



Mary Taylor, CPA
Auditor of State

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marietta City School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marietta City School District, Washington County, Ohio, as of June 30, 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General and Food Services Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2009, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Mary Taylor, CPA
Auditor of State

January 15, 2009

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The discussion and analysis of the Marietta City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2008 are as follows:

- Net assets of governmental activities decreased \$955,369.
- General receipts accounted for \$21,369,389 in receipts or 82% of all receipts. Program specific cash receipts in the form of charges for services, grants, contributions, and interest accounted for \$4,716,687 or 18% of total receipts of \$26,086,076.
- The School District had \$27,041,445 in disbursements related to governmental activities; only \$4,716,687 of these disbursements were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$21,369,389 were not adequate to provide for these programs by \$955,369.
- The School District's major funds were the General Fund and the Food Services Fund. The General Fund had \$21,355,143 in receipts and \$21,566,848 in disbursements. The General Fund's balance decreased \$193,988. The Food Services Fund had \$1,035,949 in receipts and \$894,826 in disbursements. The Food Services Fund's balance increased \$141,123.

Using this Annual Financial Report

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

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look 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, 2008
Unaudited

Reporting the School District as a Whole

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

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, “How did we do financially during fiscal year 2008?” The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer this question. These two statements report the School District’s net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

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

Reporting the School District’s Most Significant Funds

Fund Financial Statements

The analysis of the School District’s major funds begins on page 8. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District’s most significant funds. The School District’s major governmental funds are the General Fund and the Food Services 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 cash basis. The governmental fund statements provide a detailed short-term view of the School District’s general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

The School District as a Whole

Recall that the Statement of Net Assets – Cash Basis provides the perspective of the School District as a whole. Table 1 provides a summary of the School District’s net assets for 2008 compared to 2007.

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
 Unaudited

Table 1
 Net Assets - Cash Basis

	Governmental Activities		
	2008	2007	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,385,653	\$5,341,022	(\$955,369)
Net Assets			
Restricted	\$1,452,647	\$2,306,948	(\$854,301)
Unrestricted	2,933,006	3,034,074	(101,068)
Total Net Assets	\$4,385,653	\$5,341,022	(\$955,369)

The above table reflects a decrease in net assets of \$955,369. This decrease can be attributed to the expenditure of funds to retire the capital appreciation bonds issued December 1, 2002.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008, and comparisons to June 30, 2007.

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
 Unaudited

Table 2
 Changes in Net Assets

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
Receipts		
Program Cash Receipts:		
Charges for Services	\$1,206,072	\$1,284,075
Operating Grants, Contributions and Interest	3,498,651	3,725,738
Capital Grants and Contributions	11,964	42,158
Total Program Cash Receipts	<u>4,716,687</u>	<u>5,051,971</u>
General Receipts:		
Property Taxes	11,081,865	11,603,376
Grants and Entitlements	9,882,783	9,035,905
Investment Earnings	197,778	240,719
Receipts from Sale of Capital Assets	9,436	5,798
Notes Issued	0	542,445
Inception of Capital Lease	0	106,000
Payments in Lieu of Taxes	66,613	63,766
Miscellaneous	130,914	245,157
Total General Receipts	<u>21,369,389</u>	<u>21,843,166</u>
Total Receipts	<u>26,086,076</u>	<u>26,895,137</u>
Program Disbursements		
Instruction:		
Regular	11,195,616	10,973,144
Special	3,100,888	3,206,791
Vocational	87,565	94,172
Adult/Continuing	61,408	75,624
Support Services:		
Pupils	1,332,419	1,224,888
Instructional Staff	1,793,334	1,603,153
Board of Education	96,334	85,759
Administration	1,996,336	1,922,104
Fiscal	502,877	449,698
Business	295,803	315,685
Operation and Maintenance of Plant	2,379,340	3,307,885
Pupil Transportation	1,277,908	1,183,213
Central	134,711	154,078
Non-Instructional Services:		
Food Service Operations	894,826	804,419
Other	206,545	126,978
Extracurricular Activities	506,820	498,104
Principal Retirement	847,000	1,079,600
Interest and Fiscal Charges	36,715	63,760
Capital Appreciation Bonds Interest	295,000	0
Total Disbursements	<u>27,041,445</u>	<u>27,169,055</u>
Changes in Net Assets	<u>(955,369)</u>	<u>(273,918)</u>
Net Assets Beginning of Year	5,341,022	5,614,940
Net Assets End of Year	<u>\$4,385,653</u>	<u>\$5,341,022</u>

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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 similar revenue. Property taxes made up approximately 42.5% of revenues for governmental activities for fiscal year 2008 but at a nearly \$522,000 reduction from fiscal year 2007. This was offset by an increase for Grants and Entitlements of approximately \$847,000 from fiscal year 2007 to 2008, which made up 37.9% of revenues. This shift in revenues is a result of changes in state tax law in which Tangible Personal Property Taxes are being eliminated and the Homestead Exemption and Rollback has allowed for increased eligibility and participation. While these taxes have been reduced, the state is reimbursing for a majority of them.

The largest two program expenditures are for Regular Instruction at 41.4% and Special Instruction at 11.5%. Operations and Maintenance is the next largest program at 8.8% but there was over \$928,000 less spent during fiscal year 2008 from fiscal year 2007. This was a result of the completion of a large energy savings project during fiscal year 2007.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2007 have been made.

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
 Unaudited

Table 3
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2008	2008	2007	2007
Program Disbursements				
Instruction:				
Regular	\$11,195,616	\$10,401,503	\$10,973,144	\$9,916,197
Special	3,100,888	1,576,064	3,206,791	1,566,579
Vocational	87,565	71,578	94,172	82,918
Adult/Continuing	61,408	4,610	75,624	(5,482)
Support Services:				
Pupils	1,332,419	1,276,211	1,224,888	1,133,658
Instructional Staff	1,793,334	1,170,472	1,603,153	993,472
Board of Education	96,334	96,334	85,759	85,759
Administration	1,996,336	1,796,572	1,922,104	1,720,025
Fiscal	502,877	502,877	449,698	449,698
Business	295,803	295,803	315,685	315,685
Operation and Maintenance of Plant	2,379,340	2,379,340	3,307,885	3,257,488
Pupil Transportation	1,277,908	1,170,105	1,183,213	1,056,304
Central	134,711	94,927	154,078	75,512
Non-Instructional Services				
Food Service Operations	894,826	(141,123)	804,419	(68,264)
Other	206,545	57,787	126,978	14,360
Extracurricular Activities	506,820	392,983	498,104	379,815
Principal Retirement	847,000	847,000	1,079,600	1,079,600
Interest and Fiscal Charges	36,715	36,715	63,760	63,760
Capital Appreciation Bonds Interest	295,000	295,000	0	0
Total	\$27,041,445	\$22,324,758	\$27,169,055	\$22,117,084

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2008, approximately 83% of instruction activities were supported through taxes and other general revenues.

The School District Funds

The School District's major funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$26,076,640 and disbursements of \$27,049,933. The General Fund had a decrease in fund balance of \$193,988. The Food Services Fund had an increase in fund balance of \$141,123 due to three issues. A reimbursement from the state for fiscal year 2007 was delayed and not received until fiscal year 2008, an investment in improved lunch offerings at the high school increased participation as well as governmental reimbursements, and the offering of an improved breakfast program for the full year at the elementaries.

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
 Unaudited

General Fund Budgeting Highlights

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

During the course of 2008, the School District amended its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis receipts equaled final estimates of \$21,355,143, above original estimates of \$21,315,561. Original estimates were increased \$39,582. Actual disbursements were \$815,287 less than final appropriations.

The School District's ending unobligated General Fund balance was \$2,856,818.

Debt Administration

At June 30, 2008, the School District had the following outstanding obligations:

Table 4
 Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2008	2007
2002 School Improvement Refunding Bonds:		
Capital Appreciation Bonds at Maturity	\$0	\$690,000
2003 Energy Conservation Bonds	600,000	650,000
2006 Energy Conservation Loan	1,132,000	1,205,000
High School Bleachers Capital Lease Purchase	72,000	106,000
Lunchroom Loan	12,000	21,600
Totals	\$1,816,000	\$2,672,600

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

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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

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

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

Current Issues

In previous years, the School District had remained in a difficult financial position with an ending cash balance less than recommended by the State Department of Education. The School District finally reached the minimum recommended cash balance at the end of fiscal year 2006 and maintained it for fiscal years 2007 and 2008 with the highest Unreserved Fund Balance as of June 30, 2008, in many years. There was a replacement levy approved in May, 2007, which was projected to generate approximately \$300,000 in new revenue annually. However, in August, 2007, Marietta Memorial Hospital announced that it was applying for a tax exemption on property they had been paying taxes on for two years. They were also seeking repayment of taxes already paid, which will be nearly \$500,000 when the exemption finally goes into effect starting with fiscal year 2009. The repayment is to be made over a nine year period. The net effect is an approximate drop in revenue of \$250,000 annually starting in fiscal year 2009. Fiscal year 2008 was virtually a break even year in regard to revenues and expenditures for the General Fund. However, with a large projected deficit spending for fiscal year 2009, the Board made reductions in the fiscal year 2009 budget by eliminating and reducing some programs. In addition to those reductions, the School District has changed to a self-funded health insurance program effective July 1, 2008, to hopefully contain those costs as well. Nonetheless, the School District is still projected to be in deficit spending starting with fiscal year 2009. Due to static State revenues, changes in the law which reduces the business tax base, and the overall economic climate, the School District will remain in this position for the foreseeable future until new funding can be assured.

Based on the current financial situation, and the uncertainty of funding, the School District will be challenged to maintain the current program and staffing levels. Additional staff and program reductions may have to be made in the future in order to balance the budget. The Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to balance the budget annually.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact David B. Combs, Treasurer/CFO at Marietta City School District, 111 Academy Drive, Marietta, Ohio 45750, or E-Mail at MA_DAVIDC@SEOVEC.ORG.

Marietta City School District, Ohio

Statement of Net Assets - Cash Basis

June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,385,653</u>
Net Assets	
Restricted for:	
Capital Projects	\$396,473
Debt Service	1,122
Textbooks	143,717
Budget Stabilization	64,324
Bus Purchases	4,729
Unclaimed Monies	5,666
Other Purposes	836,616
Unrestricted	<u>2,933,006</u>
<i>Total Net Assets</i>	<u>\$4,385,653</u>

See accompanying notes to the basic financial statements

Marietta City School District, Ohio

*Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2008*

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Receipts and Changes in Net Assets
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$11,195,616	\$565,605	\$228,508	\$0	(\$10,401,503)
Special	3,100,888	0	1,524,824	0	(1,576,064)
Vocational	87,565	0	15,987	0	(71,578)
Adult/Continuing	61,408	0	56,798	0	(4,610)
Support Services:					
Pupils	1,332,419	385	55,823	0	(1,276,211)
Instructional Staff	1,793,334	0	622,862	0	(1,170,472)
Board of Education	96,334	0	0	0	(96,334)
Administration	1,996,336	50,931	148,833	0	(1,796,572)
Fiscal	502,877	0	0	0	(502,877)
Business	295,803	0	0	0	(295,803)
Operation and Maintenance of Plant	2,379,340	0	0	0	(2,379,340)
Pupil Transportation	1,277,908	33,679	62,160	11,964	(1,170,105)
Central	134,711	0	39,784	0	(94,927)
Non-Instructional Services:					
Food Service Operations	894,826	445,886	590,063	0	141,123
Other	206,545	764	147,994	0	(57,787)
Extracurricular Activities	506,820	108,822	5,015	0	(392,983)
Principal Retirement	847,000	0	0	0	(847,000)
Interest and Fiscal Charges	36,715	0	0	0	(36,715)
Capital Appreciation Bonds Interest	295,000	0	0	0	(295,000)
<i>Totals</i>	<u>\$27,041,445</u>	<u>\$1,206,072</u>	<u>\$3,498,651</u>	<u>\$11,964</u>	<u>(22,324,758)</u>
General Receipts					
Property Taxes Levied for:					
General Purposes					10,006,977
Debt Service					459,931
Permanent Improvements					614,957
Grants and Entitlements not Restricted to Specific Programs					9,882,783
Investment Earnings					197,778
Receipts from Sale of Capital Assets					9,436
Payments in Lieu of Taxes					66,613
Miscellaneous					130,914
<i>Total General Receipts</i>					<u>21,369,389</u>
<i>Change in Net Assets</i>					(955,369)
<i>Net Assets Beginning of Year</i>					<u>5,341,022</u>
<i>Net Assets End of Year</i>					<u><u>\$4,385,653</u></u>

See accompanying notes to the financial statements

Marietta City School District, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2008

	General	Food Services Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,817,389	\$499,886	\$834,086	\$4,151,361
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	218,436	0	0	218,436
<i>Total Assets</i>	<u>\$3,035,825</u>	<u>\$499,886</u>	<u>\$834,086</u>	<u>\$4,369,797</u>
Fund Balances				
Reserved for Encumbrances	\$156,495	\$72,525	\$156,600	\$385,620
Reserved for Textbooks	143,717	0	0	143,717
Reserved for Budget Stabilization	64,324	0	0	64,324
Reserved for School Bus Purchase	4,729	0	0	4,729
Reserved for Unclaimed Monies	5,666	0	0	5,666
Unreserved, Undesignated, Reported in:				
General Fund	2,660,894	0	0	2,660,894
Special Revenue Funds	0	427,361	326,076	753,437
Capital Projects Funds	0	0	350,288	350,288
Debt Service Fund	0	0	1,122	1,122
<i>Total Fund Balances</i>	<u>\$3,035,825</u>	<u>\$499,886</u>	<u>\$834,086</u>	<u>\$4,369,797</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, 2008*

Total Governmental Fund Balances \$4,369,797

*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.

15,856

Net Assets of Governmental Activities

\$4,385,653

See accompanying notes to the basic financial statements

Marietta City School District, Ohio

Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2008

	General	Food Services Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Taxes	\$10,006,977	\$0	\$1,074,888	\$11,081,865
Payments in Lieu of Taxes	66,613	0	0	66,613
Intergovernmental	10,609,343	577,507	2,164,754	13,351,604
Investment Earnings	183,053	12,556	16,058	211,667
Charges for Services	0	445,886	0	445,886
Tuition and Fees	374,834	0	224,450	599,284
Extracurricular Activities	961	0	159,941	160,902
Miscellaneous	113,362	0	45,457	158,819
<i>Total Receipts</i>	<u>21,355,143</u>	<u>1,035,949</u>	<u>3,685,548</u>	<u>26,076,640</u>
Disbursements				
Current:				
Instruction:				
Regular	10,552,085	0	647,100	11,199,185
Special	2,254,070	0	847,871	3,101,941
Vocational	87,587	0	0	87,587
Adult/Continuing	0	0	61,439	61,439
Support Services:				
Pupils	1,261,972	0	70,865	1,332,837
Instructional Staff	1,097,539	0	696,877	1,794,416
Board of Education	96,334	0	0	96,334
Administration	1,766,688	0	230,389	1,997,077
Fiscal	479,399	0	23,546	502,945
Business	292,925	0	3,000	295,925
Operation and Maintenance of Plant	2,146,412	0	233,579	2,379,991
Pupil Transportation	1,132,070	0	146,414	1,278,484
Central	76,422	0	58,322	134,744
Non-Instructional Services	0	894,826	206,667	1,101,493
Extracurricular Activities	323,345	0	183,475	506,820
Debt Service:				
Principal Retirement	0	0	847,000	847,000
Interest and Fiscal Charges	0	0	36,715	36,715
Capital Appreciation Bonds Interest	0	0	295,000	295,000
<i>Total Disbursements</i>	<u>21,566,848</u>	<u>894,826</u>	<u>4,588,259</u>	<u>27,049,933</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(211,705)</u>	<u>141,123</u>	<u>(902,711)</u>	<u>(973,293)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	9,436	0	0	9,436
Advances In	209,333	0	183,132	392,465
Advances Out	(183,132)	0	(209,333)	(392,465)
Transfers In	87,080	0	105,000	192,080
Transfers Out	(105,000)	0	(87,080)	(192,080)
<i>Total Other Financing Sources (Uses)</i>	<u>17,717</u>	<u>0</u>	<u>(8,281)</u>	<u>9,436</u>
<i>Net Change in Fund Balance</i>	<u>(193,988)</u>	<u>141,123</u>	<u>(910,992)</u>	<u>(963,857)</u>
<i>Fund Balances Beginning of Year</i>	<u>3,229,813</u>	<u>358,763</u>	<u>1,745,078</u>	<u>5,333,654</u>
<i>Fund Balances End of Year</i>	<u>\$3,035,825</u>	<u>\$499,886</u>	<u>\$834,086</u>	<u>\$4,369,797</u>

See accompanying notes to the financial statements

Marietta City School District, Ohio

*Reconciliation of the Statement of Cash Receipts, Cash Disbursements and Changes
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances - Total Governmental Funds (963,857)

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

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

8,488

Change in Net Assets of Governmental Activities

(955,369)

See accompanying notes to the financial statements

Marietta City School District, Ohio
*Statement of Cash Receipts, Cash Disbursements and Changes
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Taxes	\$10,279,541	\$10,006,977	\$10,006,977	\$0
Payments in Lieu of Taxes	66,613	66,613	66,613	0
Intergovernmental	10,193,519	10,609,343	10,609,343	0
Investment Earnings	175,000	183,053	183,053	0
Tuition and Fees	446,000	374,834	374,834	0
Extracurricular Activities	1,000	961	961	
Miscellaneous	153,888	113,362	113,362	0
<i>Total Receipts</i>	<u>21,315,561</u>	<u>21,355,143</u>	<u>21,355,143</u>	<u>0</u>
Disbursements				
Current:				
Instruction:				
Regular	10,880,918	10,828,682	10,584,397	244,285
Special	2,358,276	2,346,955	2,257,549	89,406
Vocational	95,032	94,576	89,527	5,049
Support Services:				
Pupils	1,331,394	1,325,003	1,279,171	45,832
Instructional Staff	1,180,333	1,174,667	1,121,764	52,903
Board of Education	103,623	103,126	96,920	6,206
Administration	1,874,758	1,865,758	1,785,574	80,184
Fiscal	493,920	491,549	479,399	12,150
Business	330,606	329,019	294,327	34,692
Operation and Maintenance of Plant	2,325,597	2,314,433	2,201,610	112,823
Pupil Transportation	1,279,236	1,273,095	1,145,514	127,581
Central	87,638	87,217	86,492	725
Non-Instructional Services	643	640	0	640
Extracurricular Activities	327,729	326,156	323,345	2,811
<i>Total Disbursements</i>	<u>22,669,703</u>	<u>22,560,876</u>	<u>21,745,589</u>	<u>815,287</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(1,354,142)</u>	<u>(1,205,733)</u>	<u>(390,446)</u>	<u>815,287</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	5,000	9,436	9,436	0
Refund of Prior Year Receipts	0	(266)	(266)	0
Other Financing Uses	(1,814,066)	(1,814,066)	0	1,814,066
Advances In	450,000	209,333	209,333	0
Advances Out	(399,817)	(399,817)	(183,132)	216,685
Transfers In	0	87,080	87,080	0
Transfers Out	(109,000)	(109,000)	(105,000)	4,000
<i>Total Other Financing Sources (Uses)</i>	<u>(1,867,883)</u>	<u>(2,017,300)</u>	<u>17,451</u>	<u>2,034,751</u>
<i>Net Change in Fund Balance</i>	<u>(3,222,025)</u>	<u>(3,223,033)</u>	<u>(372,995)</u>	<u>2,850,038</u>
<i>Fund Balance Beginning of Year</i>	2,839,434	2,839,434	2,839,434	0
Prior Year Encumbrances Appropriated	390,379	390,379	390,379	0
<i>Fund Balance End of Year</i>	<u>\$7,788</u>	<u>\$6,780</u>	<u>\$2,856,818</u>	<u>\$2,850,038</u>

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)*
Food Services Fund
For the Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$478,500	\$577,507	\$577,507	\$0
Charges for Services	409,000	445,886	445,886	0
Investment Earnings	12,500	12,556	12,556	0
<i>Total Receipts</i>	900,000	1,035,949	1,035,949	0
Disbursements				
Current:				
Non-Instructional Services	1,009,000	1,097,704	967,351	130,353
<i>Excess of Receipts Over (Under) Disbursements</i>	(109,000)	(61,755)	68,598	130,353
Other Financing Uses	(249,763)	(161,059)	0	161,059
<i>Net Change in Fund Balance</i>	(358,763)	(222,814)	68,598	291,412
<i>Fund Balance Beginning of Year</i>	302,763	302,763	302,763	0
Prior Year Encumbrances Appropriated	56,000	56,000	56,000	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$135,949</u>	<u>\$427,361</u>	<u>\$291,412</u>

See accompanying notes to the basic financial statements

Marietta City School District, Ohio
Statement of Fund Net Assets - Cash Basis
Internal Service Fund
June 30, 2008

	Vision Insurance
Current Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$15,856</u>
Net Assets	
Unrestricted	<u>\$15,856</u>

See accompanying notes to the basic financial statements

Marietta City School District, Ohio
Statement of Cash Receipts, Cash
Disbursements and Changes in Fund Net Assets - Cash Basis
Internal Service Fund
For the Fiscal Year Ended June 30, 2008

	Vision Insurance
Operating Receipts	
Charges for Services	\$52,433
Operating Disbursements	
Purchased Services	4,352
Claims	39,593
Total Operating Disbursements	43,945
Change in Net Assets	8,488
Net Assets Beginning of Year	7,368
Net Assets End of Year	\$15,856

See accompanying notes to the basic financial statements

Marietta City School District, Ohio
Statement of Fiduciary Net Assets - Cash Basis
Agency Funds
June 30, 2008

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$63,232</u>
Net Assets	
Restricted for Students	<u>\$63,232</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, 2008

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's 6 instructional facilities staffed by 106 classified employees and 215 certified personnel, who provide services to 2,904 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 three 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, and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 15 and 16 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

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

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

Food Services Fund This fund accounts for financial transactions related to the food services operations of the School District.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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 the changes in net assets and financial position. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

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

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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 2008, 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, 2008.

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 2008 was \$183,053, including \$30,912 assigned from other School District funds.

F. Restricted Assets

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

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-term Obligations

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

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide statement of net assets reports \$1,452,647 of restricted net assets, of which none is restricted by enabling legislation.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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, textbooks, budget stabilization, unclaimed monies, and school bus purchases. The reserve for budget stabilization represents money set-aside to protect against cyclical changes in receipts and disbursements.

O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Internal allocations of overhead disbursements from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

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

Note 3 - Budgetary Basis of Accounting

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

Net Change in Fund Balance

	General	Food Services
Cash Basis	(\$193,988)	\$141,123
Encumbrances	(179,007)	(72,525)
Budget Basis	(\$372,995)	\$68,598

Note 4 - Deposits and Investments

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

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

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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.

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

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

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

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$4,301,498 of the School District's bank balance of \$4,501,498 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirement could potentially subject the School District to a successful claim by the FDIC.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The School District has no deposit policy for custodial credit 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, 2008, the School District had an investment in STAROhio. The carrying and fair value of this investment was \$2,861, with an average maturity of 53.8 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 5 - Property Taxes

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

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

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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, 2008, are available to finance fiscal year 2008 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 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$389,601,930	87%	\$412,411,680	90%
Public Utility Personal	14,307,120	3%	13,688,030	3%
Tangible Personal Property	43,287,190	10%	29,996,920	7%
	\$447,196,240	100%	\$456,096,630	100%

Tax Rate per \$1,000 of Assessed Valuation	\$45.84	\$44.15
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Note 6 - Interfund Balances

Unpaid interfund cash advances at June 30, 2008, were as follows:

	Receivables	Payables
General Fund	\$6,618	\$0
Nonmajor Special Revenue Funds:		
Public School Support	0	269
Federal Grants Fund	0	6,349
Total Special Revenue Funds	0	6,618
Total All Funds	\$6,618	\$6,618

Note 7 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with Utica National Insurance Group for general liability, vehicle, and property insurance. Coverage provided by the Utica National Insurance Group is as follows:

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Building and Contents-replacement cost (\$5,000 deductible)	\$53,334,000
Boiler and Machinery (\$5,000 deductible)	53,334,000
Inland Marine:	
Cameras and audio-visual equipment (\$500 deductible)	\$50,000
Signs (\$500 deductible)	30,000
Music Instruments and Band Uniforms (\$500 deductible)	500,000
Computers per Building (\$500 deductible)	
Hardware	75,000
Software	10,000
Extra Expense	10,000
Miscellaneous School Equipment and Property (\$500 deductible)	500,000
Valuable Papers & Records per Building (\$500 deductible)	100,000
Accounts Receivable (no deductible)	50,000
Crime (no deductible) -	
Public Employee Dishonesty	100,000
Money and Securities –	
Inside Premises – Per Occurrence	25,000
Outside Premises – Per Messenger	25,000
Forgery or Alteration	100,000
Automobile Liability (no deductible):	
Bodily Injury and Property Damage – combined single limit	1,000,000
Medical Payments – each person	5,000
Hired Auto Liability	1,000,000
Non-owned Auto Liability	1,000,000
Hired Car Physical Damage	50,000
General Liability (no deductible):	
Each Occurrence	1,000,000
Aggregate Limit	3,000,000
Medical Expense Limit – per person/accident	5,000
Employee Benefits Liability (\$1,000 deductible):	
Per Claim	1,000,000
Aggregate Limit	3,000,000
Educators Legal Liability (\$5,000 deductible):	
Per Claim	1,000,000
Aggregate Limit	3,000,000
Umbrella:	
Each Occurrence	2,000,000
Aggregate Limit	2,000,000
Retention	10,000

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

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

B. Workers' Compensation

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Benefits

Vision insurance is offered to employees through a self-insurance internal service fund. Monthly premiums for the cost of claims are remitted to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$8,122, which is based on an estimate provided by the third party administrator, includes unpaid claim costs and estimates of costs relating to incurred but not reported claims. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. A comparison of self-insurance fund cash and investments to the actuarially-measured liability as of June 30 follows:

	<u>Cash and Investments</u>	<u>Actuarial Liabilities</u>
2007	\$7,368	\$5,408
2008	15,856	8,122

Note 8 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 43215-3746.

Funding Policy - 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 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$262,866, \$323,608, and \$304,143, respectively; 39.62 percent has been contributed for

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$1,399,437, \$1,350,002, and \$1,321,943, respectively; 82.72 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$2,101 made by the School District and \$13,887 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, 2008, all members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 9 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$191,254, \$149,736, and \$161,753, respectively; 35.91 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$19,629, \$15,368, and \$16,601, respectively; 41.74 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$107,649, \$103,846, and \$101,688, respectively; 82.72 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 10 - Long-Term Debt

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

	Principal Outstanding 6/30/07	Additions	Reductions	Principal Outstanding 6/30/08	Amounts Due in One Year
Governmental Activities					
2002 School Improvement Refunding Bonds:					
Capital Appreciation Bonds at Maturity - 3.91%	\$690,000	\$0	\$690,000	\$0	\$0
2003 Energy Conservation Improvement Bonds - 4.54%	650,000	0	50,000	600,000	50,000
Total General Obligation Bonds	<u>1,340,000</u>	<u>0</u>	<u>740,000</u>	<u>600,000</u>	<u>50,000</u>
2006 Energy Conservation Loan - 4.75%	1,205,000	0	73,000	1,132,000	76,000
2007 Capital Lease - 4.15%	106,000	0	34,000	72,000	36,000
Loan Payable - 0%	21,600	0	9,600	12,000	9,600
Total Governmental Activities Long-Term Obligations	<u>\$2,672,600</u>	<u>\$0</u>	<u>\$856,600</u>	<u>\$1,816,000</u>	<u>\$171,600</u>

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

The refunding bonds issue included serial and capital appreciation bonds in the amount of \$3,705,000 and \$690,000, respectively. The bonds were 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 were 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, 2008

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

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

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

The School District obtained a \$48,000 interest free loan in 2005 to purchase a point-of-sale system for the lunchroom. \$9,600 payments will be made yearly for five years.

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

The overall debt margin of the School District as of June 30, 2008, was \$37,599,244, with an unvoted debt margin of \$424,436.

Principal and interest requirements to retire the debt outstanding at June 30, 2008, are as follows:

Fiscal Year Ending	2003		2006	
	Energy Conservation		Energy Conservation	
	Principal	Interest	Principal	Interest
2009	\$50,000	\$26,105	\$76,000	\$53,770
2010	50,000	23,835	79,000	50,160
2011	50,000	21,565	83,000	46,408
2012	60,000	19,068	84,000	42,465
2013	55,000	16,458	85,000	38,475
2014-2018	335,000	39,386	440,000	130,862
2019-2021	0	0	285,000	27,266
	<u>\$600,000</u>	<u>\$146,417</u>	<u>\$1,132,000</u>	<u>\$389,406</u>

Note 11 – Capital Lease

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

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Future minimum lease payments through 2010 are as follows:

Fiscal Year	Governmental Activities	
	Principal	Interest
2009	\$36,000	\$2,988
2010	36,000	1,494
Total	\$72,000	\$4,482

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, 2008, partial amounts of the unspent workers' compensation refunds continue to be set-aside.

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

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2007	\$79,089	\$172,630	\$65,684
Current Year Set-aside Requirement	0	442,355	442,355
Offsets	(14,765)	(535,267)	(150,000)
Qualifying Disbursements	0	(394,112)	(214,322)
Total	\$64,324	(\$314,394)	\$143,717
Set-aside Balance Carry Forward to Future Fiscal Years	\$64,324	\$0	\$143,717

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital set-aside amount below zero, which may not be carried forward to future years.

Note 13 - Interfund Transfers

During the fiscal year, the General Fund transferred \$60,000 and \$45,000 to the Athletic and Music and State Grants Special Revenue Funds, respectively, to reduce deficit cash balances. Also, the Bond Retirement Fund transferred \$87,080 to the General Fund, representing excess property tax receipts no longer needed for debt retirement.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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, 2008, 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 30 participants consisting of 26 school districts and 4 educational service centers. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2008, the School District paid \$53,356 to SEOVEC. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

B. Washington County Career Center

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

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers of data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2008.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 16 - Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Program

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

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Grant Year	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Food Donation	10.550	N/A	\$	\$ 41,848	\$	\$ 41,848
Nutrition Cluster:						
School Breakfast Program	10.553	2007	20,300		20,300	
		2008	171,804		171,804	
Total School Breakfast Program			192,104	0	192,104	
National School Lunch Program	10.555	2007	35,063		35,063	
		2008	326,153		326,153	
Total National School Lunch Program			361,216	0	361,216	0
Special Milk Program for Children	10.556	2008	264		264	
Total Nutrition Cluster			553,584	0	553,584	0
Total United States Department of Agriculture			553,584	41,848	553,584	41,848
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Adult Education - State Grant Program	84.002	2008	58,702		58,702	
Total Adult Education - State Grant Program			58,702	0	58,702	0
Title I Grants to Local Educational Agencies	84.010	2007	1,953		17,606	
		2008	37,389		36,949	
		2007	25,430		100,622	
		2008	599,034		589,946	
Total Title I Grants to Local Educational Agencies			663,806	0	745,123	0
Special Education - Grants to States	84.027	2007	62,660		159,332	
		2008	691,295		630,618	
Total Special Education - Grants to States			753,955	0	789,950	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	2007	1,770		4,033	
		2008	13,702		13,246	
Total Safe and Drug-Free Schools and Communities - State Grants			15,472	0	17,279	0
Education for Homeless Children and Youth	84.196	2007	(222)		17,313	
		2008	31,231		30,842	
Total Education for Homeless Children and Youth			31,009	0	48,155	0
State Grants for Innovative Programs	84.298	2007	(4)		939	
		2008	6,566		4,177	
Total State Grants for Innovative Programs			6,562	0	5,116	0
Education Technology State Grants	84.318	2007	(340)		2,701	
		2008	8,328		8,328	
Total Education Technology State Grants			7,988	0	11,029	0
Special Education - State Personnel Development	84.323	2008	21,502		3,482	
Improving Teacher Quality State Grants	84.367	2007	9,735		28,644	
		2008	161,457		158,254	
Total Improving Teacher Quality State Grants			171,192	0	186,898	0
<i>Passed through Washington County Department of Job and Family Services:</i>						
Early Reading First	84.359	2008	9,160		6,783	
Total United States Department of Education			1,739,348	41,848	1,872,517	41,848

MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Grant Year	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
<i>Passed through Ohio Department of Education:</i>						
Learn and Serve America - School and Community Based Programs	94.004	2007 2008	(990) <u>6,300</u>		1,179 <u>8,335</u>	
Total Learn and Serve America - School and Community Based Programs			<u>5,310</u>	<u>0</u>	<u>9,514</u>	<u>0</u>
Total Corporation for National and Community Service			<u>5,310</u>	<u>0</u>	<u>9,514</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 2,298,242</u>	<u>\$ 41,848</u>	<u>\$ 2,435,615</u>	<u>\$ 41,848</u>

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

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – TRANSFERS

During fiscal year 2008, the Ohio Department of Education (ODE) authorized the School District to carryover monies from the prior fiscal year to the current fiscal year. Authorized carryover monies are shown as a reduction of federal revenues in the program that the transfer was made from and increased federal revenue in the program that received the transfer or carryover. A detailed listing of the carryovers is as follows:

CFDA Number	Program Title	Grant Year	Transfers Out	Transfers In
84.002	Adult Education - State Grant Program	2007	\$ 199	\$
84.002	Adult Education - State Grant Program	2008		199
84.010	Title I Grants to Local Educational Agencies	2007	297	
84.010	Title I Grants to Local Educational Agencies	2008		297
84.010	Title I Grants to Local Educational Agencies	2007	4,570	
84.010	Title I Grants to Local Educational Agencies	2008		4,570
84.027	Special Education - Grants to States	2007	14,439	
84.027	Special Education - Grants to States	2008		14,439
84.186	Safe and Drug-Free Schools and Communities	2007	1,130	
84.186	Safe and Drug-Free Schools and Communities	2008		1,130
84.196	Education for Homeless Children and Youth	2007	222	
84.196	Education for Homeless Children and Youth	2008		222
84.298	State Grants for Innovated Programs	2007	4	
84.298	State Grants for Innovated Programs	2008		4
84.318	Education Technology State Grants	2007	340	
84.318	Education Technology State Grants	2008		340
84.367	Improving Teacher Quality State Grants	2007	2,265	
84.367	Improving Teacher Quality State Grants	2008		2,265
		Total	<u>\$ 23,466</u>	<u>\$23,466</u>

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marietta City School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 15, 2009, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

We noted a certain matter that we reported to the School District's management in a separate letter dated January 15, 2009.

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www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2008-001.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 15, 2009.

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

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

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

Mary Taylor, CPA
Auditor of State

January 15, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Marietta City School District, Washington County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. 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 other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Marietta City School District, Washington County, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008. In a separate letter to the School District's management dated January 15, 2009, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

Internal Control over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section that would necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted a matter involving the internal control over federal noncompliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated January 15, 2009.

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



Mary Taylor, CPA
Auditor of State

January 15, 2009

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Special Education - Grants to States – CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

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

FINDING NUMBER 2008-001

Noncompliance Citation

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

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

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

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

3. FINDINGS FOR FEDERAL AWARDS

None.

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315(b)
FOR THE YEAR ENDED JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	A material noncompliance citation was issued under Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for not reporting on a GAAP basis.	No	Not Corrected; this item is repeated in the current audit as Finding Number 2008-001.



Mary Taylor, CPA
Auditor of State

MARIETTA CITY SCHOOL DISTRICT

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 26, 2009**