



Dave Yost • Auditor of State



**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

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# Dave Yost • 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, 2012, 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 § 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, 2012, and the respective changes in cash financial position, thereof and the respective budgetary comparisons for the General and Food Service Funds, thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2013, 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.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. The Federal Awards Receipts and Expenditures Schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.



**Dave Yost**  
Auditor of State

January 10, 2013

**Marietta City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
Unaudited

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The discussion and analysis of the Marietta City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. 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 2012 are as follows:

- Net assets of governmental activities decreased \$242,557.
- General receipts accounted for \$22,136,860 in receipts or 81% of all receipts. Program specific cash receipts in the form of charges for services, grants, contributions, and interest accounted for \$5,115,789 or 19% of total receipts of \$27,252,649.
- The School District had \$27,495,206 in disbursements related to governmental activities; only \$5,115,789 of these disbursements were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$22,136,860 were not adequate to provide for these programs.
- The School District's major funds were the General Fund, Food Service Fund, and Permanent Improvement Fund. The General Fund and Permanent Improvement Funds experienced decreases in fund balances, while the Food Service Fund increased its fund balance.

**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, 2012*  
Unaudited

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***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 2012?” 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 fund. 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, Food Service Fund, and Permanent Improvement Fund.

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

**Marietta City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
 Unaudited

**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 2012 compared to 2011.

Table 1  
 Net Assets - Cash Basis

	Governmental Activities		
	2012	2011	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,320,915	\$5,563,472	(\$242,557)
<b>Net Assets</b>			
Restricted	\$2,367,020	\$2,992,047	(\$625,027)
Unrestricted	2,953,895	2,571,425	382,470
Total Net Assets	\$5,320,915	\$5,563,472	(\$242,557)

The above table reflects a decrease in net assets of \$242,557. This decrease can be attributed to a combination of decreases in state funding as well as an increase in certain expenditures. This decrease was potentially reduced by pay freezes approved by the School District employees.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2012, and comparisons to June 30, 2011.

**Marietta City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
 Unaudited

Table 2  
 Changes in Net Assets

	Governmental Activities		
	2012	2011	Change
<b>Receipts</b>			
Program Cash Receipts:			
Charges for Services	\$1,438,890	\$1,265,759	\$173,131
Operating Grants, Contributions and Interest	3,676,899	3,542,471	134,428
Total Program Cash Receipts	<u>5,115,789</u>	<u>4,808,230</u>	<u>307,559</u>
General Receipts:			
Property Taxes	11,648,501	10,356,646	1,291,855
Grants and Entitlements	10,226,832	11,229,228	(1,002,396)
Investment Earnings	10,697	27,637	(16,940)
Gifts and Donations	273	3,382	(3,109)
Receipts from Sale of Capital Assets	74,085	747	73,338
Payments in Lieu of Taxes	66,373	68,634	(2,261)
Miscellaneous	110,099	433,447	(323,348)
Total General Receipts	<u>22,136,860</u>	<u>22,119,721</u>	<u>17,139</u>
Total Receipts	<u>27,252,649</u>	<u>26,927,951</u>	<u>324,698</u>
<b>Program Disbursements</b>			
Instruction:			
Regular	11,528,058	11,818,324	(290,266)
Special	3,292,547	3,318,005	(25,458)
Vocational	60,986	60,152	834
Adult/Continuing	328,351	0	328,351
Student Intervention Services	7,933	22,406	(14,473)
Support Services:			
Pupils	1,181,250	1,210,954	(29,704)
Instructional Staff	1,712,422	1,702,682	9,740
Board of Education	97,159	81,390	15,769
Administration	1,821,550	1,876,123	(54,573)
Fiscal	981,267	618,604	362,663
Business	179,086	143,770	35,316
Operation and Maintenance of Plant	3,033,914	2,685,266	348,648
Pupil Transportation	1,106,207	1,344,135	(237,928)
Central	153,106	149,462	3,644
Non-Instructional Services:			
Food Service Operations	1,165,003	1,250,150	(85,147)
Other	182,868	130,391	52,477
Extracurricular Activities	486,482	487,637	(1,155)
Principal Retirement	144,000	133,000	11,000
Interest and Fiscal Charges	33,017	23,029	9,988
Total Disbursements	<u>27,495,206</u>	<u>27,055,480</u>	<u>439,726</u>
Changes in Net Assets	<u>(242,557)</u>	<u>(127,529)</u>	<u>(115,028)</u>
Net Assets Beginning of Year	<u>5,563,472</u>	<u>5,691,001</u>	<u>(127,529)</u>
Net Assets End of Year	<u>\$5,320,915</u>	<u>\$5,563,472</u>	<u>(\$242,557)</u>

**Marietta City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
 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 42.7% of revenues for governmental activities for fiscal year 2012, which was an increase of \$1,291,855 from fiscal year 2011. This was offset by a decrease in unrestricted Grants and Entitlements of \$1,002,396 from fiscal year 2011 to 2012, which made up 37.5% of revenues.

The largest two program expenditures are for Regular Instruction at 41.9% and Special Instruction at 12%. Operations and Maintenance is the next largest program at 11% but there was \$439,726 more spent overall during fiscal year 2012 from fiscal year 2011. Some of this was a result of increases in insurances, the costs related to the operations of the aging buildings, and increased expenditures in the food service operations.

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 2011 have been made.

Table 3  
 Governmental Activities

	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
<b>Program Disbursements</b>				
Instruction:				
Regular	\$11,528,058	\$10,562,720	\$11,818,324	\$10,827,541
Special	3,292,547	2,057,288	3,318,005	2,088,190
Vocational	60,986	36,583	60,152	35,749
Adult/Continuing	328,351	(1,726)	0	0
Student Intervention Services	7,933	7,933	22,406	22,406
Support Services:				
Pupils	1,181,250	1,175,638	1,210,954	1,147,370
Instructional Staff	1,712,422	1,049,383	1,702,682	1,009,592
Board of Education	97,159	97,159	81,390	81,390
Administration	1,821,550	1,597,174	1,876,123	1,631,185
Fiscal	981,267	981,267	618,604	618,604
Business	179,086	179,086	143,770	143,770
Operation and Maintenance of Plant	3,033,914	3,033,914	2,685,266	2,685,266
Pupil Transportation	1,106,207	1,002,015	1,344,135	1,230,854
Central	153,106	32,172	149,462	86,503
Non-Instructional Services				
Food Service Operations	1,165,003	(96,645)	1,250,150	110,057
Other	182,868	132,111	130,391	21,147
Extracurricular Activities	486,482	356,328	487,637	351,597
Principal Retirement	144,000	144,000	133,000	133,000
Interest and Fiscal Charges	33,017	33,017	23,029	23,029
<b>Total</b>	<b><u>\$27,495,206</u></b>	<b><u>\$22,379,417</u></b>	<b><u>\$27,055,480</u></b>	<b><u>\$22,247,250</u></b>

**Marietta City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
 Unaudited

The dependence upon tax revenues for governmental activities is apparent. Approximately 81 percent of instructional activities are supported primarily by taxes, unrestricted grants and entitlements, 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 \$27,178,564 and disbursements of \$27,959,897. The General Fund had a decrease in fund balance of \$220,572 primarily because of continuing cuts in school funding. The fund balance of the Food Service Fund increased \$98,326 due to the option of students being allowed to leave campus for lunch being removed. The Permanent Improvement Fund had a decrease in fund balance of \$459,065 due to certain building improvements being completed in fiscal year 2012.

**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 2012, the School District amended its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis receipts were \$241,640 below the final estimates of \$21,856,904. Original estimates were decreased \$478,880 from original estimates of \$22,335,784 due to various unexpected revenues being collected during the year. The budget basis disbursements were \$22,080,310, which represented a change from the final estimate of \$22,700,323. Of this \$620,013 difference, the majority was due to the School District's conservative estimates for expenditures.

The School District's ending unobligated General Fund balance was \$1,619,360.

**Debt Administration**

At June 30, 2012, the School District had the following outstanding obligations:

Table 4  
 Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2012	2011
2003 Energy Conservation Bonds	\$390,000	\$450,000
2006 Energy Conservation Loan	810,000	894,000
Totals	\$1,200,000	\$1,344,000

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, 2012*  
Unaudited

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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.

**Current Issues**

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. In May of 2011, the local voters approved a \$2,750,000, 5-year Emergency Operating Levy. Collections on this new levy began during calendar year 2012 (the second half of fiscal year 2012). The School District also placed renewal levies on the ballot, for both the general operating levy and the permanent improvement levy, on March 6, 2012. Both of these levies were renewed by the voters.

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

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

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Matthew Reed, Treasurer/CFO at Marietta City School District, 11 Academy Drive, Marietta, Ohio 45750, or E-Mail at [MA\\_MREED@SEOVEC.ORG](mailto:MA_MREED@SEOVEC.ORG).

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**Marietta City School District, Ohio**

*Statement of Net Assets - Cash Basis*

*June 30, 2012*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,320,915</u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$1,561,150
Other Purposes	805,870
Unrestricted	<u>2,953,895</u>
<i>Total Net Assets</i>	<u>\$5,320,915</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, 2012*

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$11,528,058	\$741,248	\$224,090	(\$10,562,720)
Special	3,292,547	0	1,235,259	(2,057,288)
Vocational	60,986	0	24,403	(36,583)
Adult/Continuing	328,351	0	330,077	1,726
Student Intervention Services	7,933	0	0	(7,933)
Support Services:				
Pupils	1,181,250	0	5,612	(1,175,638)
Instructional Staff	1,712,422	0	663,039	(1,049,383)
Board of Education	97,159	0	0	(97,159)
Administration	1,821,550	45,382	178,994	(1,597,174)
Fiscal	981,267	0	0	(981,267)
Business	179,086	0	0	(179,086)
Operation and Maintenance of Plant	3,033,914	0	0	(3,033,914)
Pupil Transportation	1,106,207	32,395	71,797	(1,002,015)
Central	153,106	0	120,934	(32,172)
Non-Instructional Services:				
Food Service Operations	1,165,003	499,270	762,378	96,645
Other	182,868	275	50,482	(132,111)
Extracurricular Activities	486,482	120,320	9,834	(356,328)
Principal Retirement	144,000	0	0	(144,000)
Interest and Fiscal Charges	33,017	0	0	(33,017)
<i>Totals</i>	<u>\$27,495,206</u>	<u>\$1,438,890</u>	<u>\$3,676,899</u>	<u>(22,379,417)</u>
<b>General Receipts</b>				
Property Taxes Levied for:				
General Purposes				10,436,046
Debt Service				166,961
Permanent Improvements				1,045,494
Grants and Entitlements not Restricted to Specific Programs				10,226,832
Gift and Donations not Restricted to Specific Programs				273
Investment Earnings				10,697
Receipts from Sale of Capital Assets				74,085
Payments in Lieu of Taxes				66,373
Miscellaneous				110,099
<i>Total General Receipts</i>				<u>22,136,860</u>
<i>Change in Net Assets</i>				(242,557)
<i>Net Assets Beginning of Year</i>				<u>5,563,472</u>
<i>Net Assets End of Year</i>				<u>\$5,320,915</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, 2012*

	<u>General</u>	<u>Food Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	<u>\$1,951,095</u>	<u>\$568,751</u>	<u>\$1,561,150</u>	<u>\$226,119</u>	<u>\$4,307,115</u>
<b>Fund Balances</b>					
Restricted	\$0	\$568,751	\$1,561,150	\$226,119	\$2,356,020
Committed	11,000	0	0	0	11,000
Assigned	1,909,035	0	0	0	1,909,035
Unassigned	<u>31,060</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>31,060</u>
<i>Total Fund Balances</i>	<u>\$1,951,095</u>	<u>\$568,751</u>	<u>\$1,561,150</u>	<u>\$226,119</u>	<u>\$4,307,115</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, 2012*

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<b>Total Governmental Fund Balances</b>	\$4,307,115
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*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.

1,013,800

Net Assets of Governmental Activities

\$5,320,915

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, 2012*

	General	Food Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Taxes	\$10,436,046	\$0	\$1,045,494	\$166,961	\$11,648,501
Payments in Lieu of Taxes	66,373	0	0	0	66,373
Intergovernmental	10,283,618	761,717	137,931	2,590,048	13,773,314
Interest	10,688	661	0	108,310	119,659
Charges for Services	0	499,270	0	0	499,270
Tuition and Fees	647,895	0	0	126,023	773,918
Extracurricular Activities	45,382	0	0	120,320	165,702
Gifts and Donations	16,889	0	0	4,839	21,728
Miscellaneous	108,418	1,681	0	0	110,099
<i>Total Receipts</i>	<u>21,615,309</u>	<u>1,263,329</u>	<u>1,183,425</u>	<u>3,116,501</u>	<u>27,178,564</u>
<b>Disbursements</b>					
Current:					
Instruction:					
Regular	11,211,453	0	157,043	382,497	11,750,993
Special	2,166,324	0	0	1,189,132	3,355,456
Vocational	62,169	0	0	0	62,169
Adult/Continuing	0	0	0	337,538	337,538
Student Intervention Services	7,933	0	0	0	7,933
Support Services:					
Pupils	1,200,907	0	0	5,869	1,206,776
Instructional Staff	1,058,292	0	0	693,496	1,751,788
Board of Education	78,157	0	0	19,002	97,159
Administration	1,676,118	0	0	175,559	1,851,677
Fiscal	502,731	0	481,911	0	984,642
Business	179,658	0	3,350	0	183,008
Operation and Maintenance of Plant	2,072,271	0	1,000,186	0	3,072,457
Pupil Transportation	1,131,202	0	0	0	1,131,202
Central	86,175	0	0	69,488	155,663
Non-Instructional Services	1,129	1,165,003	0	181,805	1,347,937
Extracurricular Activities	314,056	0	0	172,426	486,482
Debt Service:					
Principal Retirement	0	0	0	144,000	144,000
Interest and Fiscal Charges	0	0	0	33,017	33,017
<i>Total Disbursements</i>	<u>21,748,575</u>	<u>1,165,003</u>	<u>1,642,490</u>	<u>3,403,829</u>	<u>27,959,897</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(133,266)</u>	<u>98,326</u>	<u>(459,065)</u>	<u>(287,328)</u>	<u>(781,333)</u>
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets	74,085	0	0	0	74,085
Advances In	13,575	0	0	35,626	49,201
Advances Out	(35,626)	0	0	(13,575)	(49,201)
Transfers In	0	0	0	139,340	139,340
Transfers Out	(139,340)	0	0	0	(139,340)
<i>Total Other Financing Sources (Uses)</i>	<u>(87,306)</u>	<u>0</u>	<u>0</u>	<u>161,391</u>	<u>74,085</u>
<i>Net Change in Fund Balance</i>	<u>(220,572)</u>	<u>98,326</u>	<u>(459,065)</u>	<u>(125,937)</u>	<u>(707,248)</u>
<i>Fund Balances Beginning of Year</i>	<u>2,171,667</u>	<u>470,425</u>	<u>2,020,215</u>	<u>352,056</u>	<u>5,014,363</u>
<i>Fund Balances End of Year</i>	<u>\$1,951,095</u>	<u>\$568,751</u>	<u>\$1,561,150</u>	<u>\$226,119</u>	<u>\$4,307,115</u>

**Marietta City School District, Ohio**  
*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes  
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2012*

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**Net Change in Fund Balances - Total Governmental Funds** (\$707,248)

*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.

464,691

*Change in Net Assets of Governmental Activities*

(\$242,557)

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, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Taxes	\$10,695,638	\$10,164,287	\$10,436,046	\$271,759
Payments in Lieu of Taxes	80,000	80,000	66,373	(13,627)
Intergovernmental	10,922,472	10,851,571	10,283,618	(567,953)
Investment Earnings	30,000	30,000	10,688	(19,312)
Tuition and Fees	475,000	565,272	647,895	82,623
Extracurricular Activities	30,374	40,974	45,337	4,363
Gifts and Donations	6,550	29,050	16,889	(12,161)
Miscellaneous	95,750	95,750	108,418	12,668
<i>Total Receipts</i>	<u>22,335,784</u>	<u>21,856,904</u>	<u>21,615,264</u>	<u>(241,640)</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	11,702,728	11,429,031	11,244,255	184,776
Special	2,428,729	2,371,927	2,166,391	205,536
Vocational	67,593	66,012	64,780	1,232
Student Intervention Services	23,126	22,585	7,933	14,652
Support Services:				
Pupils	1,259,076	1,229,629	1,246,910	(17,281)
Instructional Staff	1,131,490	1,105,027	1,073,213	31,814
Board of Education	109,621	107,057	88,449	18,608
Administration	1,885,797	1,841,693	1,699,720	141,973
Fiscal	475,727	464,601	506,663	(42,062)
Business	195,287	190,720	183,139	7,581
Operation and Maintenance of Plant	2,337,942	2,283,264	2,234,892	48,372
Pupil Transportation	1,203,561	1,175,413	1,159,983	15,430
Central	92,029	89,877	88,547	1,330
Non-Instructional Services	3,824	3,735	1,379	2,356
Extracurricular Activities	327,409	319,752	314,056	5,696
<i>Total Disbursements</i>	<u>23,243,939</u>	<u>22,700,323</u>	<u>22,080,310</u>	<u>620,013</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(908,155)</u>	<u>(843,419)</u>	<u>(465,046)</u>	<u>378,373</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	1,000	12,923	74,085	61,162
Refund of Prior Year Expenditures	5,000	5,000	45	(4,955)
Other Financing Uses	(1,272,299)	(1,242,543)	0	1,242,543
Advances In	50,000	50,000	13,575	(36,425)
Advances Out	(51,197)	(50,000)	(35,626)	14,374
Transfers Out	(14,847)	(14,500)	(139,340)	(124,840)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,282,343)</u>	<u>(1,239,120)</u>	<u>(87,261)</u>	<u>1,151,859</u>
<i>Net Change in Fund Balance</i>	<u>(2,190,498)</u>	<u>(2,082,539)</u>	<u>(552,307)</u>	<u>1,530,232</u>
<i>Fund Balance Beginning of Year</i>	<u>2,009,156</u>	<u>2,009,156</u>	<u>2,009,156</u>	<u>0</u>
Prior Year Encumbrances Appropriated	162,511	162,511	162,511	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$18,831)</u>	<u>\$89,128</u>	<u>\$1,619,360</u>	<u>\$1,530,232</u>

See accompanying notes to the basic financial statements.

**Marietta City School District, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Food Service Fund*  
*For the Fiscal Year Ended June 30, 2012*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$744,000	\$807,055	\$761,717	(\$45,338)
Interest	1,200	1,200	661	(539)
Charges for Services	447,000	447,000	499,270	52,270
Miscellaneous	3,500	3,500	1,681	(1,819)
<b>Total Revenues</b>	<b>1,195,700</b>	<b>1,258,755</b>	<b>1,263,329</b>	<b>4,574</b>
<b>Expenditures</b>				
Current:				
Operation of Non-Instructional Services:				
Food Service Operations	1,159,903	1,341,390	1,290,881	50,509
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>35,797</b>	<b>(82,635)</b>	<b>(27,552)</b>	<b>55,083</b>
<b>Other Financing Source (Use)</b>				
Refund of Prior Year Expenditures	4,300	4,300	0	(4,300)
Other Financing Uses	(510,520)	(392,088)	0	392,088
<b>Total Other Financing Sources</b>	<b>(506,220)</b>	<b>(387,788)</b>	<b>0</b>	<b>387,788</b>
<b>Net Change in Fund Balance</b>	<b>(470,423)</b>	<b>(470,423)</b>	<b>(27,552)</b>	<b>442,871</b>
Fund Balance Beginning of Year	384,282	384,282	384,282	0
Prior Year Encumbrances Appropriated	86,143	86,143	86,143	0
<b>Fund Balance End of Year</b>	<b>\$2</b>	<b>\$2</b>	<b>\$442,873</b>	<b>\$442,871</b>

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, 2012*

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	Self Insurance
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,013,800</u>
<b>Net Assets</b>	
Unrestricted	<u>\$1,013,800</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, 2012

	Self Insurance
<b>Operating Receipts</b>	
Charges for Services	\$4,145,731
<b>Operating Disbursements</b>	
Purchased Services	351,179
Claims	3,329,861
Total Operating Disbursements	3,681,040
Change in Net Assets	464,691
Net Assets Beginning of Year	549,109
Net Assets End of Year	\$1,013,800

See accompanying notes to the basic financial statements.

**Marietta City School District, Ohio**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*Agency Funds*  
*June 30, 2012*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$72,392</u>
<b>Net Assets</b>	
Restricted for Students	<u>\$72,392</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, 2012*

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

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's 6 instructional facilities staffed by 117 classified employees and 202 certified personnel, who provide services to 2,980 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, 2012*

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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 Service Special Revenue Fund*** This fund is used to account for the financial transactions related to the food service operations of the School District.

**Marietta City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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***Permanent Improvement Fund*** This fund accounts for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds.

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 health, life, and vision claims.

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

***C. Basis of Accounting***

The School District's financial statements are prepared using the 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, 2012*

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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 2012, 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, 2012.

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 2012 was \$10,688, including \$6,766 assigned from other School District funds.

***F. 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.

***G. 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.

**Marietta City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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***H. 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.

***I. 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.

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

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

***K. 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.

***L. 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.

***M. Fund Balance***

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

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

**Marietta City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Restricted:** The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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

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

**Unassigned:** The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balances.

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

#### ***N. Interfund Transactions***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated. 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.

**Marietta City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

**Note 3 - Fund Balances**

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

Fund Balances	General Fund	Food Service	Permanent Improvement	Other Governmental Funds	Total
Restricted for:					
Local Grant Expenditures	\$0	\$0	\$0	\$39,041	\$39,041
State Grant Expenditures	0	0	0	63,591	63,591
Federal Grant Expenditures	0	0	0	15,354	15,354
Food Service Operations	0	568,751	0	0	568,751
Athletic Programs	0	0	0	108,133	108,133
Capital Improvements	0	0	1,561,150	0	1,561,150
<i>Total Restricted</i>	<u>0</u>	<u>568,751</u>	<u>1,561,150</u>	<u>226,119</u>	<u>2,356,020</u>
Committed:					
Underground Storage Tanks	11,000	0	0	0	11,000
Assigned to:					
Encumbrances	328,780	0	0	0	328,780
All School Support	67,098	0	0	0	67,098
Fiscal Year 2013 Appropriations	1,513,157	0	0	0	1,513,157
<i>Total Assigned</i>	<u>1,909,035</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,909,035</u>
Unassigned:	31,060	0	0	0	31,060
<i>Total Fund Balances</i>	<u>\$1,951,095</u>	<u>\$568,751</u>	<u>\$1,561,150</u>	<u>\$226,119</u>	<u>\$4,307,115</u>

**Note 4 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budgetary Basis) presented for the General Fund and the Food Service Special Revenue Fund 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).

**Marietta City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

Net Change in Fund Balance

	General	Food Service
Cash Basis	(\$220,572)	\$98,326
Encumbrances	(331,735)	(125,878)
Budget Basis	(\$552,307)	(\$27,552)

**Note 5 - Deposits and Investments**

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

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

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

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;

**Marietta City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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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, \$4,718,879 of the School District's bank balance of \$5,468,990 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.

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, 2012, the School District had an investment in STAROhio. The carrying and fair value of this investment was \$2,905, with an average maturity of 52.5 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 STAR Ohio 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.

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

Property taxes are levied and assessed on a calendar year basis while the School District's 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 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

**Marietta City School District, Ohio**  
*Notes to the Basic Financial Statements*  
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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 year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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, 2012, are available to finance fiscal year 2012 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 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$298,573,950	67.39%	\$299,317,280	67.72%
Commerical/Industrial and Public Utility Real	127,701,840	28.82%	124,998,450	28.28%
Public Utility Personal	16,796,330	3.79%	17,673,900	4.00%
	\$443,072,120	100.00%	\$441,989,630	100.00%
Tax Rate per \$1,000 of assessed valuation		\$44.15	\$50.36	

**Note 7 - Interfund Balances**

Unpaid interfund cash advances at June 30, 2012, were as follows:

	Receivables	Payables
General Fund	\$38,798	\$0
Nonmajor Special Revenue Funds:		
State Grants Fund	0	43
Educational Jobs Grant Fund	0	7,451
Federal Grants Fund	0	31,304
Total Special Revenue Funds	0	38,798
Total All Funds	\$38,798	\$38,798

The interfund balances result from the provision of cash flow resources from the General Fund until the receipt of grant monies by the grant funds.

**Marietta City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 8 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District contracted with Barengo Insurance Agency through Ohio Casualty Insurance for general liability, vehicle, and property insurance. Coverage provided by the Utica National Insurance Group is as follows:

Building and Contents-replacement cost (\$5,000 deductible)	\$81,060,461
Boiler and Machinery (\$5,000 deductible)	81,060,461
Inland Marine:	
Cameras and audio-visual equipment (\$250 deductible)	50,000
Signs (\$250 deductible)	10,000
Music Instruments (\$250 deductible)	250,000
Band Uniforms (\$250 deductible)	50,000
Computers per Building (\$500 deductible)	200,000
Miscellaneous School Equipment and Property (\$250 deductible)	50,000
Athletic Equipment (\$250 deductible)	500,000
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	2,000,000
Medical Expense Limit – per person/accident	15,000
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	1,000,000
Umbrella:	
Each Occurrence	3,000,000
Aggregate Limit	3,000,000

**Marietta City School District, Ohio**  
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Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2011.

***B. Workers' Compensation***

For fiscal year 2012, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve 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 CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

***C. Employee Benefits***

Health, life, and vision insurance are offered to employees through a self-insurance internal service fund in fiscal year 2012. 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 \$425,000, 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>Investments</u>	<u>Liabilities</u>
2011	\$549,109	\$500,000
2012	1,013,800	425,000

**Note 9 - 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 visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.3 percent of the 14 percent employer contribution rate

**Marietta City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$380,315, \$349,939, and \$179,347, respectively; 100 percent has been contributed for all three fiscal years.

***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](http://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 multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010, were \$1,332,874, \$1,316,295, and \$1,219,888, respectively. For fiscal year 2011, 82.16 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$27,268 made by the School District and \$38,176 made by the plan members.

**Marietta City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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***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, 2012, four members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 10 - Postemployment Benefits**

***A. School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment 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 obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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 105(e). For fiscal year 2012, .55 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 fiscal year 2012, 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, 2012, 2011, and 2010, were \$66,424 \$91,008 and \$62,499, respectively. For fiscal year 2012, 24.80 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$22,460, \$22,519, and \$7,139, respectively; 100 percent has been contributed for all three fiscal years.

**Marietta City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

**B. State Teachers Retirement System**

Plan Description – The School District participates in 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$102,529, \$101,253, and \$93,838, respectively. For fiscal year 2012, 82.16 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**Note 11 - Long-Term Debt**

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

	Principal Outstanding 6/30/11	Additions	Reductions	Principal Outstanding 6/30/12	Amounts Due in One Year
<b>Governmental Activities</b>					
2003 Energy Conservation Improvement Bonds - 4.54%	\$450,000	\$0	\$60,000	\$390,000	\$55,000
2006 Energy Conservation Loan - 4.75%	894,000	0	84,000	810,000	85,000
Total Governmental Activities Long-Term Obligations	<u>\$1,344,000</u>	<u>\$0</u>	<u>\$144,000</u>	<u>\$1,200,000</u>	<u>\$140,000</u>

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 overall debt margin of the School District as of June 30, 2012, was \$39,767,059, with an unvoted debt margin of \$441,856.

**Marietta City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

Principal and interest requirements to retire the debt outstanding at June 30, 2012, are as follows:

Fiscal Year Ending	2003		2006	
	Energy Conservation		Energy Conservation	
	Principal	Interest	Principal	Interest
2013	\$55,000	\$16,458	\$85,000	\$38,475
2014	60,000	13,848	86,000	34,438
2015	65,000	11,010	87,000	30,352
2016	70,000	7,945	88,000	26,220
2017	65,000	4,881	89,000	22,040
2018-2021	75,000	1,702	375,000	45,078
	<u>\$390,000</u>	<u>\$55,844</u>	<u>\$810,000</u>	<u>\$196,603</u>

**Note 12 - Set-Aside Calculations**

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

The following cash basis information describes the change in the fiscal year end set aside amounts for capital improvements. Disclosure of this information is required by State statute.

	Capital Improvements
Set-aside Balance as of June 30, 2011	\$0
Current Year Set-aside Requirement	496,976
Offsetting Credits	(1,183,425)
Qualifying Disbursements	(274,319)
Total	<u>(\$960,768)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>

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

**Note 13 - Interfund Transfers**

During the fiscal year, the General Fund transferred \$69,292 to the State Grants Special Revenue Fund and \$60,001 to the Athletic and Music Special Revenue Fund to subsidize those programs until the receipt of grants monies and charges for services rendered. The General Fund also transferred \$10,047 to the Bond Retirement Fund for debt payments.

**Marietta City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 14 - Contingencies**

***A. Grants***

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

***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 26 participants consisting of school districts in nine southeastern Ohio counties. 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 2012, the School District paid \$127,019 to SEOVEC. To obtain financial information, write to the Southeastern Ohio Voluntary Education Cooperative 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, Joe Crone, Treasurer, at 21740 SR 676, Marietta, Ohio 45750.

**Marietta City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children 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 Coalition 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 Coalition. The School District's membership fee was \$325 for fiscal year 2012. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

**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**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	Grant Year	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2011/2012	10.555	\$ 56,827	\$ 56,827
Cash Assistance:				
School Breakfast Program	2011/2012	10.553	236,344	236,344
National School Lunch Program	2011/2012	10.555	509,722	509,722
Cash Assistance Subtotal			<u>746,066</u>	<u>746,066</u>
Total Child Nutrition Cluster			<u>746,066</u>	<u>746,066</u>
Total U.S. Department of Agriculture			802,893	802,893
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Title 1 Cluster:				
Title 1 Grants to Local Educational Agencies	2011	84.010	107,311	136,975
	2012		788,276	791,535
Total Title 1 Grants to Local Educational Agencies			<u>895,587</u>	<u>928,510</u>
ARRA - Title 1 Grants to Local Educational Agencies	2011	84.389	23,094	38,381
Total ARRA - Title 1 Grants to Local Educational Agencies			<u>23,094</u>	<u>38,381</u>
Total Title 1 Cluster			918,681	966,891
Special Education Cluster:				
Special Education - Grants to States	2011	84.027	65,295	96,716
	2012		606,198	620,511
Total Special Education - Grants to States			<u>671,493</u>	<u>717,227</u>
ARRA - Special Education - Grants to States	2011	84.391	72,219	78,898
<i>Passed through Ohio Valley Educational Service Center:</i>				
Special Education - Preschool Grants	2012	84.173	10,747	10,747
Total Special Education Cluster			754,459	806,872
Safe and Drug-Free Schools and Communities - State Grants	2011	84.186	31	2,043
Education Technology State Grants	2011	84.318	(1,448)	0
	2012		9,735	9,735
Total Education Technology State Grants			<u>8,287</u>	<u>9,735</u>
Education for Homeless Children and Youth Cluster:				
Education for Homeless Children and Youth	2011	84.196	2,114	3,080
	2012		39,466	39,444
Total Education for Homeless Children and Youth			<u>41,580</u>	<u>42,524</u>
ARRA - Education for Homeless Children and Youth	2011	84.387	3,100	3,100
Total Education for Homeless Children and Youth Cluster			<u>44,680</u>	<u>45,624</u>
Improving Teacher Quality State Grants	2011	84.367	30,099	31,986
	2012		127,787	130,087
Total Improving Teacher Quality State Grants			<u>157,886</u>	<u>162,073</u>
ARRA - Teacher Incentive Fund	2011	84.385	63,451	43,688
	2012		64,861	71,638
Total ARRA - Teacher Incentive Fund			<u>128,312</u>	<u>115,326</u>
ARRA - State Fiscal Stabilization Fund - Education State Grants	2011	84.394	0	46,655
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	N/A	84.395	175,431	179,613
Education Jobs Funds	2012	84.410	329,861	337,312
Total U.S. Department of Education			<u>2,517,628</u>	<u>2,672,144</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 3,320,521</u></b>	<b><u>\$ 3,475,037</u></b>

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

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2011 to 2012 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2011 to 2012</u>
Education Technology State Grants	84.318	\$ 1,448



# Dave Yost • Auditor of State

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

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 the Marietta City School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 10, 2013, 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected. We consider finding 2012-03 described in the accompanying Schedule of Findings to be a material weakness.

### **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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as item 2012-01 and 2012-02.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 10, 2013.

The School District's responses to the findings identified in our audit are 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 management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities, and others within the School District. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

January 10, 2013



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of the 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 could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2012. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. 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 opine 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with these requirements.

As described in Finding 2012-04 and 2012-05 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding Cash Management applicable to its ARRA – State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grant or with the requirements regarding Allowable Cost/Cost Principles to its Education Jobs Fund and ARRA – State Fiscal Stabilization Fund – Race to the Top Incentive Fund.

In our opinion, except for the noncompliance described in the preceding paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### **Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the first preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as items 2012-04 and 2012-05 to be material weaknesses.

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

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



**Dave Yost**  
Auditor of State

January 10, 2013

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified - Child Nutrition Cluster CFDA Nos. 10.553 and 10.555 Qualified - ARRA – State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants CFDA No. 84.395 Qualified - Education Jobs Funds CFDA No. 84.410
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster CFDA Nos. 10.553 and 10.555 ARRA – State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants CFDA No. 84.395 Education Jobs Funds CFDA No. 84.410
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)

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

**FINDING NUMBER 2012-01**

**Finding for Recovery**

Pursuant to Ohio Rev. Code Section 2921.41(A) [n]o public official...shall commit any theft offense, as defined in division (K) of section 2913.01 of the Revised Code, when either of the following applies: (1) The offender uses the offender's office in aid of committing the offense or permits or assents to its use in aid of committing the offense; (2) The property or service involved is owned by this state, any other state, the United States, a county, a municipal corporation, a township, or any political subdivision, department, or agency of any of them, is owned by a political party, or is part of a political campaign fund (B) Whoever violates this section is guilty of theft in office.

During the period from June 7, 2007 through October 1, 2012, the School District did not have adequate controls in place over the District's EDGE Check Writing System which they use to write on-demand checks. Checks could be written on this system without being recorded in the District's accounting system.

During our examination of the School District's bank statements for all months from July 2006 through October 2012, we found 213 on-demand checks totaling \$145,183 written on the School District's EDGE Check Writing System made out to Barbara L. Mincks that did not agree to the District's accounting records. For all 213 illegal checks, we noted there was also a valid check with the same check number to a legitimate vendor that was in agreement with the District's check registers and that included supporting documentation. We also noted six receipts collected for food service sales and deposited in the District's bank account totaling \$6,115 were not posted or were posted at a lower amount.

During this timeframe, Barbara Mincks was employed as Assistant Treasurer for the School District where part of her duties was to write on-demand checks and post receipts.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public property converted or misappropriated is hereby issued against Barbara L. Mincks in the amount of \$145,183, and in favor of the School District's General Fund. Ms. Mincks' former bonding company, Utica National Insurance Group, would be jointly and severally liable in the amount of \$42,197, and Ms. Mincks' current bonding company, Ohio Casualty, would be jointly and severally liable in the amount of \$102,986.

**Officials' Response:** As of the date of this report, the criminal charges are still pending with a preliminary trial start date of early February 2013. It is the District's intention to fully recover the amount of the theft.

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-02**

**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.

**FINDING NUMBER 2012-03**

**Material Weakness**

During the period from June 7, 2007 to October 12, 2012, former Assistant Treasurer Barbara L. Mincks was able to print on-demand checks on the EDGE System and perform the cash reconciliations. Established procedures at the District allowed Ms. Mincks to control the reconciliation process without compensating internal controls and with only limited oversight by the Treasurer upon approval of the cash reconciliations. The lack of segregation of duties at the District allowed Ms. Mincks to print on-demand checks that were not recorded on the District's financial records and use the reconciliation process to cover up the discrepancies. This resulted in the theft of District funds and the issuance of a finding for recovery.

We recommend an adequate segregation of duties be established to prevent one employee from having access to the EDGE System for writing on-demand checks without proper oversight and performing cash reconciliations.

**Officials' Response:** Immediately after the theft was discovered and how it was performed, the District contacted EDGE to communicate concerns and seek ways to eliminate this control deficiency. The District has also implemented changes in the process of cutting checks and reconciling accounts to enable an adequate segregation of duties.

MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2012-004
<b>CFDA Title and Number</b>	ARRA - State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grant; CFDA #84.395
<b>Federal Award Number / Year</b>	2012
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance Citation and Material Weakness – Cash Management**

34 C.F.R 80.20(b)(7) states in part that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements.

The School District received State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grant funds through the Ohio Department of Education Foundation Program. Grant payments were sent by EFT to the District's bank account based on a Project Cash Request approved by the Ohio Department of Education. The School District must spend advances within 30 days or by the end of the month for which the request was submitted.

The School District did not expend Race-to-the-Top Incentive Grant funds in the required time frame for 3 of the 4 advances received in fiscal year 2012. While imputed interest was not excessive, we noted that failure to timely expend funds can result in excessive interest earned and questioned costs.

We recommend the School District Treasurer review fund balances periodically to ensure that all federal receipts are expended within the required period.

**Officials' Response and Corrective Action Plan:** Treasurer will communicate closely with the Race to the Top Coordinator to identify projected monthly expenditures to more accurately determine the amount to be drawn down on a monthly basis.

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

<b>Finding Number</b>	2012-05
<b>CFDA Title and Number</b>	ARRA - State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grant; CFDA #84.395 Education Jobs Funds CFDA #84.410
<b>Federal Award Number / Year</b>	2012
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance Citation and Material Weakness – Allowable Costs/Cost Principles**

CFR Part 225, Appendix B 8h(3)(4) states where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix unless a statistical sampling system (see subsection 8.h.(6) of this appendix) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award;
- (b) A Federal award and a non-Federal award;
- (c) An indirect cost activity and a direct cost activity;
- (d) Two or more indirect activities which are allocated using different allocation bases; or
- (e) An unallowable activity and a direct or indirect cost activity.

These requirements are applicable to both federal and state grants administered from Ohio Department of Education resources.

The School District had no semi-annual certifications or personal activity reports on file to support employee wages paid from the Education Jobs and Race-to-the-Top Incentive Grants. Failure to follow time and effort requirements could result in questioned costs.

We recommend the Treasurer ensure all employees being paid from federal funds complete semi-annual certification forms or personal activity reports.

**Officials’ Response and Corrective Action Plan:** Treasurer has had conversations with the Race to the Top Coordinator regarding the need to complete personal activity reports to identify time spent on each grant in which she is paid from.

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315(b)  
FOR THE YEAR ENDED JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	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 2012-02.



# Dave Yost • 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  
JANUARY 24, 2013**