



**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



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

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**STATE OF OHIO**



**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

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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, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2001, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Jim Petro**  
Auditor of State

November 15, 2001

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**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 2001**

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>Assets and Other Debits</b>			
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$226,753	\$249,402	\$232,277
Receivables:			
Taxes	3,122,903	0	194,684
Accounts	17	1,996	0
Intergovernmental	4,156	46,411	0
Prepaid Items	12,747	843	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	1,890	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	53,203	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
Other Debits:			
Amount to be Provided from General Government Resources	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$3,421,669</b>	<b>\$298,652</b>	<b>\$426,961</b>



<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
<u>Enterprise</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$21,916	\$27,527	\$0	\$0	\$757,875
0	0	0	0	3,317,587
0	0	0	0	2,013
0	0	0	0	50,567
0	0	0	0	13,590
11,942	0	0	0	11,942
960	0	0	0	2,850
0	0	0	0	53,203
7,787	0	6,226,652	0	6,234,439
<u>0</u>	<u>0</u>	<u>0</u>	<u>992,147</u>	<u>992,147</u>
<u>\$42,605</u>	<u>\$27,527</u>	<u>\$6,226,652</u>	<u>\$992,147</u>	<u>\$11,436,213</u>

(continued)

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 2001  
(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	32,809	40,220	105,795
Accrued Wages and Benefits Payable	432,579	73,391	0
Compensated Absences Payable	96,814	4,303	0
Intergovernmental Payable	148,794	18,957	0
Deferred Revenue	2,959,053	0	183,406
Undistributed Monies	0	0	0
Due to Students	0	0	0
Notes Payable	0	0	50,000
Early Retirement Incentive Payable	25,650	0	0
General Obligation Bonds Payable	0	0	0
	<b>3,695,699</b>	<b>136,871</b>	<b>339,201</b>
<b>Fund Equity and Other Credits:</b>			
Investments in General			
Fixed Assets	0	0	0
Contributed Capital			
Retained Earnings:			
Unreserved (Deficit)	0	0	0
Fund Balances:			
Reserved for Encumbrances	36,124	59,663	29,886
Reserved for Inventory	1,890	0	0
Reserved for Property Taxes	163,850	0	11,278
Reserved for Budget Stabilization	53,203	0	0
Unreserved, Undesignated (Deficits)	(529,097)	102,118	46,596
	<b>(274,030)</b>	<b>161,781</b>	<b>87,760</b>
<b>Total Fund Equity (Deficits) and Other Credits</b>	<b>(274,030)</b>	<b>161,781</b>	<b>87,760</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$3,421,669</b>	<b>\$298,652</b>	<b>\$426,961</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			
769	0	0	0	179,593
6,340	0	0	0	512,310
15,284	0	0	855,107	971,508
13,890	0	0	58,370	240,011
10,267	0	0	0	3,152,726
0	54	0	0	54
0	27,473	0	0	27,473
0	0	0	0	50,000
0	0	0	34,670	60,320
0	0	0	44,000	44,000
<u>46,550</u>	<u>27,527</u>	<u>0</u>	<u>992,147</u>	<u>5,237,995</u>
0	0	6,226,652	0	6,226,652
79,748				79,748
(83,693)	0	0	0	(83,693)
0	0	0	0	125,673
0	0	0	0	1,890
0	0	0	0	175,128
0	0	0	0	53,203
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(380,383)</u>
<u>(3,945)</u>	<u>0</u>	<u>6,226,652</u>	<u>0</u>	<u>6,198,218</u>
<u>\$42,605</u>	<u>\$27,527</u>	<u>\$6,226,652</u>	<u>\$992,147</u>	<u>\$11,436,213</u>

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
Taxes	\$2,661,979	\$0	\$0	\$171,619	\$2,833,598
Intergovernmental	4,884,954	1,605,707	0	288,315	6,778,976
Interest	45,357	0	0	0	45,357
Tuition and Fees	20,068	0	0	0	20,068
Extracurricular Activities	0	111,924	0	0	111,924
Gifts and Donations	0	2,994	0	46,725	49,719
Customer Services	12,494	0	0	0	12,494
Miscellaneous	25,446	2,014	0	0	27,460
<b>Total Revenues</b>	<b>7,650,298</b>	<b>1,722,639</b>	<b>0</b>	<b>506,659</b>	<b>9,879,596</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	3,476,462	451,063	0	0	3,927,525
Special	568,921	533,612	0	0	1,102,533
Vocational	205,906	37,456	0	0	243,362
Other	13,258	0	0	0	13,258
Support Services:					
Pupils	436,330	28,783	0	0	465,113
Instructional Staff	167,316	249,323	0	0	416,639
Board of Education	28,014	0	0	0	28,014
Administration	645,824	78,497	0	0	724,321
Fiscal	192,712	1,000	0	0	193,712
Operation and Maintenance of Plant	842,043	400	0	0	842,443
Pupil Transportation	294,286	8,752	0	0	303,038
Central	2,949	20,571	0	0	23,520
Non-Instructional Services	0	170,528	0	0	170,528
Extracurricular Activities	130,837	109,521	0	0	240,358
Capital Outlay	0	0	0	825,169	825,169
Debt Service					
Principal	0	0	42,000	0	42,000
Interest and Fiscal Charges	932	0	4,559	2,540	8,031
<b>Total Expenditures</b>	<b>7,005,790</b>	<b>1,689,506</b>	<b>46,559</b>	<b>827,709</b>	<b>9,569,564</b>
Excess of Revenues Over (Under) Expenditures	644,508	33,133	(46,559)	(321,050)	310,032
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Fixed Assets	5,770	0	0	0	5,770
Operating Transfers In	0	0	46,559	0	46,559
Operating Transfers Out	(46,559)	0	0	0	(46,559)
<b>Total Other Financing Sources (Uses)</b>	<b>(40,789)</b>	<b>0</b>	<b>46,559</b>	<b>0</b>	<b>5,770</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	603,719	33,133	0	(321,050)	315,802
Fund Balances (Deficit) at Beginning of Year	(876,595)	128,648	0	408,810	(339,137)
Decrease in Reserve for Inventory	(1,154)	0	0	0	(1,154)
<b>Fund Balances (Deficit) at End of Year</b>	<b>(\$274,030)</b>	<b>\$161,781</b>	<b>\$0</b>	<b>\$87,760</b>	<b>(\$24,489)</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  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>General Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Taxes	\$2,440,000	\$2,605,674	\$165,674
Intergovernmental	5,092,400	4,883,917	(208,483)
Interest	30,000	44,730	14,730
Tuition and Fees	22,000	20,069	(1,931)
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Customer Services	17,400	12,494	(4,906)
Miscellaneous	2,200	25,429	23,229
<b>Total Revenues</b>	<u>7,604,000</u>	<u>7,592,313</u>	<u>(11,687)</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	3,587,240	3,565,231	22,009
Special	601,050	588,994	12,056
Vocational	239,360	231,417	7,943
Adult/Continuing	0	0	0
Other	17,000	15,338	1,662
<b>Support Services:</b>			
Pupils	443,270	438,620	4,650
Instructional Staff	182,260	171,511	10,749
Board of Education	42,680	29,598	13,082
Administration	655,070	644,589	10,481
Fiscal	199,560	194,267	5,293
Operation and Maintenance of Plant	879,130	870,415	8,715
Pupil Transportation	304,370	295,112	9,258
Central	3,500	2,949	551
Non-Instructional Services	0	0	0
Extracurricular Activities	142,330	133,139	9,191
Capital Outlay	0	0	0
<b>Debt Service</b>			
Principal	108,000	108,000	0
Interest and Fiscal Charges	1,821	1,604	217
<b>Total Expenditures</b>	<u>7,406,641</u>	<u>7,290,784</u>	<u>115,857</u>
Excess of Revenue Over (Under) Expenditures	197,359	301,529	104,170
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Fixed Assets	3,000	5,770	2,770
Operating Transfers In	0	0	0
Operating Transfers Out	(46,559)	(46,559)	0
<b>Total Other Financing Sources (Uses)</b>	<u>(43,559)</u>	<u>(40,789)</u>	<u>2,770</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	153,800	260,740	106,940
Fund Balances (Deficits) at Beginning of Year	(65,628)	(65,628)	0
Prior Year Encumbrances Appropriated	20,437	20,437	0
<b>Fund Balances at End of Year</b>	<u>\$108,609</u>	<u>\$215,549</u>	<u>\$106,940</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  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(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	1,560,152	1,613,586	53,434
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	121,000	114,202	(6,798)
Gifts and Donations	4,800	2,994	(1,806)
Customer Services	0	0	0
Miscellaneous	0	18	18
<b>Total Revenues</b>	<u>1,685,952</u>	<u>1,730,800</u>	<u>44,848</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	481,982	454,218	27,764
Special	505,810	553,511	(47,701)
Vocational	67,500	60,458	7,042
Adult/Continuing	0	0	0
Other	0	0	0
Support Services:			
Pupils	37,250	36,600	650
Instructional Staff	254,190	247,161	7,029
Board of Education	0	0	0
Administration	94,230	79,607	14,623
Fiscal	1,000	1,000	0
Operation and Maintenance of Plant	500	400	100
Pupil Transportation	20,000	15,467	4,533
Central	24,620	20,571	4,049
Non-Instructional Services	227,650	212,351	15,299
Extracurricular Activities	110,500	110,296	204
Capital Outlay	7,000	4,385	2,615
Debt Service			
Principal	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<u>1,832,232</u>	<u>1,796,025</u>	<u>36,207</u>
Excess of Revenue Over (Under) Expenditures	(146,280)	(65,225)	81,055
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Fixed Assets	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(146,280)	(65,225)	81,055
Fund Balances (Deficits) at Beginning of Year	195,259	195,259	0
Prior Year Encumbrances Appropriated	24,761	24,761	0
<b>Fund Balances at End of Year</b>	<u><u>\$73,740</u></u>	<u><u>\$154,795</u></u>	<u><u>\$81,055</u></u>

Debt Service Funds			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$160,000	\$168,247	\$8,247
0	0	0	277,000	288,315	11,315
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	459,100	46,725	(412,375)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	896,100	503,287	(392,813)
0	0	0	765,600	742,233	23,367
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	900	900	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	46,050	31,718	14,332
0	0	0	0	0	0
0	0	0	4,290	4,211	79
0	0	0	10,100	8,679	1,421
0	0	0	16,500	16,479	21
0	0	0	2,250	2,237	13
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	4,770	4,761	9
0	0	0	102,670	97,771	4,899
42,000	42,000	0	50,000	50,000	0
4,559	4,559	0	4,700	4,691	9
46,559	46,559	0	1,007,830	963,680	44,150
(46,559)	(46,559)	0	(111,730)	(460,393)	(348,663)
0	0	0	0	0	0
46,559	46,559	0	0	0	0
0	0	0	0	0	0
46,559	46,559	0	0	0	0
0	0	0	(111,730)	(460,393)	(348,663)
0	0	0	138,963	138,963	0
0	0	0	423,020	423,020	0
\$0	\$0	\$0	\$450,253	\$101,590	(\$348,663)

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

Totals (Memorandum Only)			
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$2,600,000	\$2,773,921	\$173,921
Intergovernmental	6,929,552	6,785,818	(143,734)
Interest	30,000	44,730	14,730
Tuition and Fees	22,000	20,069	(1,931)
Extracurricular Activities	121,000	114,202	(6,798)
Gifts and Donations	463,900	49,719	(414,181)
Customer Services	17,400	12,494	(4,906)
Miscellaneous	2,200	25,447	23,247
<b>Total Revenues</b>	<b>10,186,052</b>	<b>9,826,400</b>	<b>(359,652)</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	4,834,822	4,761,682	73,140
Special	1,106,860	1,142,505	(35,645)
Vocational	306,860	291,875	14,985
Adult/Continuing	900	900	0
Other	17,000	15,338	1,662
<b>Support Services:</b>			
Pupils	480,520	475,220	5,300
Instructional Staff	482,500	450,390	32,110
Board of Education	42,680	29,598	13,082
Administration	753,590	728,407	25,183
Fiscal	210,660	203,946	6,714
Operation and Maintenance of Plant	896,130	887,294	8,836
Pupil Transportation	326,620	312,816	13,804
Central	28,120	23,520	4,600
Non-Instructional Services	227,650	212,351	15,299
Extracurricular Activities	257,600	248,196	9,404
Capital Outlay	109,670	102,156	7,514
<b>Debt Service</b>			
Principal	200,000	200,000	0
Interest and Fiscal Charges	11,080	10,854	226
<b>Total Expenditures</b>	<b>10,293,262</b>	<b>10,097,048</b>	<b>196,214</b>
Excess of Revenue Over (Under) Expenditures	(107,210)	(270,648)	(163,438)
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Fixed Assets	3,000	5,770	2,770
Operating Transfers In	46,559	46,559	0
Operating Transfers Out	(46,559)	(46,559)	0
<b>Total Other Financing Sources (Uses)</b>	<b>3,000</b>	<b>5,770</b>	<b>2,770</b>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Use	(104,210)	(264,878)	(160,668)
Fund Balances (Deficits) at Beginning o	268,594	268,594	0
Prior Year Encumbrances Appropriated	468,218	468,218	0
<b>Fund Balances at End of Year</b>	<b>\$632,602</b>	<b>\$471,934</b>	<b>(\$160,668)</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, 2001**

	<b>Enterprise</b>
<b>Operating Revenues:</b>	
Sales	\$136,700
Total Operating Revenues	136,700
<b>Operating Expenses:</b>	
Salaries	134,137
Fringe Benefits	73,839
Purchased Services	1,182
Materials and Supplies	9,939
Cost of Sales	133,410
Other	78
Depreciation	3,361
Total Operating Expenses	355,946
Operating Loss	(219,246)
<b>Non-Operating Revenues:</b>	
Federal Donated Commodities	26,479
Operating Grants	217,213
Total Non-Operating Revenues	243,692
Net Income	24,446
Retained Earnings (Deficit) at Beginning of Year	(108,139)
Retained Earnings (Deficit) at End of Year	(83,693)
Contributed Capital at Beginning of Year	79,748
Capital Contributions During the Year	0
Contributed Capital at End of Year	79,748
<b>Total Fund Equity (Deficit) at End of Year</b>	<b>(\$3,945)</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, 2001**

	<b>Enterprise</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Sales	\$126,500	\$136,700	\$10,200
Operating Grants	207,000	217,213	10,213
Total Revenues	333,500	353,913	20,413
<b>Expenses:</b>			
Salaries	129,120	129,115	5
Fringe Benefits	74,770	74,388	382
Purchased Services	1,810	1,036	774
Materials and Supplies	116,950	116,911	39
Other	100	78	22
Total Expenses	322,750	321,528	1,222
Excess of Revenues Over Expenses	10,750	32,385	21,635
Total Equity (Deficit) at Beginning of Year	(10,469)	(10,469)	0
<b>Total Equity at End of Year</b>	<b>\$281</b>	<b>\$21,916</b>	<b>\$21,635</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, 2001**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>	
Cash Flows from Operating Activities:	
Cash Receipted from Customers	\$136,700
Cash Payments to Supplies for Goods and Services	(117,947)
Cash Payments for Employee Services	(129,115)
Cash Payments for Employee Benefits	(74,388)
Cash Payments Other Expenses	(78)
	(184,828)
<b>Cash Flows from Noncapital Financing Activities:</b>	
Operating Grants Received	217,213
	217,213
Net Cash Provided by Noncapital Financing Activities	
	217,213
Net Increase in Cash and Cash Equivalents	
	32,385
Cash and Cash Equivalents Beginning of Year	
	(10,469)
Cash and Cash Equivalents End of Year	
	\$21,916
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</b>	
Operating Loss	(219,246)
	(\$219,246)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</b>	
Donated Commodities Used During Year	26,479
Depreciation	3,361
<b>Change in Assets and Liabilities:</b>	
Increase in Inventory Held for Resale	(2,504)
Decrease in Prepaid Items	146
Increase in Materials and Supply Inventory	(119)
Decrease in Accounts Payable	(20)
Increase Accrued Wages Payable	4,510
Increase in Compensated Absences Payable	512
Decrease in Intergovernmental Payable	(549)
Increase in Deferred Revenue	2,602
	2,602
Total Adjustments	
	34,418
Net Cash Used for Operating Activities	
	(\$184,828)

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

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**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**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 16 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 57 classified employees, 103 certificated full-time teaching personnel and 6 administrative employees, who provide services to 1451 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.

**1. 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.

**2. 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.

**3. 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, 2001  
(Continued)**

**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 regulations, 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 expendable available 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 or fiduciary 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 expenditures for specified purposes.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

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

**1. Governmental Fund Types: (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.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

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

**4. Account Groups: (Continued)**

**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.

**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 types 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. The full accrual basis of accounting is followed for the proprietary funds.

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

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



**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**B. Measurement Focus and Basis of Accounting (Continued)**

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

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

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

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

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

**C. Budgetary 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 School District budgets for advances.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**C. Budgetary Process (Continued)**

**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, 2001.

**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. 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.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**C. Budgetary Process (Continued)**

**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 2001, investments were limited to repurchase agreements. Investment earnings are allocated to the General Fund.

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.

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.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**F. Prepaid Items**

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

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

MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues (Continued)

*Special Revenue Funds*

Disadvantaged Pupil Impact Aid

*Non-Reimbursable Grants*

Teacher Development

Summer Intervention

Vocational Education Enhancement

Eisenhower

Drug Free Schools

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

*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 69% of the School District's operating revenue during the 2001 fiscal year.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**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, 2001.

**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.

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.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**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 whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 20 for additional information regarding set-asides.

**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. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**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.

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.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**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. CHANGES IN ACCOUNTING PRINCIPLES**

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

**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2001, the following funds had deficit fund balance/retained earnings:

Fund	Deficit Fund Balances/Retained Earnings
General Fund	(\$274,030)
Special Revenue Funds	
Disadvantaged Pupil Impact Aid	(40,003)
Capital Projects Funds	
Permanent Improvement	(21,416)
Enterprise Fund	
Food Service	(83,693)

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 School District not establishing charges for services sufficient to cover costs of operation. The School District will review this practice to determine possible alternatives.

**B. Legal Compliance**

The School District had negative cash fund balances during the fiscal year ended June 30, 2001, in the General, Disadvantaged Pupil Impact Aid, Permanent Improvement and Food Service Funds, contrary to the Ohio Revised Code Section 5705.10.

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



**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**B. Legal Compliance (Continued)**

The School District did not encumber commitments required by Ohio law contrary to the Ohio Revised Code Section 5705.41(D). The School District will monitor expenditures to ensure all commitments are properly encumbered prior to incurring the obligations.

**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 - All 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:

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).
5. Unrecorded interest is reported on the balance sheet (GAAP basis), but not on the budgetary basis.

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

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

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

	General	Special Revenue	Capital Projects
GAAP Basis	\$603,719	\$33,133	(\$321,050)
Revenue Accruals	(60,656)	8,161	(3,372)
Expenditure Accruals	(117,547)	(12,331)	46,867
Principal Payment	(108,000)	0	(50,000)
Encumbrances	(61,636)	(94,607)	(130,687)
Prepaid Items	1,707	419	0
Interest and Fiscal Charges	(672)	0	(2,151)
Unrecorded Interest	2,671	0	0
Material and Supplies Inventory	1,154	0	0
Budget Basis	<u>\$260,740</u>	<u>(\$65,225)</u>	<u>(\$460,393)</u>

Net Income/Excess of Revenues Over Expenses  
- Proprietary Fund Type

	Enterprise
GAAP Basis	\$24,446
Expenditure Accruals	2,101
Depreciation	3,361
Materials and Supply Inventory	119
Inventory Held for Resale	2,504
Prepaid Items	(146)
Budget Basis	<u>\$32,385</u>

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**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 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;
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,

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**6. EQUITY IN POOLED CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date 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 \$11,078 and the bank balance was \$52,942. 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.

	Category 3	Carrying/Fair Amount
Repurchase Agreement	\$800,000	\$800,000
Total	\$800,000	\$800,000

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:

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**6. EQUITY IN POOLED CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$811,078	\$0
Investment: Repurchase Agreement	(800,000)	800,000
GASB Statement No. 3	\$11,078	\$800,000

**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 tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following 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 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

Real property taxes are levied after April 1, 2001, on the assessed value listed as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

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

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

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

	2000 Second Half Collections		2001 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$71,188,610	73.05%	\$85,189,270	74.13%
Public Utility Personal	8,131,360	8.34	21,181,010	18.43
Tangible Personal	18,137,860	18.61	8,543,330	7.44
	\$97,457,830	100.00%	\$114,913,610	100.00%

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**7. PROPERTY TAXES (Continued)**

Tax Rate per \$1,000 of assessed valuation	\$39.45	\$37.50
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Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

The School District receives property taxes from Belmont County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001. 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, 2001, was \$175,128. \$163,850 was available to the General Fund, \$11,278 was available to the Permanent Improvement Capital Projects Fund. At June 30, 2000, \$115,452 was available to the School District. \$107,546 was available to the General Fund and \$7,906 was available to the Permanent Improvement Capital Projects Fund.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**8. RECEIVABLES**

Receivables at June 30, 2001, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
General Fund	
Community Alternative Funds System (CAFS)	\$4,156
Special Revenue Funds	
Title I	23,970
Title VI	2,965
Telecom E-rate	4,076
SchoolNet for Professional Development	15,400
Total Special Revenue Funds	<u>46,411</u>
Total Intergovernmental Receivables	<u><u>\$50,567</u></u>

**9. FIXED ASSETS**

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

Furniture and Equipment	\$79,748
Less Accumulated Depreciation	<u>(71,961)</u>
Net Fixed Assets	<u><u>\$7,787</u></u>

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**9. FIXED ASSETS (Continued)**

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

	Balance at June 30, 2000	Additions	Deletions	Balance at June 30, 2001
Land and Improvements	\$21,864	\$0	\$0	\$21,864
Buildings and Improvements	3,254,227	13,394	0	3,267,621
Furniture and Fixtures	1,850,314	399,230	0	2,249,544
Vehicles	720,488	0	32,865	687,623
Total General Fixed Assets	<u>\$5,846,893</u>	<u>\$412,624</u>	<u>\$32,865</u>	<u>\$6,226,652</u>

**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 2001, 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.



**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). 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 performances 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**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$37,803, \$57,583 and \$80,596 respectively; 36.25 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$24,098 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**B. State Teachers Retirement System**

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

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$451,150, \$257,933 and \$274,644, respectively; 84.99 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$67,730 represents the unpaid contribution for fiscal year 2001, 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, 2001, all members of the Board of Education have elected School Employees Retirement System/State Teachers Retirement System.

**12. POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$213,702 for fiscal year 2001.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**12. POSTEMPLOYMENT BENEFITS (Continued)**

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$104,960.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

**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. 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 229 days for certified employees and 229 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.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**13. EMPLOYEE BENEFITS (Continued)**

**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 2001, the School District incurred \$43,000 in Early Retirement Incentives of which \$4,000 will be paid during fiscal year 2002 and the balance will be paid during FY 2002, 2003, and 2004.

**14. SHORT TERM OBLIGATIONS**

As of June 30, 2001, the School District had \$50,000 of tax anticipation notes outstanding.

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

	Balance at June 30, 2000	Additions	Reductions	Balance at June 30, 2001
<b>General Fund:</b>				
Spending Reserve Note-4.94%	\$108,000	\$0	\$108,000	\$0
<b>Permanent Improvement Fund:</b>				
Tax Anticipation Note-4.29%	50,000	0	50,000	0
Tax Anticipation Note-4.40%	50,000	0	0	50,000
Total	<u>\$208,000</u>	<u>\$0</u>	<u>\$158,000</u>	<u>\$50,000</u>

**15. LONG-TERM OBLIGATIONS**

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

	Outstanding at June 30, 2000	Additions	Reductions	Outstanding at June 30, 2001
Pension Obligation	\$56,716	\$58,370	\$56,716	\$58,370
Compensated Absences	877,428	133,351	155,672	855,107
School Bus Bond	86,000	0	42,000	44,000
Early Retirement Incentive	17,320	43,000	25,650	34,670
Total	<u>\$1,037,464</u>	<u>\$234,721</u>	<u>\$280,038</u>	<u>\$992,147</u>

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

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**15. LONG-TERM OBLIGATIONS (Continued)**

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 Seasongood 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 zero with an unvoted debt margin of \$212,371 at June 30, 2001.

Principal and interest requirements to retire school bus bonds outstanding at June 30, 2001 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2002	\$44,000	\$2,354	\$46,354
Total School Bus Bonds	\$44,000	\$2,354	\$46,354

**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.

**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 \$1,875 in fiscal year 2001 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.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**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 POOL**

**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.

**19. STATE SCHOOL FUNDING DECISION**

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

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 15, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

The Martins Ferry City 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-aside reserve balance as of June 30, 2000	\$0	\$0	\$51,662
Carryover of prior year qualifying disbursements	(62,281)	0	0
Current year set-aside requirement	152,127	152,127	1,541
Qualifying offset		(168,247)	
Qualifying disbursements	(110,000)		0
<b>Totals</b>	<b><u>(\$20,154)</u></b>	<b><u>(\$16,120)</u></b>	<b><u>\$53,203</u></b>
Set-aside balance carried forward to future fiscal years	<u>(\$20,154)</u>	<u>\$0</u>	<u>\$53,203</u>
Set-aside reserve balance as of June 30, 2001	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$53,203</u></b>

The School District has qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$53,203.

**21. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**21. CONTINGENCIES (Continued)**

**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**

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

FEDERAL GRANTOR Pass-Through Grantor Program Title	Federal CFDA Number	Pass-through Entity Number	Receipts	Noncash Receipts	Expenditures	Noncash Expenditures
<b><u>UNITED STATES DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed-Through State Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	10.550	NA	\$0	\$29,129	\$0	\$26,479
School Breakfast Program	10.553	044347-05-PU-00	7,598	0	7,598	0
	10.553	044347-05-PU-01	<u>44,916</u>	<u>0</u>	<u>44,916</u>	<u>0</u>
Total School Breakfast Program			52,514	0	52,514	0
National School Lunch Program	10.555	044347-LL-P1-00	19,349	0	19,349	0
	10.555	044347-LL-P4-00	3,180	0	3,180	0
	10.555	044347-LL-P1-01	110,336	0	110,336	0
	10.555	044347-LL-P4-01	<u>18,489</u>	<u>0</u>	<u>18,489</u>	<u>0</u>
Total National School Lunch Program			151,354	0	151,354	0
Total United States Department of Agriculture - Nutrition Cluster			203,868	29,129	203,868	26,479
<b><u>UNITED STATES DEPARTMENT OF EDUCATION</u></b>						
<i>Passed-Through State Department of Education:</i>						
Title I - Grants to Local Educational Agencies	84.010	044347-C1-S1-00	46,961	0	73,959	0
	84.010	044347-C1-S1-00C	0	0	64,832	0
	84.010	044347-C1-S1-01	<u>446,363</u>	<u>0</u>	<u>352,698</u>	<u>0</u>
Total Title I - Grants to Local Educational Agencies			493,324	0	491,489	0
Title VI-B - Special Education - Grants to States	84.027	044347-6B-SF-00	5,362	0	10,740	0
	84.027	044347-6B-SF-01	<u>118,508</u>	<u>0</u>	<u>111,494</u>	<u>0</u>
Total Title VI-B - Special Education - Grants to States			123,870	0	122,234	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	044347-DR-S1-01	6,721	0	6,721	\$0
Eisenhower Professional Development State Grants	84.281	044347-MS-S1-01	9,292	0	9,292	0
Innovative Education Program Strategies	84.298	044347-C2-S1-00	967	0	4,485	0
	84.298	044347-C2-S1-00C	0	0	1,817	0
	84.298	044347-C2-S1-01	<u>9,187</u>	<u>0</u>	<u>8,037</u>	<u>0</u>
Total Innovative Education Program Strategies			10,154	0	14,339	0
Technology Literacy Challenge Grant Fund	84.318	044347-TF-32/33/34-99	0	0	58,848	0
	84.318	044347-TF-41/42/43-00	<u>150,000</u>	<u>0</u>	<u>124,993</u>	<u>0</u>
Total Technology Literacy Challenge Grant Fund			150,000	0	183,841	0
Title VI of the ESEA, Class Size Reduction Grant	84.340	044347-CR-S1-00	22,599	0	29,261	0
	84.340	044347-CR-S1-01	<u>34,469</u>	<u>0</u>	<u>27,785</u>	<u>0</u>
Total Title VI of the ESEA, Class Size Reduction Grant			57,068	0	57,046	0
Special Education Expenditure Program (Special Education Survey)	84.XXX		<u>5,000</u>	<u>0</u>	<u>5,000</u>	<u>0</u>
Total United States Department of Education			855,429	0	889,962	0
<b><u>UNITED STATES DEPARTMENT OF JOB AND FAMILY SERVICES</u></b>						
<i>Passed-Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program - Community Alternative Funding System - Title XIX	93.778	N/A	<u>21,877</u>	<u>0</u>	<u>21,877</u>	<u>0</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$1,081,174</u></b>	<b><u>\$29,129</u></b>	<b><u>\$1,115,707</u></b>	<b><u>\$26,479</u></b>

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

**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, 2001, the School District had no significant food commodities in inventory.



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OFFICE OF THE AUDITOR

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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 financial statements of the Martins Ferry City School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2001, and have issued our report thereon dated November 15, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-11007-001 and 2001-11007-002. We also noted a certain immaterial instance of noncompliance that we have reported to management of the School District in a separate letter dated November 15, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2001-11007-003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition identified above is not a material weakness. We also 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 15, 2001.

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, 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 15, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

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 each of its major federal programs for the year ended June 30, 2001. The School District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

**Internal Control Over Compliance**

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

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

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

**Jim Petro**  
Auditor of State

November 15, 2001

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

<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>	Yes
<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>	Title I, Grants to Local Educational Agencies, CFDA #84.010 Nutrition Cluster, CFDA #10.550, #10.553 and #10.555
<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, 2001  
(Continued)**

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

**Noncompliance Citation**

**FINDING NUMBER 2001-11007-001**

Ohio Rev. Code Section 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 the expenses of another fund.

As of August 31, 2000, the General Fund, Permanent Improvement Fund, Food Service Fund and Disadvantaged Pupil Impact Aid Fund had negative fund balances of \$152,586, \$59,903, \$28,822, and \$3,940, respectively.

As of September 30, 2000, the General Fund, Permanent Improvement Fund, Food Service Fund, Disadvantaged Pupil Impact Aid Fund had negative fund balances of \$47,442, \$81,797, \$40,387, and \$7,148, respectively.

As of October 31, 2000, the General Fund, Permanent Improvement Fund, Food Service Fund, Disadvantaged Pupil Impact Aid Fund had negative fund balances of \$68,702, \$75,707, \$57,446, and \$6,230, respectively.

As of November 30, 2000, the Permanent Improvement Fund and Food Service Fund had negative fund balances of \$38,752 and \$76,735, respectively.

As of June 30, 2001, the School District did not have any funds which had negative fund balances on a cash basis of accounting.

We recommend the School District monitor fund balances to ensure that moneys from one fund are not used to pay expenses incurred by another fund. To cover temporary cash flow shortages, the School District may advance money from other funds to prevent deficits. The School District can refer to Auditor of State Bulletin 97-003.

**FINDING NUMBER 2001-11007-002**

**Noncompliance Citation**

Ohio Rev. Code Section 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:

1. Then and Now Certificates - This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that he/she is completing his/her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the



**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**FINDING NUMBER 2001-11007-002 (Continued)**

Ohio Rev. Code Section 5705.41(D) (Continued)

1. (Continued)  
receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
  
2. Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "Then and Now Certificate," provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The School District did not obtain the Treasurer's prior certification for thirty percent of the transactions tested, nor was there evidence of a "Then and Now Certificate" being used by the School District.

We recommend the School District obtain the Treasurer's prior certification for all disbursements.

**FINDING NUMBER 2001-11007-003**

**Reportable Condition**

The School District should maintain adequate budgetary accounting records to provide ongoing and timely information. Our review of budgetary accounting records indicated that the School District ledgers were not maintained in such a way to provide up-to-date information throughout the year.

The School District did not timely post budgetary information approved by the legislative authority. Most notably, the first Amended Certificate of Estimated Revenues passed by the Budget Commission was received in early July but not posted to the accounting system until early October.

We recommend the School District enter legislatively approved budgetary information to the accounting system in a timely manner. This will provide up-to-date budgetary information for the School District to make prudent financial decisions.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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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, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-11007-001	Ohio Rev. Code Section 5705.10 states funds from one fund may not be used to pay the obligations of another fund.	No	Not Corrected; this noncompliance citation is repeated for the fiscal year ended June 30, 2001 (Finding Number 2001-11007-001).
2000-11007-002	Ohio Rev. Code Section 5705.41(D) states funds are to be certified as to their availability prior to incurring obligations.	No	Not Corrected; the noncompliance citation is repeated for the fiscal year ended June 30, 2001 (Finding Number 2001-11007-002).
2000-11007-003	Auditor of State Bulletin 97-003 states advances of cash from one fund to another must meet statutory authority to use the money in the fund advancing the cash.	Yes	Fully Corrected.

**MARTINS FERRY CITY SCHOOL DISTRICT  
BELMONT COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 § .315 (c)  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-11007-001	The School District Treasurer plans to monitor fund balances to ensure moneys from one fund are not used to pay the obligations of another fund.	June 30, 2002	Albert Skulich, Treasurer
2001-11007-002	The School District Treasurer intends to monitor purchases to ensure that prior certification of funds is obtained prior to incurring obligations.	June 30, 2002	Albert Skulich, Treasurer
2001-11007-003	The School District Treasurer intends to post budgetary information in a more timely manner.	June 30, 2002	Albert Skulich, Treasurer





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
DECEMBER 18, 2001**