 1999, were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**13. EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

**MARTINS FERRY CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**13. EMPLOYEE BENEFITS (Continued)**

**A. Compensated Absences (Continued)**

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 226 days for certified employees and 226 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 46 days for classified and certified employees.

**B. Medical and Life Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource. The School District has elected to provide employee medical/surgical benefits through the Health Plan of the Upper Ohio Valley and Health Assurance. The employees share the cost of the monthly premium with the Board. The premium varies with the employees depending on the terms of the union contract. Dental insurance is provided by the School District to most employees through CoreSource. Vision insurance is provided by Vision Service Plan.

**C. Special Termination Benefit Payable**

It is agreed by and between the Martins Ferry City School District Board of Education and the Martins Ferry Education Association that the Martins Ferry City School District Board of Education will provide a retirement incentive of \$1,000 times each year of Martins Ferry City School service (not to exceed \$13,000) to any employee who is eligible for full retirement under any of Ohio's public employee retirement systems, provided the conditions stated in the agreement on file with the School District are met. During FY 2000, the School District incurred \$26,000 in Early Retirement Incentives which will be paid during FY 2001, 2002, and 2003.

**14. SHORT TERM OBLIGATIONS**

As of June 30, 2000, the School District had \$100,000 of tax anticipation notes outstanding. The School District had a spending reserve note outstanding of \$108,000. The Spending Reserve Debt is reported in the general fund, the fund which had received the proceeds.

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

	Balance at June 30, 1999	Additions	Reductions	Balance at June 30, 2000
<b>General Fund:</b>				
Spending Reserve Note-4.95%	\$0	\$108,000	\$0	\$108,000
Spending Reserve Note-3.96%	220,000	0	220,000	0
Permanent Improvement:	0	0	0	0
Tax Anticipation Note-4.29%	50,000	0	0	50,000
Tax Anticipation Note-4.40%	50,000	0	0	50,000
<b>Total</b>	<b>\$320,000</b>	<b>\$108,000</b>	<b>\$220,000</b>	<b>\$208,000</b>

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

**15. LONG-TERM OBLIGATIONS**

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

	Outstanding at June 30, 1999	Additions	Reductions	Outstanding at June 30, 2000
Pension Obligation	\$57,982	\$56,716	\$57,982	\$56,716
Compensated Absences	956,471	146,872	225,915	877,428
School Bus Bond	126,000	0	40,000	86,000
Early Retirement Incentive	0	17,320	0	17,320
<b>Total</b>	<b>\$1,140,453</b>	<b>\$220,908</b>	<b>\$323,897</b>	<b>\$1,037,464</b>

The above obligations will be paid from the fund from which the employees' salaries are paid.

Martins Ferry City School Bus General Obligation Bonds - On June 1, 1997, Martins Ferry City School District issued \$200,000 in unvoted general obligation bonds for the purpose of purchasing school buses. The bonds were issued for a six year period with final maturity at April 15, 2002. The bonds will be retired from the Debt Service fund with a General fund transfer of revenue from the reimbursements for the acquisition of buses received from the State of Ohio. The bonds were issued through the Ohio School Bus Pooled Financing Program sponsored by the Ohio Association of School Business Officials. The Program is a statewide, uniform financing structure created by the Ohio Association of School Business Officials and Seanson and Mayer to permit the financing of school bus purchases over a two to ten year repayment period. The program trustee, (Fifth Third Bank), acts as the issuer accepting loans from the 21 participating school districts, which in turn aggregate to form a single bond issue. No school district has any obligation to pay the principal and interest with respect to the bonds of any other participating school district.

The School District's overall legal debt margin was \$1,002,100 with an unvoted debt margin of \$191,718 at June 30, 2000.

Principal and interest requirements to retire school bus bonds outstanding at June 30, 2000 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2001	\$42,000	\$4,559	\$46,559
2002	44,000	2,354	46,354
<b>Total School Bus Bonds</b>	<b>\$86,000</b>	<b>\$6,913</b>	<b>\$92,913</b>

**16. JOINTLY GOVERNED ORGANIZATIONS**

**A. Belmont-Harrison Vocational School**

The Belmont-Harrison Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Belmont-Harrison Vocational School, Alexis Petrilla, Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

**16. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**B. Ohio Mid Eastern Regional Education Service Agency (OME-RESA)**

The Ohio Mid Eastern Regional Educational Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an educational management information system, cooperative purchases services and legal services to member districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble and Tuscarawas Counties. Each member district pays an annual fee for services provided by OME-RESA. The Martins Ferry City School District paid \$1,855 in fiscal year 2000 for services. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to the Ohio Mid Eastern Regional Educational Service Agency, Debra Angelo, Treasurer, Steubenville, Ohio 43952.

**17. RELATED ORGANIZATION**

**A. Martins Ferry Public Library**

The Martins Ferry Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Martins Ferry City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Martins Ferry Public Library, Mary Ella Potter, Clerk/Treasurer, at 20 James Wright Place, Martins Ferry, Ohio 43935.

**18. INSURANCE PURCHASING POOLS**

**A. Ohio School Boards Association Workers' Compensation Group Rating Plan**

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

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

**19. CHANGES IN CONTRIBUTED CAPITAL**

Changes in contributed capital in the enterprise funds for June 30, 2000, are summarized by source as follows:

	Food Service
Contributed Capital at July 1, 1999	\$68,117
Current Contributions	
Fixed Asset Additions	11,631
Contributed Capital at June 30, 2000	\$79,748

**20. STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$4,499,352 of school foundation support for its general fund.

Also, the Court declared the spending reserve borrowing program unconstitutional. The spending reserve program allowed the School District to borrow against amounts anticipated to be collected from tangible personal property taxes after the School District's June 30 fiscal year end. During the fiscal year ended June 30, 2000, the School District borrowed \$108,000 under this program. This amount will be repaid during the subsequent fiscal year. However, the District repaid \$220,000 borrowed in fiscal year 1999. Historically, the School District has relied on this borrowing to meet its cash flow needs at the end of each fiscal year. State statute has been amended to gradually decrease the annual amount that may be borrowed under this program.

In addition, the Court declared the classroom facilities program unconstitutional because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided grant money for building improvements. As of June 30, 2000, the School District had received a total of \$491,347 under this program.

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

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

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

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

**21. SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. The School District is also required to set aside money for the budget stabilization.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 1999	\$0	\$0	\$51,159
Current Year Set-aside Requirement	146,906	146,906	503
Qualifying Disbursements	(209,187)	(195,575)	0
Set-aside Balance Carried Forward to Future Years	<u>(\$62,281)</u>	<u>(\$48,669)</u>	<u>\$51,662</u>
Set-aside Reserve Balance as of June 30, 2000	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$51,662</u></u>

The total reserve balance for the three set-asides at the end of the fiscal year was \$51,662.

**22. CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

**23. FINANCIAL CONDITION**

The School District is experiencing financial difficulties. The following conditions or events are of concern:

- ▶ The School District's general fund had a negative fund cash balance at June 30, 2000, of \$65,641. During the year, the general fund consistently carried a negative fund cash balance;
- ▶ At June 30, 2000, the School District had an outstanding spending reserve borrowing note (tax anticipation note) in the amount of \$108,000. During fiscal year 2000, the School District repaid \$220,000 in spending reserve notes borrowed in fiscal year 1999. Historically, the School District has relied on this borrowing to meet its cash flow needs at the end of each fiscal year;
- ▶ The School District has failed in its recent attempts to pass an operating levy.

Management's plans in regards to addressing the conditions described above include:

- ▶ The School District plans on closing the junior high building and consolidating the junior high students in the high school;
- ▶ There are 6 teachers who are either retiring or leaving the school district at the end of fiscal year 2001 and management will be replacing only two of these teaching positions who will be paid at an entry-level salary;
- ▶ At November 30, 2000, the general fund's balance is \$251,809. This is due to the tangible personal property tax settlement received that was approximately \$100,000 more than anticipated.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	10.550	N/A		\$20,596		\$20,561
School Breakfast Program	10.553	044347-05-PU-00-99/00	44,201		44,201	
National School Lunch Program	10.555	04437-03/04-PU-00-99/00	146,277		146,277	
Total United States Department of Agriculture - Nutrition Cluster			<u>190,478</u>	<u>20,596</u>	<u>190,478</u>	<u>20,561</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	84.010	04437-C1-S1-99/0	499,926		440,525	
Special Education Grants to States (IDEA Part B)	84.027	04437-6B-SF-98/99P	110,544		108,565	
Goals 2000 - State and Local Education Systematic Improvement Grants	84.276	04437-G2-S2-99			9,000	
Innovative Education Program Strategies	84.298	04437-C2-S1-99/00	9,379		4,456	
Technology Literacy Challenge Fund	84.318	04437-TF-32/33/34-99P	225,000		312,585	
Title VI of ESEA - Class Size Reduction	84.340	04437-CR-S1-00	32,542		25,096	
Total United States Department of Education			<u>877,391</u>		<u>900,227</u>	
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through Ohio Department of Mental Retardation &amp; Developmental Disabilities:</i>						
Medical Assistance Program - Community Alternative Funding System (CAFS)	93.778	N/A	22,866		22,866	
Total United States Department of Health and Human Services			<u>22,866</u>		<u>22,866</u>	
<b>Total Federal Awards Receipts and Expenditures</b>			<u><b>\$1,090,735</b></u>	<u><b>\$20,596</b></u>	<u><b>\$1,113,571</b></u>	<u><b>\$20,561</b></u>

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

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the School District had no significant food commodities in inventory.



STATE OF OHIO  
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JIM PETRO, AUDITOR OF STATE

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

Martins Ferry City School District  
Belmont County  
633 Hanover Street  
Martins Ferry, Ohio 43935

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Martins Ferry City School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2000, and have issued our report thereon dated November 30, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2000-11007-001, 2000-11007-002, and 2000-11007-003. We also noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated November 30, 2000.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated November 30, 2000.

Martins Ferry City School District  
Belmont County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page -2-

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

**Jim Petro**  
Auditor of State

November 30, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Martins Ferry City School District  
Belmont County  
633 Hanover Street  
Martins Ferry, Ohio 43935

To the Board of Education:

### **Compliance**

We have audited the compliance of the Martins Ferry City School District, Belmont County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The School District's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000. We noted a certain instance of noncompliance over a federal program not audited as a major program that does not require inclusion in this report that we have reported to management of the School District in a separate letter dated November 30, 2000.

### **Internal Control over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated November 30, 2000.

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

**Jim Petro**  
Auditor of State

November 30, 2000

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Technology Literacy Challenge Fund (a.k.a "Raising the Bar Grant)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Noncompliance Citations**

**FINDING NUMBER 2000-11007-001**

**Ohio Rev. Code § 5705.10** states that money paid into any fund shall be used only for the purposes for which such fund was established. As a result, a negative fund balance indicates that money from one fund was used to cover expenses of another fund.

As of June 30, 2000, the General and Lunchroom Funds had negative fund balances of \$65,641 and \$10,469, respectively.

As of April 30, 2000, the General and Lunchroom Funds had negative fund balances of \$400,813 and \$19,959, respectively. The presence of negative balances means cash was borrowed from other funds and used for purposes that may not have been consistent with those funds' purposes.

We recommend the School District monitor fund balances to ensure that moneys from one fund are not used to pay the obligations of another fund.

**FINDING NUMBER 2000-11007-002**

**Ohio Rev. Code § 5705.41(D)** states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the Treasurer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the Treasurer may authorize it to be paid without the affirmation of the Board of Education.

All of the obligations paid by the School District had a statement attached indicating the purchase was lawfully appropriated or in the process of collection to the credit of the appropriate fund, free from any previous encumbrance; however, this certification was dated subsequent to incurring the obligation for 36% of transactions tested.

We recommend the School District monitor the use of purchase orders more carefully to help ensure expenditures are certified as to the availability of funds prior to incurring the obligation.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

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

**FINDING NUMBER 2000-11007-003**

Auditor of State Audit Bulletin 97-003 states in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established. Furthermore, the reimbursement from the debtor fund to the creditor fund must not violate any restrictions on the use of the money to be used to make the reimbursement.

The School District advanced \$73,500 from the Title I Fund to the General and Lunchroom Funds of \$63,000 and \$10,500, respectively. The intended use of these monies within the General and Lunchroom Funds is not the same purpose or intent as the Title I Fund.

A finding for adjustment is hereby issued against the General and Lunchroom Funds, of Martins Ferry City School District for \$63,000 and \$10,500, respectively, in favor of the Title I fund. The School Treasurer has posted this adjustment to the School District's financial statements, and this adjustment is reflected in the accompanying financial statements.

**3. FINDINGS FOR FEDERAL AWARDS**

None

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
1999-11007-001	The School District had negative fund balances during fiscal year 2000 in violation of Ohio Revised Code Section 5705.10.	No	Re-issued for period under audit.
1999-11007-002	Failure to issue "412" certifications for contracts entered into with Johnson's Boilers, Helping Hands, and Mansell Theaker & Sons.	Yes	The Treasurer re-issued "412" certifications for noted contractors during the fiscal year.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 § .315 (c)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2000-11007-001	The School District Treasurer plans to monitor fund balances to ensure moneys from one fund are not used to pay an obligation of another fund.	12-31-00	Albert Skulich, Treasurer
2000-11007-002	The School District Treasurer intends to monitor purchases to ensure that prior certification is obtained prior to the expenditure of funds.	12-31-00	Albert Skulich, Treasurer
2000-11007-003	The School District Treasurer will determine the allowability of the advance prior to obtaining Board approval and posting the amount to the financial statements.	12-31-00	Albert Skulich, Treasurer





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

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**MARTINS FERRY CITY SCHOOL DISTRICT**

**BELMONT 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  
JANUARY 11, 2001**