



Dave Yost • Auditor of State

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Statement of Net Position – Cash Basis	13
Statement of Activities – Cash Basis	14
Statement of Cash Basis Assets and Fund Balances – Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	16
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis) – General Fund	19
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis) – Food Service Fund.....	20
Statement of Fund Net Position – Cash Basis – Internal Service Fund	21
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Net Position – Internal Service Fund	22
Statement of Fiduciary Net Position – Cash Basis – Agency Funds	23
Notes to the Basic Financial Statements	25
Federal Awards Receipts and Expenditures Schedule.....	45
Notes to the Federal Awards Receipts and Expenditures Schedule	46
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	47
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	49
Schedule of Findings – OMB Circular A-133 § .505	53
Schedule of Prior Audit Findings – OMB Circular A-133 § .315(b).....	57
Independent Auditor's Report on Applying Agreed-Upon Procedure	59

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying 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, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 the Marietta City School District, Washington County, Ohio, as of June 30, 2013, and the respective changes in cash financial position and the respective budgetary comparison for the General and Food Service Funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are 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 & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

February 20, 2014

This page intentionally left blank.

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The discussion and analysis of the Marietta City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. 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 basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2013 are as follows:

- Net position of governmental activities increased \$366,261.
- General receipts accounted for \$23,286,390 in receipts or 82% of all receipts. Program specific cash receipts in the form of charges for services and sales, grants, contributions, and interest accounted for \$5,013,770 or 18% of total receipts of \$28,300,160.
- The School District had \$27,933,899 in disbursements related to governmental activities; only \$5,013,770 of these disbursements were offset by program specific charges for services and sales, grants, contributions, and interest. General revenues of \$23,286,390 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 Food Service Fund experienced increases in fund balances, while the Permanent Improvement Fund decreased 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 Position – 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, 2013
Unaudited

Reporting the School District as a Whole

Statement of Net Position – 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 2013?” The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis answer this question. These two statements report the School District’s net position and changes in net position. This change in net position 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 Position – 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 10. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District’s most significant funds. The School District’s major governmental funds are the General Fund, 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, 2013
 Unaudited

The School District as a Whole

Recall that the Statement of Net Position – Cash Basis provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012.

Table 1
 Net Position - Cash Basis

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$5,687,176</u>	<u>\$5,320,915</u>	<u>\$366,261</u>
Net Position			
Restricted	\$1,920,254	\$2,367,020	(\$446,766)
Unrestricted	<u>3,766,922</u>	<u>2,953,895</u>	<u>813,027</u>
Total Net Position	<u>\$5,687,176</u>	<u>\$5,320,915</u>	<u>\$366,261</u>

The above table reflects an increase in net position of \$366,261. The predominant factors for the increase in net position are due to an increase in property taxes of \$1,301,255 and \$146,544 in miscellaneous revenues. These increases were offset by increases in special, instructional staff, administration, business, operation and maintenance of plant, and pupil transportation program expenditures of \$185,215, \$135,160, \$112,082, \$156,690, \$223,753, and \$137,763 respectfully.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2013, and comparisons to June 30, 2012.

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
 Unaudited

Table 2
 Changes in Net Position

	2013	2012	Change
Receipts			
Program Cash Receipts:			
Charges for Services and Sales	\$1,392,069	\$1,438,890	(\$46,821)
Operating Grants, Contributions and Interest	3,621,701	3,676,899	(55,198)
Total Program Cash Receipts	<u>5,013,770</u>	<u>5,115,789</u>	<u>(102,019)</u>
General Receipts:			
Property Taxes	12,949,756	11,648,501	1,301,255
Grants and Entitlements	10,000,599	10,226,832	(226,233)
Investment Earnings	7,845	10,697	(2,852)
Gifts and Donations	256	273	(17)
Receipts from Sale of Capital Assets	3,175	74,085	(70,910)
Payments in Lieu of Taxes	68,116	66,373	1,743
Miscellaneous	256,643	110,099	146,544
Total General Receipts	<u>23,286,390</u>	<u>22,136,860</u>	<u>1,149,530</u>
Total Receipts	<u>28,300,160</u>	<u>27,252,649</u>	<u>1,047,511</u>
Program Disbursements			
Instruction:			
Regular	11,487,560	11,528,058	(40,498)
Special	3,477,762	3,292,547	185,215
Vocational	67,604	60,986	6,618
Adult/Continuing	88,284	328,351	(240,067)
Student Intervention Services	16,502	7,933	8,569
Support Services:			
Pupils	1,155,216	1,181,250	(26,034)
Instructional Staff	1,847,582	1,712,422	135,160
Board of Education	79,684	97,159	(17,475)
Administration	1,933,632	1,821,550	112,082
Fiscal	820,408	981,267	(160,859)
Business	335,776	179,086	156,690
Operation and Maintenance of Plant	3,257,667	3,033,914	223,753
Pupil Transportation	1,243,970	1,106,207	137,763
Central	158,140	153,106	5,034
Non-Instructional Services:			
Food Service Operations	1,164,913	1,165,003	(90)
Other	99,265	182,868	(83,603)
Extracurricular Activities	502,166	486,482	15,684
Principal Retirement	140,000	144,000	(4,000)
Interest and Fiscal Charges	57,768	33,017	24,751
Total Disbursements	<u>27,933,899</u>	<u>27,495,206</u>	<u>438,693</u>
Changes in Net Position	366,261	(242,557)	608,818
Net Position Beginning of Year	5,320,915	5,563,472	(242,557)
Net Position End of Year	<u>\$5,687,176</u>	<u>\$5,320,915</u>	<u>\$366,261</u>

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
 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 45.8% of revenues for governmental activities for fiscal year 2013, which was an increase of \$1,301,255 from fiscal year 2012. This was offset by a decrease in unrestricted Grants and Entitlements of \$226,233 from fiscal year 2012 to 2013, which made up 35.3% of revenues.

The largest two program expenditures are for Regular Instruction at 41.1% and Special Instruction at 12.4%. Operations and Maintenance is the next largest program at 11.7%; but, there was \$438,693 more spent overall during fiscal year 2013 from fiscal year 2012. Some of this was a result of increases in insurances, the costs related to the operations of the aging buildings, and increased expenditures in pupil transportation.

The Statement of Activities shows the cost of program services and the charges for services and sales, 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 2012 have been made.

Table 3
 Governmental Activities

	<u>Total Cost of Services 2013</u>	<u>Net Cost of Services 2013</u>	<u>Total Cost of Services 2012</u>	<u>Net Cost of Services 2012</u>
Program Disbursements				
Instruction:				
Regular	\$11,487,560	\$10,498,947	\$11,528,058	\$10,562,720
Special	3,477,762	2,131,769	3,292,547	2,057,288
Vocational	67,604	43,201	60,986	36,583
Adult/Continuing	88,284	(7,451)	328,351	(1,726)
Student Intervention Services	16,502	16,502	7,933	7,933
Support Services:				
Pupils	1,155,216	1,152,304	1,181,250	1,175,638
Instructional Staff	1,847,582	1,068,595	1,712,422	1,049,383
Board of Education	79,684	79,684	97,159	97,159
Administration	1,933,632	1,730,275	1,821,550	1,597,174
Fiscal	820,408	820,408	981,267	981,267
Business	335,776	335,776	179,086	179,086
Operation and Maintenance of Plant	3,257,667	3,257,667	3,033,914	3,033,914
Pupil Transportation	1,243,970	1,146,132	1,106,207	1,002,015
Central	158,140	82,177	153,106	32,172
Non-Instructional Services				
Food Service Operations	1,164,913	(30,948)	1,165,003	(96,645)
Other	99,265	26,554	182,868	132,111
Extracurricular Activities	502,166	370,769	486,482	356,328
Principal Retirement	140,000	140,000	144,000	144,000
Interest and Fiscal Charges	57,768	57,768	33,017	33,017
Total	<u>\$27,933,899</u>	<u>\$22,920,129</u>	<u>\$27,495,206</u>	<u>\$22,379,417</u>

Marietta City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
 Unaudited

The dependence upon tax revenues for governmental activities is apparent. Approximately 82 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 \$28,296,985 and disbursements of \$28,718,880. The General Fund had an increase in fund balance of \$17,046. The fund balance of the Food Service Fund increased \$36,946 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 \$546,698 due in the most part to a high school building renovation project being performed to increase safety for students.

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 2013, 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 \$371,907 below the final estimates of \$23,296,422. Original estimates were increased \$679,608 from original estimates of \$22,616,814 due to the result of underestimating property taxes and intergovernmental revenues. The budget basis disbursements were \$23,213,354, which represented a change from the final estimate of \$22,184,527. Of this \$1,028,827 difference, the majority was due to the School District's conservative estimates for expenditures.

The School District's ending unobligated General Fund balance was \$1,395,984.

Debt Administration

At June 30, 2013, the School District had the following outstanding obligations:

Table 4
 Outstanding Debt, at Fiscal Year End

	2013	2012
2003 Energy Conservation Bonds	\$335,000	\$390,000
2006 Energy Conservation Loan	725,000	810,000
Totals	\$1,060,000	\$1,200,000

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, 2013
Unaudited

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

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.

This page intentionally left blank.

Marietta City School District, Ohio

Statement of Net Position - Cash Basis

June 30, 2013

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,687,176</u>
Net Position	
Restricted for:	
Capital Projects	\$1,014,452
Other Purposes	905,802
Unrestricted	<u>3,766,922</u>
<i>Total Net Position</i>	<u>\$5,687,176</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, 2013

	Program Cash Receipts			Net (Disbursements)
	Cash	Charges for	Operating Grants,	Receipts and
	Disbursements	Services and Sales	Contributions	Changes in
			and Interest	Net Position
				Governmental
				Activities
Governmental Activities				
Instruction:				
Regular	\$11,487,560	\$748,856	\$239,757	(\$10,498,947)
Special	3,477,762	30,022	1,315,971	(2,131,769)
Vocational	67,604	0	24,403	(43,201)
Adult/Continuing	88,284	0	95,735	7,451
Student Intervention Services	16,502	0	0	(16,502)
Support Services:				
Pupils	1,155,216	0	2,912	(1,152,304)
Instructional Staff	1,847,582	265	778,722	(1,068,595)
Board of Education	79,684	0	0	(79,684)
Administration	1,933,632	35,366	167,991	(1,730,275)
Fiscal	820,408	0	0	(820,408)
Business	335,776	0	0	(335,776)
Operation and Maintenance of Plant	3,257,667	0	0	(3,257,667)
Pupil Transportation	1,243,970	26,186	71,652	(1,146,132)
Central	158,140	126	75,837	(82,177)
Non-Instructional Services:				
Food Service Operations	1,164,913	429,291	766,570	30,948
Other	99,265	74	72,637	(26,554)
Extracurricular Activities	502,166	121,883	9,514	(370,769)
Principal Retirement	140,000	0	0	(140,000)
Interest and Fiscal Charges	57,768	0	0	(57,768)
Totals	\$27,933,899	\$1,392,069	\$3,621,701	(22,920,129)
General Receipts				
Property Taxes Levied for:				
General Purposes				11,682,744
Debt Service				197,768
Permanent Improvements				1,069,244
Grants and Entitlements not Restricted to Specific Programs				10,000,599
Gift and Donations not Restricted to Specific Programs				256
Investment Earnings				7,845
Receipts from Sale of Capital Assets				3,175
Payments in Lieu of Taxes				68,116
Miscellaneous				256,643
Total General Receipts				23,286,390
Change in Net Position				366,261
Net Position Beginning of Year				5,320,915
Net Position End of Year				\$5,687,176

See accompanying notes to the financial statements.

Marietta City School District, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2013

	General	Food Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,968,141	\$605,697	\$1,014,452	\$300,105	\$3,888,395
Fund Balances					
Restricted	\$0	\$605,697	\$1,014,452	\$300,105	\$1,920,254
Committed	11,000	0	0	0	11,000
Assigned	1,957,141	0	0	0	1,957,141
<i>Total Fund Balances</i>	<u>\$1,968,141</u>	<u>\$605,697</u>	<u>\$1,014,452</u>	<u>\$300,105</u>	<u>\$3,888,395</u>

See accompanying notes to the basic financial statements.

Marietta City School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2013*

Total Governmental Fund Balances	\$3,888,395
---	-------------

*Amounts reported for governmental activities in the statement of
net position 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 position.

1,798,781

Net Position of Governmental Activities

\$5,687,176

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, 2013

	General	Food Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts					
Taxes	\$11,682,744	\$0	\$1,069,244	\$197,768	\$12,949,756
Payments in Lieu of Taxes	68,116	0	0	0	68,116
Intergovernmental	10,153,193	765,933	137,906	2,503,691	13,560,723
Investment Earnings	7,845	637	0	29,699	38,181
Charges for Services	0	429,291	0	0	429,291
Tuition and Fees	699,073	0	0	106,330	805,403
Extracurricular Activities	36,419	0	0	120,956	157,375
Gifts and Donations	26,480	0	0	5,017	31,497
Miscellaneous	250,645	5,998	0	0	256,643
<i>Total Receipts</i>	<u>22,924,515</u>	<u>1,201,859</u>	<u>1,207,150</u>	<u>2,963,461</u>	<u>28,296,985</u>
Disbursements					
Current:					
Instruction:					
Regular	11,478,863	0	34,884	353,796	11,867,543
Special	2,398,248	0	0	1,196,034	3,594,282
Vocational	63,270	0	6,242	0	69,512
Adult/Continuing	0	0	0	88,284	88,284
Student Intervention Services	16,502	0	0	0	16,502
Support Services:					
Pupils	1,197,180	0	0	3,106	1,200,286
Instructional Staff	1,082,932	0	0	830,699	1,913,631
Board of Education	79,684	0	0	0	79,684
Administration	1,831,344	0	0	156,976	1,988,320
Fiscal	536,238	0	288,688	0	824,926
Business	155,918	0	185,750	0	341,668
Operation and Maintenance of Plant	2,176,859	0	1,142,430	0	3,319,289
Pupil Transportation	1,191,581	0	95,854	0	1,287,435
Central	97,574	0	0	65,641	163,215
Non-Instructional Services	1,666	1,164,913	0	97,790	1,264,369
Extracurricular Activities	337,438	0	0	164,728	502,166
Debt Service:					
Principal Retirement	0	0	0	140,000	140,000
Interest and Fiscal Charges	0	0	0	57,768	57,768
<i>Total Disbursements</i>	<u>22,645,297</u>	<u>1,164,913</u>	<u>1,753,848</u>	<u>3,154,822</u>	<u>28,718,880</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>279,218</u>	<u>36,946</u>	<u>(546,698)</u>	<u>(191,361)</u>	<u>(421,895)</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	3,175	0	0	0	3,175
Advances In	35,626	0	0	170,276	205,902
Advances Out	(170,276)	0	0	(35,626)	(205,902)
Transfers In	0	0	0	130,697	130,697
Transfers Out	(130,697)	0	0	0	(130,697)
<i>Total Other Financing Sources (Uses)</i>	<u>(262,172)</u>	<u>0</u>	<u>0</u>	<u>265,347</u>	<u>3,175</u>
<i>Net Change in Fund Balance</i>	17,046	36,946	(546,698)	73,986	(418,720)
<i>Fund Balances Beginning 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>
<i>Fund Balances End of Year</i>	<u>\$1,968,141</u>	<u>\$605,697</u>	<u>\$1,014,452</u>	<u>\$300,105</u>	<u>\$3,888,395</u>

See accompanying notes to the financial statements.

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, 2013*

Net Change in Fund Balances - Total Governmental Funds (418,720)

*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.

784,981

Change in Net Position of Governmental Activities

\$366,261

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, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Taxes	\$11,763,866	\$12,363,866	\$11,682,744	(\$681,122)
Payments in Lieu of Taxes	80,000	80,000	68,116	(11,884)
Intergovernmental	9,906,513	10,009,255	10,153,193	143,938
Investment Earnings	11,000	11,000	7,845	(3,155)
Tuition and Fees	671,710	629,477	699,073	69,596
Extracurricular Activities	36,910	26,647	36,419	9,772
Gifts and Donations	40,815	70,177	26,480	(43,697)
Miscellaneous	106,000	106,000	250,645	144,645
<i>Total Receipts</i>	22,616,814	23,296,422	22,924,515	(371,907)
Disbursements				
Current:				
Instruction:				
Regular	10,752,136	11,060,852	11,661,064	(600,212)
Special	2,128,109	2,189,212	2,434,852	(245,640)
Vocational	66,375	68,281	68,686	(405)
Student Intervention Services	7,406	7,619	16,502	(8,883)
Support Services:				
Pupils	1,263,105	1,299,372	1,229,248	70,124
Instructional Staff	1,065,565	1,096,160	1,108,350	(12,190)
Board of Education	85,152	87,597	89,886	(2,289)
Administration	1,677,478	1,725,642	1,889,135	(163,493)
Fiscal	494,572	508,772	538,614	(29,842)
Business	176,612	181,683	163,287	18,396
Operation and Maintenance of Plant	2,274,270	2,339,569	2,339,006	563
Pupil Transportation	1,136,757	1,169,396	1,232,531	(63,135)
Central	91,922	94,561	102,908	(8,347)
Non-Instructional Services	2,690	2,767	1,847	920
Extracurricular Activities	343,190	353,044	337,438	15,606
<i>Total Disbursements</i>	21,565,339	22,184,527	23,213,354	(1,028,827)
<i>Excess of Receipts Over (Under) Disbursements</i>	1,051,475	1,111,895	(288,839)	(1,400,734)
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	15,000	15,000	3,175	(11,825)
Refund of Prior Year Receipts	0	0	(4,100)	(4,100)
Other Financing Uses	(2,814,583)	(2,895,396)	0	2,895,396
Advances In	50,000	50,000	35,626	(14,374)
Advances Out	(50,000)	(51,436)	(170,276)	(118,840)
Transfers Out	(100,000)	(102,871)	(130,697)	(27,826)
<i>Total Other Financing Sources (Uses)</i>	(2,899,583)	(2,984,703)	(266,272)	2,718,431
<i>Net Change in Fund Balance</i>	(1,848,108)	(1,872,808)	(555,111)	1,317,697
<i>Fund Balance Beginning of Year</i>	1,619,360	1,619,360	1,619,360	0
Prior Year Encumbrances Appropriated	331,735	331,735	331,735	0
<i>Fund Balance End of Year</i>	\$102,987	\$78,287	\$1,395,984	\$1,317,697

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$1,200,000	\$1,201,859	\$765,933	(\$435,926)
Investment Earnings	0	0	637	637
Charges for Services	0	0	429,291	429,291
Miscellaneous	0	0	5,998	5,998
Total Revenues	<u>1,200,000</u>	<u>1,201,859</u>	<u>1,201,859</u>	<u>0</u>
Expenditures				
Current:				
Operation of Non-Instructional Services:				
Food Service Operations	<u>1,768,751</u>	<u>1,718,379</u>	<u>1,336,964</u>	<u>381,415</u>
Excess of Revenues Under Expenditures	(568,751)	(516,520)	(135,105)	381,415
Other Financing Uses				
Other Financing Uses	<u>0</u>	<u>(52,231)</u>	<u>0</u>	<u>52,231</u>
Net Change in Fund Balance	(568,751)	(568,751)	(135,105)	433,646
Fund Balance Beginning of Year	442,873	442,873	442,873	0
Prior Year Encumbrances Appropriated	<u>125,878</u>	<u>125,878</u>	<u>125,878</u>	<u>0</u>
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$433,646</u>	<u>\$433,646</u>

See accompanying notes to the basic financial statements

Marietta City School District, Ohio
Statement of Fund Net Position - Cash Basis
Internal Service Fund
June 30, 2013

	<u>Self Insurance</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,798,781</u>
Net Position	
Unrestricted	<u>\$1,798,781</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 Position - Cash Basis
Internal Service Fund
For the Fiscal Year Ended June 30, 2013

	<u>Self Insurance</u>
Operating Receipts	
Charges for Services	<u>\$4,565,723</u>
Operating Disbursements	
Purchased Services	389,827
Claims	<u>3,390,915</u>
Total Operating Disbursements	<u>3,780,742</u>
Change in Net Position	784,981
Net Position Beginning of Year	<u>1,013,800</u>
Net Position End of Year	<u><u>\$1,798,781</u></u>

See accompanying notes to the basic financial statements.

Marietta City School District, Ohio
Statement of Fiduciary Net Position - Cash Basis
Agency Funds
June 30, 2013

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$66,756</u>
Net Position	
Restricted for Students	<u>\$66,756</u>

See accompanying notes to the basic financial statements.

This page intentionally left blank.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 108 classified employees and 198 certified personnel, who provide services to 2,928 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure 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 Plan. These organizations are presented in Notes 16 and 17 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. 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 position 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, 2013

Government-Wide Financial Statements

The statement of net position 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 position 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 and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is disbursed and transferred according to the general laws of Ohio.

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, 2013

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 position 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 position and changes in net position. 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, 2013

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 2013, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2013.

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 2013 was \$7,845, including \$4,289 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, 2013

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 11 and 12, 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 Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and local 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 position 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.

Restricted: 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.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District 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 School District Board of Education or a School District official delegated that authority by resolution or by State Statute.

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

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.

Note 3 - Change in Accounting Principles

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements;" Statement No. 61, "The Financial Reporting Entity: Omnibus;" Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements;" Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position;" Statement No. 65, "Items Previously Reported as Assets and Liabilities;" and Statement No. 66, "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62."

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District's financial statements.

Note 4 - Fund Balances

Fund balance is classified as restricted, committed, and assigned 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:

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Fund Balances	General Fund	Food Service	Permanent Improvement	Other Governmental Funds	Total
Restricted for:					
Local Grant Expenditures	\$0	\$0	\$0	\$43,075	\$43,075
State Grant Expenditures	0	0	0	116,094	116,094
Federal Grant Expenditures	0	0	0	11,974	11,974
Food Service Operations	0	605,697	0	0	605,697
Athletic Programs	0	0	0	128,962	128,962
Capital Improvements	0	0	1,014,452	0	1,014,452
<i>Total Restricted</i>	<u>0</u>	<u>605,697</u>	<u>1,014,452</u>	<u>300,105</u>	<u>1,920,254</u>
Committed:					
Underground Storage Tanks	11,000	0	0	0	11,000
Assigned to:					
Encumbrances	572,157	0	0	0	572,157
All School Support	92,980	0	0	0	92,980
Fiscal Year 2014 Appropriations	1,292,004	0	0	0	1,292,004
<i>Total Assigned</i>	<u>1,957,141</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,957,141</u>
<i>Total Fund Balances</i>	<u><u>\$1,968,141</u></u>	<u><u>\$605,697</u></u>	<u><u>\$1,014,452</u></u>	<u><u>\$300,105</u></u>	<u><u>\$3,888,395</u></u>

Note 5 - 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 fiscal year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (Cash Basis).

Net Change in Fund Balance

	General	Food Service
Cash Basis	\$17,046	\$36,946
Encumbrances	(572,157)	(172,051)
Budget Basis	<u><u>(\$555,111)</u></u>	<u><u>(\$135,105)</u></u>

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 6 - 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;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bank acceptances if training requirements have been met.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, \$5,054,472 of the School District's bank balance of \$5,804,472 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, 2013, the School District had an investment in STAR Ohio. The carrying and fair value of this investment was \$2,907, with an average maturity of 57.5 days. This investment is in an internal investment pool.

Credit Risk STAR Ohio 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 7 - 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 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The School District receives property taxes from Washington, Morgan, and Noble Counties. 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, 2013, are available to finance fiscal year 2013 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 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$299,317,280	67.72%	\$299,348,790	67.20%
Commerical/Industrial and Public Utility Real	124,998,450	28.28%	128,114,440	28.76%
Public Utility Personal	17,673,900	4.00%	18,016,670	4.04%
	\$441,989,630	100.00%	\$445,479,900	100.00%
Tax Rate per \$1,000 of assessed valuation		\$50.36		\$50.33

Note 8 - Interfund Balances

A. Transfers

During the fiscal year, the General Fund transferred \$68,000 to the State Grants Special Revenue Fund, \$2,696 to the Federal 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.

B. Interfund Balances

Unpaid interfund cash advances at June 30, 2013, were as follows:

	Receivables	Payables
General Fund	\$173,448	\$0
Nonmajor Special Revenue Funds:		
State Grants Fund	0	43
Federal Grants Fund	0	173,405
Total Special Revenue Funds	0	173,448
Total All Funds	\$173,448	\$173,448

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, 2013

Note 9 - 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 2013, 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)	\$79,532,000
Boiler and Machinery (\$5,000 deductible)	79,532,000
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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 2012.

B. Workers' Compensation

For fiscal year 2013, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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 2013. 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 \$435,000, 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>
2012	\$1,013,800	\$425,000
2013	1,798,781	435,000

Note 10 - Significant Commitments

A. Contractual Commitments

As of June 30, 2013, the School District had contractual purchase commitments as follows:

	<u>Purchase</u> <u>Commitments</u>	<u>Amounts</u> <u>Paid as of</u> <u>6/30/2013</u>	<u>Amount</u> <u>Remaining</u> <u>on Contract</u>
High School Addition:			
Permanent Improvement Capital Projects Fund	\$628,940	\$11,475	\$617,465
Boiler Project:			
Permanent Improvement Capital Projects Fund	130,808	0	130,808

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

B. Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Governmental Funds:	
General Fund	\$572,157
Food Service Fund	172,051
Permanent Improvement Capital Projects Fund	801,978
Nonmajor Funds	<u>148,389</u>
Total Governmental Funds	<u>1,694,575</u>
Proprietary Fund:	
Internal Service Fund	<u>305,416</u>
Total	<u><u>\$1,999,991</u></u>

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at 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, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate 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, 2013, 2012, and 2011, were \$392,388, \$380,315, and \$349,939, 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, 2013

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 system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary 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. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, 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 to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$1,267,865 and \$23,352 for the fiscal year ended June 30, 2013, \$1,294,698 and \$21,037 for the fiscal year ended June 30, 2012, and \$1,288,629 and \$12,670 for the fiscal year ended June 30, 2011. For fiscal year 2013, 83.12 percent has been contributed for the DB plan and 83.12 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2013 were \$17,583 made by the School District and \$12,559 made by the plan members. In addition, member contributions of \$16,680 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013, four members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - 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, Medicare Advantage, 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 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 2013, 0.16 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 2013, this amount was \$20,525.

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, 2013, 2012, and 2011, were \$61,945, \$66,424 and \$91,008, respectively. For fiscal year 2013, 7.74 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$22,165, \$22,460, and \$22,519, 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, 2013

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 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 2013, 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, 2013, 2012, and 2011, were \$100,677, \$102,529, and \$101,253, respectively. For fiscal year 2013, 83.12 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Note 13 - Long-Term Debt

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

	Principal Outstanding 6/30/12	Additions	Reductions	Principal Outstanding 6/30/13	Amounts Due in One Year
Governmental Activities					
2003 Energy Conservation Improvement Bonds - 4.54%	\$390,000	\$0	\$55,000	\$335,000	\$60,000
2006 Energy Conservation Loan - 4.75%	810,000	0	85,000	725,000	86,000
Total Governmental Activities Long-Term Obligations	<u>\$1,200,000</u>	<u>\$0</u>	<u>\$140,000</u>	<u>\$1,060,000</u>	<u>\$146,000</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, 2013, was \$40,083,206, with an unvoted debt margin of \$445,369.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Principal and interest requirements to retire the debt outstanding at June 30, 2013, are as follows:

Fiscal Year Ending	2003		2006	
	Energy Conservation		Energy Conservation	
	Principal	Interest	Principal	Interest
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	75,000	1,702	90,000	17,812
2019-2021	0	0	285,000	27,266
	<u>\$335,000</u>	<u>\$39,386</u>	<u>\$725,000</u>	<u>\$158,128</u>

Note 14 - 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 fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal 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, 2012	\$0
Current Year Set-aside Requirement	490,403
Offsetting Credits	(1,207,150)
Qualifying Disbursements	(361,326)
Total	<u>(\$1,078,073)</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.

Marietta City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 15 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

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

Note 16 - 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 28 participants consisting of school districts in seven 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 2013, the School District paid \$121,208 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, a joint vocational school, is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 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, 2013

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 2013. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Note 17 - Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2012/2013	10.555	\$ 58,771	\$ 58,771
Cash Assistance:				
School Breakfast Program	2012/2013	10.553	259,055	259,055
National School Lunch Program	2012/2013	10.555	490,520	490,520
Cash Assistance Subtotal			<u>749,575</u>	<u>749,575</u>
Total Child Nutrition Cluster			<u>808,346</u>	<u>808,346</u>
Total U.S. Department of Agriculture			808,346	808,346
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2012	84.010	330,436	349,866
	2013		633,315	705,798
School Improvement, Subgrant A	2013		16,153	25,217
Total Title I Grants to Local Educational Agencies			<u>979,904</u>	<u>1,080,881</u>
Special Education Cluster:				
Special Education - Grants to States				
	2012	84.027	25,648	25,648
	2013		545,677	601,226
Total Special Education - Grants to States			<u>571,325</u>	<u>626,874</u>
<i>Passed through Ohio Valley Educational Service Center:</i>				
Special Education - Preschool Grants	2012	84.173	10,825	10,825
Total Special Education Cluster			582,150	637,699
<i>Passed Through Ohio Department of Education:</i>				
Education for Homeless Children and Youth				
	2012	84.196	(22)	
	2013		27,105	25,691
Total Education for Homeless Children and Youth			<u>27,083</u>	<u>25,691</u>
Improving Teacher Quality State Grants				
	2012	84.367	49,799	49,799
	2013		129,024	126,842
Total Improving Teacher Quality State Grants			<u>178,823</u>	<u>176,641</u>
<i>Passed through Ohio Appalachian Collaborative:</i>				
Teacher Incentive Fund				
	2013	84.374	25,647	25,647
ARRA - Teacher Incentive Fund				
	2011	84.385	(8,084)	
	2012		46,388	46,388
	2013		220,102	227,749
Total ARRA - Teacher Incentive Fund			<u>258,406</u>	<u>274,137</u>
<i>Passed Through Ohio Department of Education:</i>				
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants				
	2012	84.395	29,814	31,465
	2013		82,646	90,389
<i>Passed through Ohio Appalachian Collaborative</i>				
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants				
	2012		(129)	3,145
	2013		66,083	61,085
Total ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants			178,414	186,084
Education Jobs Funds	2012	84.410	95,735	95,735
Total U.S. Department of Education			<u>2,326,162</u>	<u>2,502,515</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 3,134,508</u>	<u>\$ 3,310,861</u>

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, 2013**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports 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 fair 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 School District transferred the following amounts from 2012 to 2013 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2012 to 2013</u>
Education for Homeless Children and Youth	84.196	\$ 22
ARRA - Teacher Incentive Fund	84.385	\$ 8,084
ARRA - State Fiscal Stabilization Fund - Race-to- the-Top Incentive Grants	84.395	\$ 129



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 20, 2014, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2013-001.

Entity's Response to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 20, 2014



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Marietta City School District's, Washington County, Ohio (the School District), compliance with the applicable 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, 2013. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

Management's Responsibility

The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Basis for Qualified Opinion on the ARRA – State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants Program

As described in Findings 2013-002 and 2013-003 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding the following:

Finding #	CFDA #	Program Name	Compliance Requirement
2013-002	84.395	ARRA – State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants	Allowable costs and cost principles
2013-003	84.395	ARRA – State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants	Reporting

Compliance with these requirements is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

Qualified Opinion on the ARRA – State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the ARRA – State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants Program* paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its ARRA – State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants Program for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Marietta City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and a deficiency we consider to be significant deficiency.

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's applicable 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's 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 item 2013-002 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2013-003 to be a significant deficiency.

The School District's responses to our internal control over compliance findings 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.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 20, 2014

This page intentionally left blank.

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion:	Unmodified - Title I Grants to Local Educational Agencies, CFDA # 84.010 and Special Education Cluster, CFDA #'s 84.027 and 84.173 Qualified - ARRA – State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants, CFDA # 84.395
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	Yes
(d)(1)(vii)	Major Programs (list): <ul style="list-style-type: none"> • Title I Grants to Local Educational Agencies, CFDA # 84.010 • Special Education Cluster, CFDA #'s 84.027 and 84.173 • ARRA – State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants, CFDA # 84.395 	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)**

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

FINDING NUMBER 2013-001

Noncompliance Citation

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

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

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

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

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

1. Allowable Costs and Cost Principles

Finding Number	2013-002
CFDA Titles and Numbers	ARRA – State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants, CFDA # 84.395
Federal Award Number / Year	2013
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education and the Ohio Appalachian Collaborative

Noncompliance and Material Weakness

2 C.F.R. Part 225, Appendix B 8h(3)-(4) states 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 activity reports on file to support employee wages paid from the Race to the Top Grant. 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 activity reports.

Officials' Response and Corrective Action Plan: The District was unaware of the requirement to keep a day to day calendar of time spent on each grant and rather just signed a semi-annual certification. We have since required the RttT/TIF Coordinator to maintain a daily log

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

2. Reporting

Finding Number	2013-003
CFDA Titles and Numbers	ARRA – State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants, CFDA # 84.395
Federal Award Number / Year	2013
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Appalachian Collaborative

Noncompliance and Significant Deficiency

34 C.F.R. 80.41(b)(4) provides that, when reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period. When required on an annual basis, they will be due 90 days after the grant year. Final reports will be due 90 days after the expiration or termination of grant support.

Consolidated Application Assurances item 5 provides, that LEA's will make reports to ODE as may be reasonably necessary to enable ODE to perform its duties. Program funds are reported to the State of Ohio. There are two forms the Auditor should consider:

- Project cash request
- Final expenditure report

The final expenditure report is to be submitted for each project immediately after all financial obligations have been liquidated. The report is due no later than 90 days after the end of the project period, for programs contained in the CCIP. Failure to submit the report in a timely manner may result in a temporary suspension of the flow of federal funds for this grant until the project is closed.

Actual expenditures authorized by the approved project application and charges to the project special cost center are to be reported (report amounts actually expended, not encumbered).

The Final Expenditure Report for the Ohio Appalachian Collaborative portion of Race to the Top was not submitted within 90 days after the end of the project period as is required.

We recommend the School District Treasurer review program guidelines and submit the Final Expenditure Report within the required time period.

Officials' Response and Corrective Action Plan: The District has since submitted the FER and it has been approved. District will be more diligent in the future as to these dates

**MARIETTA CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.315(b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2012-01	Finding for Recovery was issued against Barbara Mincks for theft in office totaling \$145,183.	Yes	N/A
2012-02	A noncompliance citation was issued under Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B) for not preparing the annual financial report pursuant to generally accepted accounting principles.	No	Not Corrected; this item is repeated in the accompanying Schedule of Findings as Finding Number 2013-001.
2012-03	A material Weakness was issued for a lack of segregation of duties that ultimately resulted in undetected theft by an employee.	Yes	N/A
2012-04	A noncompliance citation and material weakness was issued for cash management requirements with the Race to the Top Incentive Grants.	No	Partially corrected. Repeated in a separate letter to management dated February 20, 2014.
2012-05	A noncompliance citation and material weakness was issued for the allowable costs/cost principles requirements with the Race to the Top Incentive Grants and Education Jobs Funds.	No	Repeated for the Race to the Top Incentive Grants as Finding 2013-002.

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Marietta City School District, Washington County, Ohio, has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on November 22, 2010 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

Columbus

February 20, 2014

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110
www.ohioauditor.gov

This page intentionally left blank.