



**Auditor of State  
Betty Montgomery**



**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Marietta City School District  
Washington County  
701 Third Street  
Marietta, Ohio 45750

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marietta City School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marietta City School District, Washington County, as of June 30, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2005, 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 agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of the internal control over financial reporting and compliance, and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should be read in conjunction with this report in considering the results of our audit.

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 12, 2005

**Marietta City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
Unaudited

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The discussion and analysis of the Marietta City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2005 are as follows:

- Net assets of governmental activities increased \$1,370,229.
- General receipts accounted for \$20,804,808 in receipts or 79% of all receipts. Program specific cash receipts in the form of charges for services, grants, contributions, and interest accounted for \$5,189,402 or 20% of total receipts of \$26,270,458.
- The School District had \$24,900,229 in disbursements related to governmental activities; only \$5,189,402 of these disbursements were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$20,804,808 were adequate to provide for these programs by \$1,370,229.
- The School District's major funds were the General Fund and the Bond Retirement Fund. The General Fund had \$21,339,952 in receipts and \$20,068,693 in disbursements. The General Fund's balance increased \$1,208,620. The Bond Retirement Fund had \$1,038,139 in receipts and \$1,070,699 in disbursements. The Bond Retirement Fund's balance decreased \$32,560.

**Using this Annual Financial Report**

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

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

**Marietta City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
Unaudited

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***Reporting the School District as a Whole***

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

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, “How did we do financially during fiscal year 2005?” The Statement of Net Assets – Modified Cash Basis and the Statement of Activities – Modified Cash Basis answer this question. These two statements report the School District’s net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

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

***Reporting the School District’s Most Significant Funds***

*Fund Financial Statements*

The analysis of the School District’s major funds begins on page 9. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District’s most significant funds. The School District’s major governmental funds are the General Fund and the Bond Retirement Fund.

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

**The School District as a Whole**

Recall that the Statement of Net Assets – Modified Cash Basis provides the perspective of the School District as a whole. Table 1 provides a summary of the School District’s net assets for 2005 compared to 2004.

**Marietta City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
 Unaudited

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Table 1  
 Net Assets - Modified Cash Basis

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$4,953,933	\$3,583,704
<b>Net Assets</b>		
Restricted	2,489,834	2,100,257
Unrestricted	2,464,099	1,483,447
Total Net Assets	\$4,953,933	\$3,583,704

Since the entity-wide statement of net assets includes the balance of the self-insurance internal service fund, the above table reflects an increase in net assets of \$1,370,229. The self-insurance fund cash balance decreased by \$321,273 during fiscal year 2005 due to medical and prescription insurance no longer being self-insured as of November 1, 2004.

**Marietta City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
 Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005, and comparisons to June 30, 2004.

Table 2  
 Changes in Net Assets

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<b>Receipts</b>		
Program Cash Receipts:		
Charges for Services	\$1,252,147	\$1,285,285
Operating Grants, Contributions and Interest	3,917,539	3,248,976
Capital Grants and Contributions	19,716	20,421
Total Program Cash Receipts	<u>5,189,402</u>	<u>4,554,682</u>
General Receipts:		
Property Taxes	11,675,978	11,123,503
Grants and Entitlements	8,628,276	8,736,815
Investment Earnings	105,099	63,310
Receipts from Sale of Capital Assets	2,330	397,557
Bonds Issued	0	821,529
Payments in Lieu of Taxes	60,562	0
Miscellaneous	332,563	127,850
Total General Receipts	<u>20,804,808</u>	<u>21,270,564</u>
Special Item:		
Sale of School Buildings	276,248	0
Total Receipts	<u>26,270,458</u>	<u>25,825,246</u>
<b>Program Disbursements</b>		
Instruction:		
Regular	10,461,439	10,733,795
Special	3,075,292	2,855,005
Vocational	83,933	112,922
Adult/Continuing	74,094	82,270
Support Services:		
Pupils	1,165,887	1,112,047
Instructional Staff	1,657,885	1,510,226
Board of Education	96,911	85,240
Administration	1,868,362	1,872,155
Fiscal	473,068	471,760
Business	264,325	246,592
Operation and Maintenance of Plant	2,032,377	2,159,016
Pupil Transportation	1,192,364	1,160,301
Central	99,821	69,590
Operation of Non-Instructional Services:		
Food Service Operations	634,114	643,655
Other	145,759	197,700
Extracurricular Activities	454,269	493,987
Capital Outlay	41,076	739,377
Principal Retirement	983,729	960,000
Interest and Fiscal Charges	95,524	109,484
Total Disbursements	<u>24,900,229</u>	<u>25,615,122</u>
Increase in Net Assets	<u>\$1,370,229</u>	<u>\$210,124</u>

**Marietta City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
Unaudited

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During fiscal year 2005, the School District reduced 23 staff positions for a \$950,000 cost savings. Although these reductions were made, the program offering remained similar as compared to the previous year. In addition, the School District sold the unused Reno Elementary School for \$260,000 and agreed upon the sale of the Administration Building for \$162,474 with the stipulation the Board have one year to vacate the property by June 30, 2006.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreases as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 44% of revenues for governmental activities for the Marietta City School District in fiscal year 2005.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2004 have been made.

**Marietta City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
 Unaudited

Table 3  
 Governmental Activities

	<u>Total Cost of Services</u> 2005	<u>Net Cost of Services</u> 2005	<u>Total Cost of Services</u> 2004	<u>Net Cost of Services</u> 2004
<b>Program Disbursements</b>				
Instruction:				
Regular	\$10,461,439	\$9,494,564	\$10,733,795	\$9,692,902
Special	3,075,292	1,137,155	2,855,005	1,195,918
Vocational	83,933	63,424	112,922	85,501
Adult/Continuing	74,094	3,978	82,270	3,859
Support Services:				
Pupils	1,165,887	1,064,374	1,112,047	1,046,253
Instructional Staff	1,657,885	1,021,731	1,510,226	1,074,979
Board of Education	96,911	96,911	85,240	85,240
Administration	1,868,362	1,608,667	1,872,155	1,728,819
Fiscal	473,068	464,155	471,760	466,233
Business	264,325	264,325	246,592	246,592
Operation and Maintenance of Plant	2,032,377	2,018,002	2,159,016	2,149,253
Pupil Transportation	1,192,364	1,071,168	1,160,301	1,013,632
Central	99,821	72,203	69,590	40,180
Operation of Non-Instructional Services				
Food Service	634,114	(119,054)	643,655	(1,914)
Other	145,759	(1,937)	197,700	50,044
Extracurricular Activities	454,269	330,832	493,987	374,088
Capital Outlay	41,076	41,076	739,377	739,377
Principal Retirement	983,729	983,729	960,000	960,000
Interest and Fiscal Charges	95,524	95,524	109,484	109,484
<b>Total</b>	<u><u>\$24,900,229</u></u>	<u><u>\$19,710,827</u></u>	<u><u>\$25,615,122</u></u>	<u><u>\$21,060,440</u></u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2005, approximately 66% of instruction activities were supported through taxes and other general revenues.

**Marietta City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
 Unaudited

**The School District Funds**

The School District's major funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$25,991,880 and disbursements of \$24,578,956. The General Fund had an increase in fund balance of \$1,208,620 due to a combination of factors. Even though there was a reduction of expenditures, revenues also decreased due to State reductions. The Bond Retirement Fund had a decrease in fund balance of \$32,560 because the tax rate has been reduced to 2.2 mills. This rate will be reviewed annually until the refunding bonds are retired in fiscal year 2008.

***General Fund Budgeting Highlights***

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

During the course of 2005, the School District amended its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis receipts were \$21,339,952, above original estimates of \$20,789,193. The \$550,759 difference was mainly due to tangible tax revenues being greater than originally estimated.

The School District's ending unobligated General Fund balance was \$1,895,320.

**Debt Administration**

At June 30, 2005, the School District had \$3,320,000 in bonds outstanding.

Table 4  
 Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2005	2004
2002 School Improvement Refunding Bonds:		
Serial Bonds	\$1,895,000	\$2,810,000
Capital Appreciation Bonds at Maturity	690,000	690,000
Energy Conservation Bonds	735,000	776,529
Lunchroom Loan	40,800	20,000
Totals	\$3,360,800	\$4,296,529

**Marietta City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
Unaudited

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In July 1999, the School District obtained a \$100,000 interest free loan to finance lunchroom capital acquisitions. \$20,000 payments were made yearly through fiscal year 2005. During fiscal year 2005, the School District also obtained a \$48,000 five-year interest free loan to finance a point-of-sale equipment purchase.

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

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

**Current Issues**

Over the past several years, the School District has remained in a difficult financial position with an ending cash balance less than recommended. Due to reduced State revenues, changes in the law which reduces the business tax base and the overall economic climate, the School District will remain in this position for the foreseeable future until new funding can be assured.

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

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

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact David B. Combs, Treasurer/CFO at Marietta City School District, 701 Third Street, Marietta, Ohio 45750, or E-Mail at [MA\\_DAVIDC@SEOVEC.ORG](mailto:MA_DAVIDC@SEOVEC.ORG).

**Marietta City School District, Ohio**  
*Statement of Net Assets - Modified Cash Basis*  
*June 30, 2005*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,953,933</u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$444,395
Debt Service	1,005,514
Textbooks	153,047
Budget Stabilization	79,089
Bus Purchases	19,716
Other Purposes	788,073
Unrestricted	<u>2,464,099</u>
<i>Total Net Assets</i>	<u>\$4,953,933</u>

See accompanying notes to the basic financial statements

**Marietta City School District, Ohio**  
*Statement of Activities - Modified Cash Basis*  
*For the Fiscal Year Ended June 30, 2005*

	Program Cash Receipts				Net (Disbursements)
	Cash	Charges for	Operating Grants,	Capital	Receipts and
	Disbursements	Services	Contributions	Grants and	Changes in
<b>Governmental Activities</b>			and Interest	Contributions	Net Assets
					Governmental
					Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$10,461,439	\$579,845	\$387,030	\$0	(\$9,494,564)
Special	3,075,292	22,496	1,915,641	0	(1,137,155)
Vocational	83,933	0	20,509	0	(63,424)
Adult/Continuing	74,094	0	70,116	0	(3,978)
Support Services:					
Pupils	1,165,887	677	100,836	0	(1,064,374)
Instructional Staff	1,657,885	0	636,154	0	(1,021,731)
Board of Education	96,911	0	0	0	(96,911)
Administration	1,868,362	70,444	189,251	0	(1,608,667)
Fiscal	473,068	8,913	0	0	(464,155)
Business	264,325	0	0	0	(264,325)
Operation and Maintenance of Plant	2,032,377	4,264	10,111	0	(2,018,002)
Pupil Transportation	1,192,364	28,359	73,121	19,716	(1,071,168)
Central	99,821	0	27,618	0	(72,203)
Operation of Non-Instructional Services:					
Food Service Operations	634,114	412,103	341,065	0	119,054
Other	145,759	1,609	146,087	0	1,937
Extracurricular Activities	454,269	123,437	0	0	(330,832)
Capital Outlay	41,076	0	0	0	(41,076)
Principal Retirement	983,729	0	0	0	(983,729)
Interest and Fiscal Charges	95,524	0	0	0	(95,524)
<i>Totals</i>	<u>\$24,900,229</u>	<u>\$1,252,147</u>	<u>\$3,917,539</u>	<u>\$19,716</u>	<u>(19,710,827)</u>
<b>General Receipts</b>					
Property Taxes Levied for:					
General Purposes					10,758,167
Debt Service					917,811
Grants and Entitlements not Restricted to Specific Programs					8,628,276
Investment Earnings					105,099
Receipts from Sale of Capital Assets					2,330
Payments in Lieu of Taxes					60,562
Miscellaneous					<u>332,563</u>
<i>Total General Receipts</i>					20,804,808
Special Item - Sale of School Buildings					<u>276,248</u>
<i>Change in Net Assets</i>					1,370,229
<i>Net Assets Beginning of Year</i>					<u>3,583,704</u>
<i>Net Assets End of Year</i>					<u><u>\$4,953,933</u></u>

See accompanying notes to the basic financial statements

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**Marietta City School District, Ohio**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*June 30, 2005*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,841,475	\$1,005,514	\$1,238,040	\$4,085,029
Interfund Receivable	40,776	0	0	40,776
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	378,474	0	0	378,474
<i>Total Assets</i>	<u>\$2,260,725</u>	<u>\$1,005,514</u>	<u>\$1,238,040</u>	<u>\$4,504,279</u>
<b>Liabilities</b>				
Interfund Payable	\$0	\$0	\$40,776	\$40,776
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>40,776</u>	<u>40,776</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	244,996	0	297,416	542,412
Reserved for Capital Improvements	126,622	0	0	126,622
Reserved for Textbooks	153,047	0	0	153,047
Reserved for Budget Stabilization	79,089	0	0	79,089
Reserved for School Bus Purchase	19,716	0	0	19,716
Reserved for Property Taxes	182,917	17,258	0	200,175
Unreserved, Undesignated, Reported in:				
General Fund	1,454,338	0	0	1,454,338
Special Revenue Funds	0	0	623,151	623,151
Capital Projects Funds	0	0	276,697	276,697
Debt Service Fund	0	988,256	0	988,256
<i>Total Fund Balances</i>	<u>2,260,725</u>	<u>1,005,514</u>	<u>1,197,264</u>	<u>4,463,503</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,260,725</u>	<u>\$1,005,514</u>	<u>\$1,238,040</u>	<u>\$4,504,279</u>

See accompanying notes to the basic financial statements

**Marietta City School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
June 30, 2005*

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**Total Governmental Fund Balances** \$4,463,503

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

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net assets. 490,430

Net Assets of Governmental Activities \$4,953,933

See accompanying notes to the basic financial statements

**Marietta City School District, Ohio**  
*Statement of Cash Receipts, Cash Disbursements and Changes in Modified Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2005*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Taxes	\$10,758,167	\$917,811	\$0	\$11,675,978
Payments in Lieu of Taxes	60,562	0	0	60,562
Intergovernmental	9,649,823	103,981	2,798,156	12,551,960
Investment Earnings	94,426	10,673	3,571	108,670
Charges for Services	0	0	412,103	412,103
Tuition and Fees	440,072	0	190,525	630,597
Extracurricular Activities	0	0	190,461	190,461
Miscellaneous	336,902	5,674	18,973	361,549
<i>Total Receipts</i>	<u>21,339,952</u>	<u>1,038,139</u>	<u>3,613,789</u>	<u>25,991,880</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	9,723,704	0	602,083	10,325,787
Special	2,224,186	0	801,230	3,025,416
Vocational	83,130	0	0	83,130
Adult/Continuing	0	0	72,981	72,981
Support Services:				
Pupils	1,057,683	0	92,619	1,150,302
Instructional Staff	1,049,888	0	574,787	1,624,675
Board of Education	96,911	0	0	96,911
Administration	1,611,060	0	228,947	1,840,007
Fiscal	449,815	18,646	0	468,461
Business	259,718	0	0	259,718
Operation and Maintenance of Plant	2,000,633	0	9,140	2,009,773
Pupil Transportation	1,161,296	0	8,495	1,169,791
Central	58,699	0	41,122	99,821
Operation of Non-Instructional Services	0	0	777,585	777,585
Extracurricular Activities	291,970	0	162,299	454,269
Capital Outlay	0	0	41,076	41,076
Debt Service:				
Principal Retirement	0	956,529	27,200	983,729
Interest and Fiscal Charges	0	95,524	0	95,524
<i>Total Disbursements</i>	<u>20,068,693</u>	<u>1,070,699</u>	<u>3,439,564</u>	<u>24,578,956</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,271,259</u>	<u>(32,560)</u>	<u>174,225</u>	<u>1,412,924</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	2,330	0	276,248	278,578
Transfer In	31	0	65,000	65,031
Transfer Out	(65,000)	0	(31)	(65,031)
<i>Total Other Financing Sources (Uses)</i>	<u>(62,639)</u>	<u>0</u>	<u>341,217</u>	<u>278,578</u>
<i>Net Change in Fund Balance</i>	1,208,620	(32,560)	515,442	1,691,502
<i>Fund Balances Beginning of Year - Restated (Note 3)</i>	<u>1,052,105</u>	<u>1,038,074</u>	<u>681,822</u>	<u>2,772,001</u>
<i>Fund Balances End of Year</i>	<u>\$2,260,725</u>	<u>\$1,005,514</u>	<u>\$1,197,264</u>	<u>\$4,463,503</u>

See accompanying notes to the basic financial statements

**Marietta City School District, Ohio**

*Reconciliation of the Statement of Cash Receipts, Cash Disbursements and Changes in Modified Cash  
Basis Fund Balances of Governmental Funds to the Statement of Activities - Modified Cash Basis  
For the Fiscal Year Ended June 30, 2005*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$1,691,502
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*Amounts reported for governmental activities in the statement of activities  
are different because*

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

(321,273)

*Change in Net Assets of Governmental Activities*

\$1,370,229

See accompanying notes to the basic financial statements

**Marietta City School District, Ohio**  
*Statement of Cash Receipts, Cash Disbursements and Changes*  
*in Cash Basis Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Taxes	\$10,480,511	\$10,758,167	\$10,758,167	\$0
Payments in Lieu of Taxes	60,562	60,562	60,562	0
Intergovernmental	9,400,773	9,649,823	9,649,823	0
Investment Earnings	91,989	94,426	94,426	0
Tuition and Fees	428,714	440,072	440,072	0
Miscellaneous	326,644	336,902	336,902	0
<i>Total Receipts</i>	20,789,193	21,339,952	21,339,952	0
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	7,837,625	9,886,968	9,737,115	149,853
Special	1,657,789	2,278,563	2,228,270	50,293
Vocational	89,248	90,222	85,628	4,594
Support Services:				
Pupils	817,150	1,097,605	1,068,539	29,066
Instructional Staff	837,667	1,162,970	1,070,112	92,858
Board of Education	115,435	104,700	97,186	7,514
Administration	1,330,417	1,661,387	1,623,891	37,496
Fiscal	395,215	456,023	450,140	5,883
Business	184,765	289,152	272,344	16,808
Operation and Maintenance of Plant	1,781,793	2,293,297	2,209,557	83,740
Pupil Transportation	943,961	1,204,610	1,188,595	16,015
Central	51,966	66,560	65,246	1,314
Non-Instructional Services	3,640	3,640	0	3,640
Extracurricular Activities	288,037	302,161	296,699	5,462
<i>Total Disbursements</i>	16,334,708	20,897,858	20,393,322	504,536
<i>Excess of Receipts Under Disbursements</i>	4,454,485	442,094	946,630	504,536
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	2,270	2,330	2,330	0
Other Financing Uses	(5,308,883)	(717,095)	0	717,095
Advances In	208,506	208,506	208,506	0
Advances Out	(100,000)	(100,000)	(76,064)	23,936
Transfer In	31	31	31	0
Transfer Out	(194,089)	(194,089)	(65,000)	129,089
<i>Total Other Financing Sources (Uses)</i>	(5,392,165)	(800,317)	69,803	870,120
<i>Net Change in Fund Balance</i>	(937,680)	(358,223)	1,016,433	1,374,656
<i>Fund Balance Beginning of Year</i>	603,117	603,117	603,117	0
Prior Year Encumbrances Appropriated	275,770	275,770	275,770	0
<i>Fund Balance End of Year</i>	(\$58,793)	\$520,664	\$1,895,320	\$1,374,656

See accompanying notes to the basic financial statements

**Marietta City School District, Ohio**  
*Statement of Fund Net Assets - Modified Cash Basis*  
*Internal Service Fund*  
*June 30, 2005*

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	<u>Dental and Vision Insurance</u>
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$490,430</u>
<b>Net Assets</b>	
Unrestricted	<u>\$490,430</u>

See accompanying notes to the basic financial statements

**Marietta City School District, Ohio**  
*Statement of Cash Receipts, Cash*  
*Disbursements and Changes in Fund Net Assets - Modified Cash Basis*  
*Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2005*

	Dental and Vision Insurance
<b>Operating Receipts</b>	
Charges for Services	\$1,218,562
<b>Operating Disbursements</b>	
Purchased Services	154,199
Claims	1,385,636
<i>Total Operating Expenses</i>	1,539,835
<i>Change in Net Assets</i>	(321,273)
<i>Net Assets Beginning of Year</i>	811,703
<i>Net Assets End of Year</i>	\$490,430

See accompanying notes to the basic financial statements

**Marietta City School District, Ohio**  
*Statement of Fiduciary Net Assets - Modified Cash Basis*  
*Agency Funds*  
*June 30, 2005*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$75,513</u>
<b>Net Assets</b>	
Restricted for Students	<u>\$75,513</u>

See accompanying notes to the basic financial statements

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## **Marietta City School District, Ohio**

*Notes to the Basic Financial Statements  
For the fiscal Year Ended June 30, 2005*

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### **Note 1 - Description of the School District and Reporting Entity**

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's 10 instructional/support facilities staffed by 106 classified employees and 211 certified personnel, who provide services to 3,130 students and other community members.

#### ***Reporting Entity***

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

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

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

### **Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The School District does not apply FASB statements issued after November 30, 1989, to its business-type activities. Following are the more significant of the School District's accounting policies.

## Marietta City School District, Ohio

*Notes to the Basic Financial Statements  
For the fiscal Year Ended June 30, 2005*

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### **A. Basis of Presentation**

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

#### Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service funds is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. The School District does not report any business-type activities.

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

#### Fund Financial Statements

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

### **B. Fund Accounting**

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

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

## Marietta City School District, Ohio

*Notes to the Basic Financial Statements  
For the fiscal Year Ended June 30, 2005*

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

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

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

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

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

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

### ***C. Basis of Accounting***

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

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

### ***D. Budgetary Process***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate.

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements  
For the fiscal Year Ended June 30, 2005*

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The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

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

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

***E. Cash, Cash Equivalents, and Investments***

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

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

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

During fiscal year 2005, investments were limited to STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2005 was \$94,426, including \$55,501 assigned from other School District funds.

***F. Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset.

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the fiscal Year Ended June 30, 2005*

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Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets include amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization, for the purchase of textbooks, and for the acquisition or construction of capital assets. Restricted assets also represent unexpended grants restricted for the purchase of buses and textbooks. See Note 12 for additional information regarding these set-asides.

***G. Inventory and Prepaid Items***

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

***H. Capital Assets***

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

***I. Interfund Receivables/Payables***

The School District reports advances-in and advances-out for interfund loans. On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

***J. Accumulated Leave***

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

***K. Employer Contributions to Cost-Sharing Pension Plans***

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

***L. Long-term Obligations***

The School District's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay are reported at inception. Lease payments are reported when paid.

***M. Net Assets***

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

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements  
For the fiscal Year Ended June 30, 2005*

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Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide statement of net assets reports \$2,489,834 of restricted net assets, of which none is restricted by enabling legislation.

***N. Fund Balance Reserves***

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, capital improvements, textbooks, budget stabilization, school bus purchases, and property taxes.

The reserve for property taxes represents taxes available against the first real estate tax settlement in fiscal year 2005 but not available for appropriation under State statute. The reserve for budget stabilization represents money set-aside to protect against cyclical changes in receipts and disbursements.

***O. Interfund Transactions***

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

**Note 3 – Changes in Basis of Accounting and Restatement of Prior Year Balances**

For fiscal year 2005, the School District has implemented GASB Statement No. 40 "Deposit and Investment Risk Disclosures" and GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Statement No. 40 describes the responsibility of governments to provide credit rating information on their investments.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets.

The implementation of GASB Statement No. 40 and GASB Statement No. 46 had no effect on the School District's financial statements for fiscal year 2005.

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements  
For the fiscal Year Ended June 30, 2005*

Interfund receivables and payables were not recorded at June 30, 2004, which resulted in the following restatements:

	General Fund	Other Governmental Funds
Fund Balance at June 30, 2004	\$878,887	\$855,040
Interfund Receivable	173,218	0
Interfund Payable	0	(173,218)
Restated Fund Balance at July 1, 2004	<u>\$1,052,105</u>	<u>\$681,822</u>

**Note 4 – Budgetary Basis of Accounting**

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

Net Change in Fund Balance

Modified Cash Basis	\$1,208,620
Advances In	208,506
Advances Out	(76,064)
Encumbrances	<u>(324,629)</u>
Budget Basis	<u>\$1,016,433</u>

**Note 5 – Deposits and Investments**

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

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

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

## Marietta City School District, Ohio

### *Notes to the Basic Financial Statements For the fiscal Year Ended June 30, 2005*

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).

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

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, none of the School District's bank balance of \$5,187,910 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

## **Marietta City School District, Ohio**

*Notes to the Basic Financial Statements  
For the fiscal Year Ended June 30, 2005*

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

**Investments** As of June 30, 2005, the School District had an investment in STAROhio. The carrying and fair value of this investment was \$2,508, with an average maturity of sixty days. This investment is in an internal investment pool.

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

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

### **Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements  
For the fiscal Year Ended June 30, 2005*

The School District receives property taxes from Washington County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$329,486,580	82%	\$381,973,190	85%
Public Utility Personal	15,636,610	4%	15,494,880	3%
Tangible Personal Property	53,952,980	14%	50,988,190	12%
	<u>\$399,076,170</u>	<u>100%</u>	<u>\$448,456,260</u>	<u>100%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$43.40		\$43.40	

**Note 7 - Interfund Balances**

Unpaid interfund cash advances at June 30, 2005, were as follows:

	Receivables	Payables
General Fund	\$40,776	\$0
Nonmajor Special Revenue Funds:		
Public School Support	0	269
Ohio Reads	0	930
IDEA-B	0	35,373
Title I	0	3,128
Miscellaneous Federal Grants	0	1,076
Total Special Revenue Funds	0	40,776
Total All Funds	<u>\$40,776</u>	<u>\$40,776</u>

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the fiscal Year Ended June 30, 2005*

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**Note 8 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District contracted with Utica National Insurance Group for general liability, vehicle, and property insurance. Coverage provided by the Utica National Insurance Group is as follows:

Building and Contents-replacement cost (\$5,000 deductible)	\$45,581,600
Boiler and Machinery (\$5,000 deductible)	45,581,600
Inland Marine:	
Cameras and audio-visual equipment (\$250 deductible)	50,000
Signs (\$250 deductible)	30,000
Music Instruments and Band Uniforms (\$250 deductible)	500,000
Computers per Building (\$100 deductible)	
Hardware	50,000
Software	10,000
Extra Expense	10,000
Miscellaneous School Equipment and Property (\$250 deductible)	500,000
Valuable Papers & Records per Building (\$100 deductible)	100,000
Accounts Receivable (no deductible)	50,000
Crime (no deductible) -	
Public Employee Dishonesty	\$100,000
Money and Securities -	
Inside Premises - Per Occurrence	25,000
Outside Premises - Per Messenger	25,000
Forgery or Alteration	100,000
Automobile Liability (no deductible):	
Bodily Injury and Property Damage - combined single limit	1,000,000
Medical Payments - each person	5,000
Hired Auto Liability	1,000,000
Non-owned Auto Liability	1,000,000
Hired Car Physical Damage	50,000
General Liability (no deductible):	
Each Occurrence	1,000,000
Aggregate Limit	3,000,000
Medical Expense Limit - per person/accident	5,000
Employee Benefits Liability (\$1,000 deductible):	
Per Claim	1,000,000
Aggregate Limit	3,000,000
Educators Legal Liability (\$5,000 deductible):	
Per Claim	1,000,000
Aggregate Limit	3,000,000
Umbrella:	
Each Occurrence	2,000,000
Aggregate Limit	2,000,000
Retention	10,000

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements  
For the fiscal Year Ended June 30, 2005*

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Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2005.

***B. Workers' Compensation***

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve 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. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's 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.

***C. Employee Benefits***

Dental and vision insurance is offered to employees through a self-insurance internal service fund. Monthly premiums for the cost of claims are remitted to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$26,008, which is based on an estimate provided by the third party administrator, includes unpaid claim costs and estimates of costs relating to incurred but not reported claims. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

A comparison of self-insurance fund cash and investments to the actuarially-measured liability as of June 30 follows:

	Cash and Investments	Actuarial Liabilities
2004	\$811,703	\$604,589
2005	490,430	26,008

**Note 9 - Defined Benefit Pension Plans**

***A. State Teachers Retirement System***

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

## **Marietta City School District, Ohio**

*Notes to the Basic Financial Statements  
For the fiscal Year Ended June 30, 2005*

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Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$312,543, \$280,416 and \$283,006; 54.81 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

### ***B. State Teachers Retirement System***

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

## **Marietta City School District, Ohio**

### *Notes to the Basic Financial Statements For the fiscal Year Ended June 30, 2005*

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The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,299,893, \$1,340,061 and \$1,493,006; 82.69 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$1,725 made by the School District and \$10,592 made by the plan members.

#### ***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, 2005, four members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

#### **Note 10 - Postemployment Benefits**

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of 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, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$99,992 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. 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 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, School District paid \$148,184 to fund health care benefits, including the surcharge.

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements  
For the fiscal Year Ended June 30, 2005*

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 for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**Note 11 - Long-Term Debt**

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

	Principal Outstanding 6/30/04	Additions	Reductions	Principal Outstanding 6/30/05	Amounts Due in One Year
<b>Governmental Activities</b>					
2002 School Improvement Refunding Bonds:					
Serial Bonds - 2%-2.75%	\$2,810,000	\$0	\$915,000	\$1,895,000	\$935,000
Capital Appreciation Bonds at Maturity - 3.91%	690,000	0	0	690,000	0
2003 Energy Conservation Improvement Bonds - 4.54%	776,529	0	41,529	735,000	45,000
Total General Obligation Bonds	<u>4,276,529</u>	<u>0</u>	<u>956,529</u>	<u>3,320,000</u>	<u>980,000</u>
Loan Payable - 0%	20,000	48,000	27,200	40,800	9,600
Total Governmental Activities Long-Term Obligations	<u>\$4,296,529</u>	<u>\$48,000</u>	<u>\$983,729</u>	<u>\$3,360,800</u>	<u>\$989,600</u>

In July 1999, the School District obtained a \$100,000 interest free loan to finance lunchroom capital acquisitions. \$20,000 payments were made yearly through fiscal year 2005. The School District also obtained a \$48,000 interest free loan in 2005 to purchase a point-of-sale system for the lunchroom. \$800 payments will be made yearly for five years.

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

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

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements  
For the fiscal Year Ended June 30, 2005*

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

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

The overall debt margin of the School District as of June 30, 2005, was \$37,041,063, with an unvoted debt margin of \$448,456.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2005, were as follows:

Fiscal Year Ending	Refunding Bonds					
	Serial		Capital Appreciation		Energy Conservation	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$935,000	\$38,087	\$0	\$0	\$45,000	32,348
2007	960,000	13,200	0	0	40,000	30,418
2008	0	0	690,000	295,000	50,000	28,375
2009	0	0	0	0	50,000	26,105
2010	0	0	0	0	50,000	23,835
2011-2015	0	0	0	0	290,000	81,949
2016-2018	0	0	0	0	210,000	14,528
	<u>\$1,895,000</u>	<u>\$51,287</u>	<u>\$690,000</u>	<u>\$295,000</u>	<u>\$735,000</u>	<u>\$237,558</u>

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

**Note 12 - Set-Aside Calculations**

State statute annually requires the School District to set aside in the General Fund an amount based on a statutory formula to purchase textbooks and other instructional materials and an equal amount to acquire and construct capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward for the same uses in future years. In prior fiscal years, the School District was also required to set aside money for budget stabilization. At June 30, 2005, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements  
For the fiscal Year Ended June 30, 2005*

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

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2004	\$79,089	\$106,279	\$153,863
Current Year Set-aside Requirement	0	443,337	443,337
Qualifying Disbursements	0	(422,994)	(444,153)
Total	<u>\$79,089</u>	<u>\$126,622</u>	<u>\$153,047</u>
Set-aside Balance Carry Forward to Future Fiscal Years	<u>\$79,089</u>	<u>\$126,622</u>	<u>\$153,047</u>

**Note 13 - Interfund Transfers**

During the fiscal year, the General Fund transferred \$65,000 to the Athletic and Music Special Revenue Fund to reduce deficit cash balances. Also, the Other Miscellaneous Special Revenue Fund transferred \$31 to the General Fund to close out the fund.

**Note 14 - Contingencies**

**A. Grants**

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2005, will not have a material adverse effect on the School District.

**B. Litigation**

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

**Note 15 - Jointly Governed Organizations**

**A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)**

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2005, the School District paid \$85,704 to SEOVEC. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative, at 221 North Columbus Road, Athens, Ohio 45701.

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements  
For the fiscal Year Ended June 30, 2005*

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***B. Washington County Career Center***

The Washington County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school districts' elected boards and one representative from the Washington County Educational Service Center's board. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Washington County Career Center, Mary Bee, Treasurer, at 21740 State Route 676, Marietta, Ohio 45750.

***C. Coalition of Rural and Appalachian Schools***

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers of data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2005.

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

SEOSERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. SEOSERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Ohio University, and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2005, the School District paid \$5,225 to SEOSERRC. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

**Note 16 - Insurance Purchasing Pool**

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

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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.

**Note 17 - Subsequent Event**

Effective October 1, 2005, the School District will no longer be self-insured for its dental benefits.

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005**

<b>FEDERAL GRANTOR</b> <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	10.550	N/A	\$	\$ 63,592	\$	\$ 63,592
School Breakfast Program	10.553	05PU-2004 05PU-2005	11,536 50,760		11,536 50,760	
Total National School Lunch Program			<u>62,296</u>	<u>0</u>	<u>62,296</u>	<u>0</u>
National School Lunch Program	10.555	LLP4-2004 LLP4-2005	55,138 205,883		55,138 205,883	
Total National School Lunch Program			<u>261,021</u>	<u>0</u>	<u>261,021</u>	<u>0</u>
Total Nutrition Cluster			<u>323,317</u>	<u>63,592</u>	<u>323,317</u>	<u>63,592</u>
Total United States Department of Agriculture			323,317	63,592	323,317	63,592
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through Ohio Department of Education:</i>						
Adult Education - State Grant Program	84.002	ABS1-2004 ABS1-2004C ABS1-2005	(3,960) 11,848 68,074		2,927 10,664 68,074	
Total Adult Education - State Grant Program			<u>75,962</u>	<u>0</u>	<u>81,665</u>	<u>0</u>
Title I Grants to Local Educational Agencies	84.010	C1S1-2004 C1S1-2005 C1SD-2004 C1SD-2005	155,091 679,196 1,414 42,962		130,202 636,881 4,473 36,828	
Total Title I Grants to Local Educational Agencies			<u>878,663</u>	<u>0</u>	<u>808,384</u>	<u>0</u>
Special Education - Grants to States	84.027	6BSF-2004 6BSF-2005 6BSD-2005	148,494 470,694 27,818		87,686 409,025 20,075	
Total Special Education - Grants to States			<u>647,006</u>	<u>0</u>	<u>516,786</u>	<u>0</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	DRS1-2004 DRS1-2005	4,429 23,470		3,625 20,255	
Total Safe and Drug-Free Schools and Communities - State Grants			<u>27,899</u>	<u>0</u>	<u>23,880</u>	<u>0</u>
Education for Homeless Children and Youth	84.196	HCSP-2004 HCS1-2004 HCS1-2005	5,306 11,282 38,472		7,459 1,427 38,049	
Total Education for Homeless Children and Youth			<u>55,060</u>	<u>0</u>	<u>46,935</u>	<u>0</u>
Innovative Education Program Strategies	84.298	C2S1-2004 C2S2-2005	1,169 17,658		3,072 17,008	
Total Innovative Education Program Strategies			<u>18,827</u>	<u>0</u>	<u>20,080</u>	<u>0</u>
Education Technology State Grants	84.318	TJS1-2004 TJS1-2005	(567) 20,778		717 18,130	
Total Education Technology State Grants			<u>20,211</u>	<u>0</u>	<u>18,847</u>	<u>0</u>
Improving Teacher Quality State Grants	84.367	TRS1-2004 TRS1-2005	30,215 171,658		28,716 163,954	
Total Improving Teacher Quality State Grants			<u>201,873</u>	<u>0</u>	<u>192,670</u>	<u>0</u>
Total United States Department of Education			1,925,501	0	1,709,247	0

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)**

<b>FEDERAL GRANTOR</b> <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
<i>Medical Assistance Program -</i>						
Community Alternative Funding System (CAFS)	93.778	N/A	\$ 79,542	\$	\$ 79,542	\$
<i>Passed through Washington County Ohio Department of Job and Family Services:</i>						
Temporary Assistance for Needy Families	93.558	N/A	10,000	_____	10,217	_____
Total United States Department of Health and Human Services			89,542	0	89,759	0
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>						
<i>Passed through Ohio Department of Education:</i>						
Learn and Serve America	94.004	SVS1-2004 SVS2-2005	(403) 12,903	_____	1,466 12,400	_____
Total Learn and Serve America			12,500	0	13,866	0
Total Corporation for National and Community Service			12,500	0	13,866	0
<b>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</b>						
<i>Passed through the Ohio Emergency Management Agency:</i>						
Public Assistance Grants	97.036		16,554	_____	10,518	_____
Total United States Department of Homeland Security			16,554	0	10,518	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 2,367,414</u></b>	<b><u>\$ 63,592</u></b>	<b><u>\$ 2,146,707</u></b>	<b><u>\$ 63,592</u></b>

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

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 2005**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – GOVERNMENT DONATED FOOD PROGRAM**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – TRANSFERS**

During 2005, the Ohio Department of Education (ODE) authorized the School District to transfer unneeded funds to other grants as well as carryover monies from the prior fiscal year to the current fiscal year. Authorized transfers and carryover monies are shown as a reduction of federal revenues in the program that the transfer was made from and increased federal revenue in the program that received the transfer or carryover. A detailed listing of the transfers/carryovers are as follows:

CFDA Number	Program Title	Pass-Through Entity Number	Transfers Out	Transfers In
84.002	Adult Education - State Grant Program	ABS1-2004	\$ 12,193	\$
84.002	Adult Education - State Grant Program	ABS1-2005		12,193
84.010	Title I Grants to Local Educational Agencies	C1S1-2004	2,419	
84.010	Title I Grants to Local Educational Agencies	C1S1-2005		2,419
84.010	Title I Grants to Local Educational Agencies	C1SD-2004	1,086	
84.010	Title I Grants to Local Educational Agencies	C1SD-2005		1,086
84.196	Education for Homeless Children and Youth	HCS1-2004	3,957	
84.196	Education for Homeless Children and Youth	HCS1-2005		3,957
84.298	Innovative Program Strategies	C2S1-2004	2,594	
84.298	Innovative Program Strategies	C2S1-2004		2,594
84.318	Education Technology State Grants	TJS1-2004	567	
84.318	Education Technology State Grants	TJS1-2005		567
84.367	Improving Teacher Quality State Grants	TRS1-2004	8,441	
84.367	Improving Teacher Quality State Grants	TRS1-2005		8,441
94.004	Learn and Serve America	SVS1-2004	403	
94.004	Learn and Serve America	SVS1-2005		403
Total			<u>\$ 31,660</u>	<u>\$ 31,660</u>

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**Auditor of State  
Betty Montgomery**

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

Marietta City School District  
Washington County  
701 Third Street  
Marietta, Ohio 45750

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marietta City School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 12, 2005, wherein we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the School District's management dated December 12, 2005, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

**Compliance and Other Matters**

As part of reasonably assuring whether the School District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2005-001.

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 12, 2005



## Auditor of State Betty Montgomery

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

Marietta City School District  
Washington County  
701 Third Street  
Marietta, Ohio 45750

To the Board of Education:

#### Compliance

We have audited the compliance of Marietta City School District, Washington County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

#### Internal Control over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program 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.

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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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 12, 2005

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

**FINDING NUMBER 2005-001**

**Noncompliance Citation**

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

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

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

**FINDING NUMBER 2005-001 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 117.38 (Continued)**

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

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

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 §.315(b)  
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2004-001	A noncompliance citation was issued under Ohio Rev. Code Section 117-2-03(B) for not filing GAAP financial statements.	No	Not Corrected:  This issue is repeated in the current audit Schedule of Findings as item 2005-001.





**Auditor of State  
Betty Montgomery**

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800-282-0370

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**MARIETTA CITY SCHOOL DISTRICT**

**WASHINGTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 16, 2006**