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Certified Public Accountants, A.C.

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY  
Single Audit  
For the Year Ended June 30, 2015**

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# Dave Yost • Auditor of State

Board of Education  
Marietta City School District  
111 Academy Dr  
Marietta, OH 45750

We have reviewed the *Independent Auditor's Report* of the Marietta City School District, Washington County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Marietta City School District is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

May 13, 2016

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**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

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MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY

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## INDEPENDENT AUDITOR'S REPORT

March 18, 2016

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **Marietta City School District**, Washington County, Ohio (the School District), as of and for the year ended June 30, 2015, 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 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.



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***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 Marietta City School District, Washington County, Ohio, as of June 30, 2015, and the respective changes in cash financial position and the respective budgetary comparisons 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 § 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. The financial statements are prepared on the cash basis of accounting, 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***

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures 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 not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Information***

We applied no procedures to Management's Discussion and Analysis, as listed in the table of contents. Accordingly, 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 March 18, 2016, 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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**Marietta City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
Unaudited

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The discussion and analysis of the Marietta City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. 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 2015 are as follows:

- Net position of governmental activities increased \$1,526,384.
- General receipts accounted for \$24,254,786 in receipts or 78% of all receipts. Program specific cash receipts in the form of charges for services and sales, grants, contributions, and interest accounted for \$6,931,900 or 22% of total receipts of \$31,186,686.
- The School District had \$29,660,302 in disbursements related to governmental activities; only \$6,931,900 of these disbursements were offset by program specific charges for services and sales, grants, contributions, and interest. General revenues of \$24,254,786 were adequate to provide for these programs.
- The School District's major funds were the General Fund, Food Service Fund, and Permanent Improvement Fund. All three funds experienced increases in their fund balances.

**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, 2015*  
Unaudited

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***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 2015?” 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 9. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District’s most significant funds. The School District’s major governmental funds are the General Fund, 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, 2015*  
 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 2015 compared to 2014.

Table 1  
 Net Position - Cash Basis

	<u>2015</u>	<u>2014</u>	<u>Change</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$7,963,183</u>	<u>\$6,436,799</u>	<u>\$1,526,384</u>
<b>Net Position</b>			
Restricted	\$1,839,360	\$1,937,349	(\$97,989)
Unrestricted	<u>6,123,823</u>	<u>4,499,450</u>	<u>1,624,373</u>
Total Net Position	<u>\$7,963,183</u>	<u>\$6,436,799</u>	<u>\$1,526,384</u>

The above table reflects an increase in net position of \$1,526,384. The predominant factors for the increase in net position are due to an increase in unrestricted grants and entitlements of \$1,300,865.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2015, and comparisons to June 30, 2014.

**Marietta City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
 Unaudited

Table 2  
 Changes in Net Position

	2015	2014	Change
<b>Receipts</b>			
Program Cash Receipts:			
Charges for Services and Sales	\$1,433,539	\$1,765,387	(\$331,848)
Operating Grants, Contributions and Interest	5,498,361	4,866,968	631,393
Total Program Cash Receipts	<u>6,931,900</u>	<u>6,632,355</u>	<u>299,545</u>
General Receipts:			
Property Taxes	13,083,137	13,425,519	(342,382)
Grants and Entitlements	10,905,474	9,604,609	1,300,865
Investment Earnings	9,280	7,282	1,998
Gifts and Donations	8,600	1,643	6,957
Receipts from Sale of Capital Assets	0	0	0
Payments in Lieu of Taxes	0	12,237	(12,237)
Miscellaneous	248,295	260,156	(11,861)
Total General Receipts	<u>24,254,786</u>	<u>23,311,446</u>	<u>943,340</u>
Total Receipts	<u>31,186,686</u>	<u>29,943,801</u>	<u>1,242,885</u>
<b>Program Disbursements</b>			
Instruction:			
Regular	12,009,781	11,988,312	21,469
Special	3,632,146	3,550,955	81,191
Vocational	69,072	58,766	10,306
Student Intervention Services	59,507	12,345	47,162
Support Services:			
Pupils	1,201,801	1,155,255	46,546
Instructional Staff	2,945,478	2,022,095	923,383
Board of Education	76,108	121,698	(45,590)
Administration	2,107,811	1,997,637	110,174
Fiscal	595,962	1,057,581	(461,619)
Business	219,803	185,032	34,771
Operation and Maintenance of Plant	2,959,161	3,416,100	(456,939)
Pupil Transportation	1,097,741	1,188,477	(90,736)
Central	450,851	399,836	51,015
Non-Instructional Services:			
Food Service Operations	1,164,423	1,111,111	53,312
Other	243,640	141,278	102,362
Extracurricular Activities	631,418	590,878	40,540
Principal Retirement	152,000	146,000	6,000
Interest and Fiscal Charges	43,599	50,822	(7,223)
Total Disbursements	<u>29,660,302</u>	<u>29,194,178</u>	<u>466,124</u>
Changes in Net Position	1,526,384	749,623	776,761
Net Position Beginning of Year	6,436,799	5,687,176	749,623
Net Position End of Year	<u>\$7,963,183</u>	<u>\$6,436,799</u>	<u>\$1,526,384</u>

**Marietta City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
 Unaudited

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreases as the property valuation increases thus generating similar revenue. Property taxes made up approximately 42% of revenues for governmental activities for fiscal year 2015, which was a decrease of \$342,382 from fiscal year 2014. This was offset by an increase in unrestricted Grants and Entitlements of \$1,300,865 from fiscal year 2014 to 2015, which made up 35% of revenues.

The largest two program expenditures are for Regular Instruction at 40.5% and Special Instruction at 12.2%. Operations and Maintenance is the next largest program at nearly 10%. There was \$466,124 more spent overall during fiscal year 2015 from fiscal year 2014. Some of this was a result of increases in salaries and insurances.

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 2015 have been made.

Table 3  
 Cost of Services

	<u>Total Cost of Services</u> 2015	<u>Net Cost of Services</u> 2015	<u>Total Cost of Services</u> 2014	<u>Net Cost of Services</u> 2014
<b>Program Disbursements</b>				
Instruction:				
Regular	\$12,009,781	\$10,694,715	\$11,988,312	\$10,624,792
Special	3,632,146	1,688,780	3,550,955	1,357,111
Vocational	69,072	(82,668)	58,766	(46,760)
Student Intervention Services	59,507	59,507	12,345	12,345
Support Services:				
Pupils	1,201,801	1,198,564	1,155,255	1,151,187
Instructional Staff	2,945,478	1,226,639	2,022,095	870,805
Board of Education	76,108	76,108	121,698	121,698
Administration	2,107,811	1,933,001	1,997,637	1,816,383
Fiscal	595,962	595,962	1,057,581	1,057,581
Business	219,803	219,803	185,032	185,032
Operation and Maintenance of Plant	2,959,161	2,939,872	3,416,100	3,386,942
Pupil Transportation	1,097,741	995,043	1,188,477	1,080,971
Central	450,851	391,512	399,836	329,258
Non-Instructional Services				
Food Service Operations	1,164,423	(45,334)	1,111,111	(51,449)
Other	243,640	159,008	141,278	26,643
Extracurricular Activities	631,418	482,291	590,878	442,462
Principal Retirement	152,000	152,000	146,000	146,000
Interest and Fiscal Charges	43,599	43,599	50,822	50,822
<b>Total</b>	<u><u>\$29,660,302</u></u>	<u><u>\$22,728,402</u></u>	<u><u>\$29,194,178</u></u>	<u><u>\$22,561,823</u></u>

**Marietta City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
 Unaudited

The dependence upon tax revenues for governmental activities is apparent. Approximately 77 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 \$31,186,686 and disbursements of \$30,155,064. The General Fund had an increase in fund balance of \$1,129,611 due in part to the School District receiving the Straight A grant which allowed the School District to purchase items from this grant as opposed to the General Fund. The fund balance of the Food Service Fund increased \$45,334 due to the option of students being allowed to leave campus for lunch being revoked. The Permanent Improvement Fund had an increase in fund balance of \$76,896 due in the most part to a high school building renovation project to increase safety for students being performed in the prior year and no equivalent big projects being performed in fiscal year 2015.

***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 2015, the School District did not amend 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 \$1,055,324 above the final estimates of \$23,785,000. Original estimates were unchanged. The budget basis disbursements were \$23,742,304, which represented a \$531,961 change from the final estimates of \$23,210,343. The School District's ending unobligated General Fund balance was \$3,180,583.

**Debt Administration**

At June 30, 2015, the School District had the following outstanding obligations:

Table 4  
 Outstanding Debt, at Fiscal Year End

	2015	2014
2003 Energy Conservation Bonds	\$210,000	\$275,000
2006 Energy Conservation Loan	552,000	639,000
Totals	\$762,000	\$914,000

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, 2015*  
Unaudited

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During fiscal year 2007, the School District received the final \$542,445 in proceeds from a \$1,275,000 energy conservation loan. The loan was used to replace heating systems at Harmar, Phillips, and Putnam Elementary schools and the High School Vocational Building. It was also utilized for lighting retrofits and heating controls throughout the School District and for restroom renovations at the High School. For more information on the School District's debt, refer to Note 12 of the basic financial statements.

**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 Frank Antill, Treasurer/CFO at Marietta City School District, 11 Academy Drive, Marietta, Ohio 45750, or E-Mail at [FANTILL@MARIETTACSDOH.ORG](mailto:FANTILL@MARIETTACSDOH.ORG).

**Marietta City School District, Ohio**  
*Statement of Net Position - Cash Basis*  
*June 30, 2015*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$7,963,183
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$800,924
Food Service	759,232
Student Activities	137,648
State Programs	92,878
Federal Programs	48,678
Unrestricted	6,123,823
<i>Total Net Position</i>	<i>\$7,963,183</i>

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, 2015

	Program Cash Receipts			Net (Disbursements)
	Cash	Charges for	Operating Grants,	Receipts and
Disbursements	Services and Sales	Contributions	and Interest	Changes in
				Net Position
				Governmental
				Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$12,009,781	\$818,708	\$496,358	(\$10,694,715)
Special	3,632,146	0	1,943,366	(1,688,780)
Vocational	69,072	0	151,740	82,668
Student Intervention Services	59,507	0	0	(59,507)
Support Services:				
Pupils	1,201,801	0	3,237	(1,198,564)
Instructional Staff	2,945,478	0	1,718,839	(1,226,639)
Board of Education	76,108	0	0	(76,108)
Administration	2,107,811	35,804	139,006	(1,933,001)
Fiscal	595,962	0	0	(595,962)
Business	219,803	0	0	(219,803)
Operation and Maintenance of Plant	2,959,161	0	19,289	(2,939,872)
Pupil Transportation	1,097,741	27,464	75,234	(995,043)
Central	450,851	0	59,339	(391,512)
Non-Instructional Services:				
Food Service Operations	1,164,423	428,735	781,022	45,334
Other	243,640	359	84,273	(159,008)
Extracurricular Activities	631,418	122,469	26,658	(482,291)
Principal Retirement	152,000	0	0	(152,000)
Interest and Fiscal Charges	43,599	0	0	(43,599)
<b>Totals</b>	<b>\$29,660,302</b>	<b>\$1,433,539</b>	<b>\$5,498,361</b>	<b>(22,728,402)</b>
<b>General Receipts</b>				
Property Taxes Levied for:				
General Purposes				11,929,568
Debt Service				112,452
Permanent Improvements				1,041,117
Grants and Entitlements not Restricted to Specific Programs				10,905,474
Gift and Donations not Restricted to Specific Programs				8,600
Investment Earnings				9,280
Miscellaneous				248,295
<b>Total General Receipts</b>				<b>24,254,786</b>
<b>Change in Net Position</b>				<b>1,526,384</b>
<b>Net Position Beginning of Year</b>				<b>6,436,799</b>
<b>Net Position End of Year</b>				<b>\$7,963,183</b>

See accompanying notes to the basic financial statements

**Marietta City School District, Ohio**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*June 30, 2015*

	General	Food Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$3,684,455	\$759,232	\$800,924	\$279,204	\$5,523,815
<b>Fund Balances</b>					
Restricted	\$0	\$759,232	\$800,924	\$279,204	\$1,839,360
Committed	11,000	0	0	0	11,000
Assigned	3,673,455	0	0	0	3,673,455
<i>Total Fund Balances</i>	<u>\$3,684,455</u>	<u>\$759,232</u>	<u>\$800,924</u>	<u>\$279,204</u>	<u>\$5,523,815</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, 2015*

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**Total Governmental Fund Balances** \$5,523,815

*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. 2,439,368

Net Position of Governmental Activities \$7,963,183

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, 2015*

	General	Food Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Taxes	\$11,929,568	\$0	\$1,041,117	\$112,452	\$13,083,137
Intergovernmental	12,018,504	780,401	123,367	3,444,186	16,366,458
Investment Earnings	9,280	621	0	105	10,006
Charges for Services	0	428,735	0	0	428,735
Tuition and Fees	747,938	0	0	98,234	846,172
Extracurricular Activities	36,163	0	0	122,469	158,632
Gifts and Donations	23,845	0	0	21,406	45,251
Miscellaneous	248,295	0	0	0	248,295
<i>Total Receipts</i>	<u>25,013,593</u>	<u>1,209,757</u>	<u>1,164,484</u>	<u>3,798,852</u>	<u>31,186,686</u>
<b>Disbursements</b>					
Current:					
Instruction:					
Regular	11,567,911	0	180,321	496,596	12,244,828
Special	2,584,236	0	0	1,132,280	3,716,516
Vocational	70,317	0	0	0	70,317
Student Intervention Services	59,507	0	0	0	59,507
Support Services:					
Pupils	1,226,873	0	0	3,845	1,230,718
Instructional Staff	1,078,054	0	0	1,901,333	2,979,387
Board of Education	76,108	0	0	0	76,108
Administration	1,990,384	0	0	156,299	2,146,683
Fiscal	471,911	0	125,556	0	597,467
Business	187,812	0	37,347	0	225,159
Operation and Maintenance of Plant	2,255,136	0	744,364	0	2,999,500
Pupil Transportation	1,120,958	0	0	0	1,120,958
Central	331,642	0	0	121,095	452,737
Non-Instructional Services	87,827	1,164,423	0	155,912	1,408,162
Extracurricular Activities	416,984	0	0	214,434	631,418
Debt Service:					
Principal Retirement	0	0	0	152,000	152,000
Interest and Fiscal Charges	0	0	0	43,599	43,599
<i>Total Disbursements</i>	<u>23,525,660</u>	<u>1,164,423</u>	<u>1,087,588</u>	<u>4,377,393</u>	<u>30,155,064</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,487,933</u>	<u>45,334</u>	<u>76,896</u>	<u>(578,541)</u>	<u>1,031,622</u>
<b>Other Financing Sources (Uses)</b>					
Advances In	135,345	0	0	303,398	438,743
Advances Out	(303,398)	0	0	(135,345)	(438,743)
Transfers In	0	0	0	190,269	190,269
Transfers Out	(190,269)	0	0	0	(190,269)
<i>Total Other Financing Sources (Uses)</i>	<u>(358,322)</u>	<u>0</u>	<u>0</u>	<u>358,322</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,129,611	45,334	76,896	(220,219)	1,031,622
<i>Fund Balances Beginning of Year</i>	<u>2,554,844</u>	<u>713,898</u>	<u>724,028</u>	<u>499,423</u>	<u>4,492,193</u>
<i>Fund Balances End of Year</i>	<u>\$3,684,455</u>	<u>\$759,232</u>	<u>\$800,924</u>	<u>\$279,204</u>	<u>\$5,523,815</u>

See accompanying notes to the basic financial statements

**Marietta City School District, Ohio**

*Reconciliation of the Statement of Cash Receipts, Cash Disbursements and Changes  
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2015*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$1,031,622
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***Amounts reported for governmental activities in the statement of activities  
are different because***

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund 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.

494,762

*Change in Net Position of Governmental Activities*

\$1,526,384

See accompanying notes to the basic financial statements

**Marietta City School District, Ohio**  
*Statement of Cash Receipts, Cash Disbursements and Change  
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Taxes	\$12,368,781	\$12,368,781	\$11,929,568	(\$439,213)
Intergovernmental	10,439,785	10,439,785	12,018,504	1,578,719
Investment Earnings	8,000	8,000	9,280	1,280
Tuition and Fees	717,500	717,500	626,077	(91,423)
Extracurricular Activities	500	500	0	(500)
Gifts and Donations	1,000	1,000	8,600	7,600
Miscellaneous	249,434	249,434	248,295	(1,139)
<i>Total Receipts</i>	<u>23,785,000</u>	<u>23,785,000</u>	<u>24,840,324</u>	<u>1,055,324</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	11,317,929	11,317,929	11,496,140	(178,211)
Special	2,380,957	2,380,957	2,596,985	(216,028)
Vocational	73,188	73,188	72,066	1,122
Student Intervention Services	12,631	12,631	59,583	(46,952)
Support Services:				
Pupils	1,194,386	1,194,386	1,254,389	(60,003)
Instructional Staff	992,737	992,737	1,118,710	(125,973)
Board of Education	111,303	111,303	79,945	31,358
Administration	1,825,119	1,825,119	1,982,881	(157,762)
Fiscal	656,164	656,164	475,230	180,934
Business	188,429	188,429	200,134	(11,705)
Operation and Maintenance of Plant	2,347,700	2,347,700	2,409,978	(62,278)
Pupil Transportation	1,222,358	1,222,358	1,156,249	66,109
Central	391,346	391,346	338,607	52,739
Non-Instructional Services	86,526	86,526	86,526	0
Extracurricular Activities	409,570	409,570	414,881	(5,311)
<i>Total Disbursements</i>	<u>23,210,343</u>	<u>23,210,343</u>	<u>23,742,304</u>	<u>(531,961)</u>
<i>Excess of Receipts Over Disbursements</i>	<u>574,657</u>	<u>574,657</u>	<u>1,098,020</u>	<u>523,363</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	10,000	10,000	0	(10,000)
Other Financing Uses	(2,901,745)	(2,901,745)	0	2,901,745
Advances In	200,000	200,000	135,345	(64,655)
Advances Out	(50,000)	(50,000)	(303,398)	(253,398)
Transfers In	5,000	5,000	0	(5,000)
Transfers Out	(300,000)	(300,000)	(212,307)	87,693
<i>Total Other Financing Sources (Uses)</i>	<u>(3,036,745)</u>	<u>(3,036,745)</u>	<u>(380,360)</u>	<u>2,656,385</u>
<i>Net Change in Fund Balance</i>	<u>(2,462,088)</u>	<u>(2,462,088)</u>	<u>717,660</u>	<u>3,179,748</u>
<i>Fund Balance Beginning of Year</i>	<u>2,222,699</u>	<u>2,222,699</u>	<u>2,222,699</u>	<u>0</u>
Prior Year Encumbrances Appropriated	240,224	240,224	240,224	0
<i>Fund Balance End of Year</i>	<u>\$835</u>	<u>\$835</u>	<u>\$3,180,583</u>	<u>\$3,179,748</u>

See accompanying notes to the basic financial statements

**Marietta City School District, Ohio**  
*Statement of Cash Receipts, Cash Disbursements and Change  
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)*  
*Food Service Fund*  
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$800,000	\$800,000	\$780,401	(\$19,599)
Investment Earnings	600	600	621	21
Charges for Services	399,400	399,400	428,735	29,335
Total Revenues	1,200,000	1,200,000	1,209,757	9,757
<b>Expenditures</b>				
Current:				
Operation of Non-Instructional Services:				
Food Service Operations	1,822,269	1,822,269	1,418,758	403,511
Excess of Revenues Under Expenditures	(622,269)	(622,269)	(209,001)	413,268
Other Financing Uses	(91,629)	(91,629)	0	91,629
Net Change in Fund Balance	(713,898)	(713,898)	(209,001)	504,897
Fund Balance Beginning of Year	490,549	490,549	490,549	0
Prior Year Encumbrances Appropriated	223,349	223,349	223,349	0
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$504,897</u>	<u>\$504,897</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, 2015*

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	<u>Self Insurance</u>
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,439,368</u>
<b>Net Position</b>	
Unrestricted	<u>\$2,439,368</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, 2015*

	<u>Self Insurance</u>
<b>Operating Receipts</b>	
Charges for Services	<u>\$4,834,061</u>
<b>Operating Disbursements</b>	
Purchased Services	554,454
Claims	<u>3,784,845</u>
Total Operating Disbursements	<u>4,339,299</u>
Change in Net Position	494,762
Net Position Beginning of Year	<u>1,944,606</u>
Net Position End of Year	<u><u>\$2,439,368</u></u>

See accompanying notes to the basic financial statements

**Marietta City School District, Ohio**  
*Statement of Net Position - Cash Basis*  
*Agency Funds*  
*June 30, 2015*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$62,667</u>
<b>Net Position</b>	
Held on Behalf of Students	<u>\$62,667</u>

See accompanying notes to the basic financial statements

**Marietta City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's 6 instructional facilities staffed by 136 classified employees and 210 certified personnel, who provide services to 3,017 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 15 and 16 to the basic financial statements.

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

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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, 2015

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### 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, 2015*

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

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

***Proprietary Fund Type*** Proprietary fund reporting focuses on the determination the changes in net 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 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, 2015*

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

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

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

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

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

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

During fiscal year 2015, 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, 2015.

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 2015 was \$9,280, including \$4,559 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, 2015*

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***H. Interfund Receivables/Payables***

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

***I. Accumulated Leave***

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

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

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, 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 or 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 from local 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, 2015*

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**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 activities are eliminated in the government-wide financial statements. Internal allocations of overhead disbursements from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

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

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

**Note 3 - 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:

Fund Balances	General Fund	Food Service	Permanent Improvement	Other Governmental Funds	Total
Restricted for:					
State Grant Expenditures	\$0	\$0	\$0	\$92,878	\$92,878
Federal Grant Expenditures	0	0	0	48,678	48,678
Food Service Operations	0	759,232	0	0	759,232
Athletic Programs	0	0	0	137,648	137,648
Capital Improvements	0	0	800,924	0	800,924
<i>Total Restricted</i>	<u>0</u>	<u>759,232</u>	<u>800,924</u>	<u>279,204</u>	<u>1,839,360</u>
Committed:					
Underground Storage Tanks	11,000	0	0	0	11,000
Assigned to:					
Encumbrances	401,531	0	0	0	401,531
School Support	70,118	0	0	0	70,118
Fiscal Year 2016 Appropriations	3,201,806	0	0	0	3,201,806
<i>Total Assigned</i>	<u>3,673,455</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,673,455</u>
<i>Total Fund Balances</i>	<u><u>\$3,684,455</u></u>	<u><u>\$759,232</u></u>	<u><u>\$800,924</u></u>	<u><u>\$279,204</u></u>	<u><u>\$5,523,815</u></u>

**Note 4 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budgetary Basis) presented for the General Fund and the Food Service Special Revenue Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are as follows:

1. Encumbrances are treated as disbursements (budget basis) rather than as a commitment or assignment of fund balance (cash basis).
2. Certain funds are accounted for as separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund for cash basis reporting.

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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Net Change in Fund Balance

	<u>General</u>	<u>Food Service</u>
Cash Basis	\$1,129,611	\$45,334
To reclassify excess of expenditures over revenues and other sources of financial resources into financial statement fund types	(10,420)	0
Encumbrances	<u>(401,531)</u>	<u>(254,335)</u>
Budget Basis	<u>\$717,660</u>	<u>(\$209,001)</u>

**Note 5 - Deposits and Investments**

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

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

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

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;

## Marietta City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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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.

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, \$7,331,481 of the School District's bank balance of \$8,081,481 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, 2015, the School District had an investment in STAR Ohio. The carrying and fair value of this investment was \$2,909, with an average maturity of 53.4 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's investment policy limits investments to those authorized by State statute which restricts investments to those that are highly rated or issued by United States government sponsored enterprises.

### Note 6 - Property Taxes

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

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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 2015 represents collections of calendar year 2014 taxes. Public utility real property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014, 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.

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, 2015, are available to finance fiscal year 2015 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 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$314,516,980	67.55%	\$314,874,910	67.20%
Commerical/Industrial and Public Utility Real	131,424,010	28.23%	133,436,120	28.48%
Public Utility Personal	19,659,230	4.22%	20,236,300	4.32%
	\$465,600,220	100.00%	\$468,547,330	100.00%
 Tax Rate per \$1,000 of assessed valuation		\$50.06		\$50.02

**Note 7 - Interfund Balances**

**A. Transfers**

During the fiscal year, the General Fund transferred \$42,648 to the Bond Retirement Debt Service Fund for debt payments. Also, the General Fund transferred \$87,622 to the State Grants Special Revenue Fund and \$59,999 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, 2015, were as follows:

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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	<u>Receivables</u>	<u>Payables</u>
General Fund	\$394,076	\$0
Nonmajor Special Revenue Funds:		
Local Grants Fund	0	1,767
State Grants Fund	0	4,074
Federal Grants Fund	0	388,235
Total Special Revenue Funds	0	394,076
Total All Funds	<u>\$394,076</u>	<u>\$394,076</u>

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 and from cash deficits.

**Note 8 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the School District contracted with Peoples Insurance Agency through Ohio Casualty Insurance for general liability, vehicle, and property insurance. Coverage provided by the Netherlands Insurance Company is as follows:

Building and Contents-replacement cost (\$5,000 deductible)	\$84,961,000
Boiler and Machinery (\$5,000 deductible)	84,961,000
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
Rented Equipment (\$1000 deductible)	50,000
Crime (\$1000 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

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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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

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 2014.

***B. Workers' Compensation***

For fiscal year 2015, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

***C. Employee Benefits***

Health and vision insurance are offered to employees through a self-insurance internal service fund. Monthly premiums for the cost of claims are remitted to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$500,000, 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.

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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>
2014	\$1,944,606	\$660,000
2015	2,439,368	500,000

The School District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource in the amount of \$20,000. Dental coverage is also provided through Core Source. Premiums for this coverage are \$90 monthly for family and \$40 for single coverage.

**Note 9 - Significant Commitments**

**A. Contractual Commitments**

As of June 30, 2015, the School District had the following contractual purchase commitments for various projects paid for by the Permanent Improvement Capital Projects Fund:

<u>Project</u>	<u>Purchase Commitment</u>	<u>Amounts Paid as of 6/30/2015</u>	<u>Amount Remaining on Contract</u>
HVAC	\$29,172	\$0	\$29,172
Flooring	51,276	0	51,276
Painting	10,850	0	10,850
Roofing	63,707	0	63,707
Paving	6,830	0	6,830
Asbestos Removal	11,138	0	11,138
Buses	195,370	0	195,370
Athletic Replacements	5,879	0	5,879
	<u>\$374,222</u>	<u>\$0</u>	<u>\$374,222</u>

**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:

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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Governmental Funds:	
General Fund	\$410,162
Food Service Fund	254,335
Permanent Improvement Capital Projects Fund	420,898
Nonmajor Funds	<u>105,395</u>
Total Governmental Funds	<u>1,190,790</u>
Proprietary Fund:	
Internal Service Fund	<u>316,869</u>
Total	<u><u>\$1,507,659</u></u>

**Note 10 - Defined Benefit Pension Plans**

***Net Pension Liability***

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68” were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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***Plan Description - School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information, and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$476,692 for fiscal year 2015.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,478,656 for fiscal year 2015.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$5,920,899	\$25,019,139	\$30,940,038
Proportion of the Net Pension Liability	0.116992%	0.10286011%	

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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For the Fiscal Year Ended June 30, 2015*

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
 Total	 100.00 %	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$8,447,363	\$5,920,899	\$3,795,924

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$35,817,625	\$25,019,139	\$15,887,253

**Note 11 - Postemployment Benefits**

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

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was not available at the time of issuance of this report.

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

The School District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013, were \$29,658, \$22,422, and \$22,165, respectively. The full amount has been contributed for all three fiscal years.

**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) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. 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 which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. 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 2015, STRS did not allocate any employer contributions to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$104,806, and \$100,677 respectively. The full amount has been contributed for all three fiscal years.

**Note 12 - Long-Term Debt**

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

	Principal Outstanding 6/30/14	Additions	Reductions	Principal Outstanding 6/30/15	Amounts Due in One Year
<b>Governmental Activities</b>					
2003 Energy Conservation Improvement Bonds - 4.54%	\$275,000	\$0	\$65,000	\$210,000	\$70,000
2006 Energy Conservation Loan - 4.75%	639,000	0	87,000	552,000	88,000
Total Governmental Activities Long-Term Obligations	<u>\$914,000</u>	<u>\$0</u>	<u>\$152,000</u>	<u>\$762,000</u>	<u>\$158,000</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, 2015, was \$42,158,902, with an unvoted debt margin of \$468,432.

**Marietta City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

Principal and interest requirements to retire the debt outstanding at June 30, 2015, are as follows:

Fiscal Year Ending	2003		2006	
	Energy Conservation		Energy Conservation	
	Principal	Interest	Principal	Interest
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	0	0	93,000	13,538
2020	0	0	95,000	9,120
2021	0	0	97,000	4,608
	<u>\$210,000</u>	<u>\$14,528</u>	<u>\$552,000</u>	<u>\$93,338</u>

**Note 13 - 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, 2014	\$0
Current Year Set-aside Requirement	491,060
Offsetting Credits	(1,041,117)
Qualifying Disbursements	(328,373)
Total	<u>(\$878,430)</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 fiscal years.

**Marietta City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Note 14 - 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, 2015, if applicable, cannot be determined at this time.

***B. Litigation***

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

***C. Foundation***

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015. Therefore, foundation funding for the School District and any financial statement impact is not determinable at this time.

**Note 15 - Jointly Governed Organizations**

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

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 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 2015, the School District paid \$231,379 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, 2015*

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

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$325 for fiscal year 2015. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

**Note 16 - Insurance Purchasing Pool**

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

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through State Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	2014/2015	\$ 70,264	\$ 70,264
Cash Assistance:				
School Breakfast Program	10.553	2014/2015	262,184	262,184
National School Lunch Program	10.555	2014/2015	<u>503,534</u>	<u>503,534</u>
Total Child Nutrition Cluster			<u>835,982</u>	<u>835,982</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>835,982</u></b>	<b><u>835,982</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed through State Department of Education:</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	84.010	2014	93,059	80,721
Title I Grants to Local Educational Agencies	84.010	2015	<u>866,805</u>	<u>876,423</u>
Total Title I, Part A Cluster			<u>959,864</u>	<u>957,144</u>
Special Education Cluster (IDEA):				
Special Education - Grants to States (IDEA, Part B)	84.027	2014	106,170	71,936
Special Education - Grants to States (IDEA, Part B)	84.027	2015	<u>572,508</u>	<u>588,061</u>
Total Special Education Cluster			<u>678,678</u>	<u>659,997</u>
Education for Homeless Children and Youth	84.196	2014	(423)	944
Education for Homeless Children and Youth	84.196	2015	<u>72,600</u>	<u>72,100</u>
Total Education for Homeless Children and Youth			<u>72,177</u>	<u>73,044</u>
Title VI-B - Rural and Low Income	84.358	2015	10,340	10,340
Improving Teacher Quality State Grants	84.367	2014	27,987	26,351
Improving Teacher Quality State Grants	84.367	2015	<u>154,202</u>	<u>130,314</u>
Total Improving Teacher Quality State Grants			<u>182,189</u>	<u>156,665</u>
<i>Passed Through Ohio Department of Education:</i>				
ARRA - State Fiscal Stabilization Fund - Race to the Top Incentive Grants	84.395	2014	30,151	76,705
ARRA - State Fiscal Stabilization Fund - Race to the Top Incentive Grants	84.395	2015	53,096	52,474
<i>Passed Through Ohio Appalachian Collaborative:</i>				
ARRA - State Fiscal Stabilization Fund - Race to the Top Incentive Grants	84.395	2014	<u>65,000</u>	<u>73,688</u>
Total ARRA - State Fiscal Stabilization Fund - Race to the Top Incentive Grants			<u>148,247</u>	<u>202,867</u>
<i>Passed Through Ohio Appalachian Collaborative:</i>				
Teacher Incentive Fund Cluster:				
Teacher Incentive Fund	84.374A	2014	33,305	219,942
Teacher Incentive Fund	84.374A	2015	<u>110,331</u>	<u>274,850</u>
Total Teacher Incentive Fund Cluster			<u>143,636</u>	<u>494,792</u>
<b>Total U.S. Department of Education</b>			<b><u>2,195,131</u></b>	<b><u>2,554,849</u></b>
<b>Total Federal Financial Assistance</b>			<b><u>\$ 3,031,113</u></b>	<b><u>\$ 3,390,831</u></b>

SEE ACCOMPANYING NOTES TO THIS SCHEDULE

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**Note A – Significant Accounting Policies**

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

**Note B – Child Nutrition Cluster**

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

**Note C – Food Donation Program**

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

**Note D – Transfer 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 amount from 2014 to 2015 program:

Program Title	CFDA Number	Amount Transferred from 2014 to 2015
Education for Homeless Children and Youth	84.196	\$ 423



428 Second St.  
Marietta, OH 45750  
740.373.0056

1035 Murdoch Ave.  
Parkersburg, WV 26101  
304.422.2203

104 South Sugar St.  
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740.695.1569

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

March 18, 2016

Marietta City School District  
Washington County  
111 Academy Drive  
Marietta, OH 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 **Marietta City School District**, Washington County, (the School District) as of and for the year ended June 30, 2015, 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 March 18, 2016 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 audit findings as item 2015-001.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated March 18, 2016.

***Entity's Response to Findings***

The School District's responses to the findings identified in our audit are described in the accompanying schedule of audit findings. We did not audit the School District's responses 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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



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

March 18, 2016

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

To the Board of Education:

***Report on Compliance for the Major Federal Program***

We have audited **Marietta City School District's** (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, 2015. The *Summary of Auditor's Results* in the accompanying schedule of audit 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.



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***Basis for Qualified Opinion on the Teacher Incentive Funds Program***

As described in Findings 2015-002 and 2015-003 in the accompanying Schedule of Audit Findings, the School District did not comply with requirements regarding the following:

Finding #	CFDA #	Program Name	Compliance Requirement
2015-002	84.374A	Teacher Incentive Funds	Cash Management
2015-003	84.374A	Teacher Incentive Funds	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 Teacher Incentive Funds Program***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Teacher Incentive Funds Program* paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Teacher Incentive Funds Program for the year ended June 30, 2015.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, Marietta City School District complied, in all material respects with the compliance 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 Audit Findings for the year ended June 30, 2015.

***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 first paragraph of this section and would not necessarily 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 certain deficiencies in internal control over compliance that we consider to be material weaknesses.

***Report on Internal Control Over Compliance (Continued)***

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 compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with 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 deficiencies in internal control over compliance described in the accompanying schedule of audit findings as items 2015-002 through 2015-004 to be material weaknesses.

The School District's responses to our internal control over compliance findings are described in the accompanying Corrective Action Plan. 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 internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified and Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Title I Cluster: Title I Grants to Local Educational Agencies, CFDA #84.010 Child Nutrition Cluster, CFDA #10.553 and #10.555 Teacher Incentive Fund Cluster, CFDA # 84.374A ARRA – State Fiscal Stabilization Fund – Race- to-the-Top Incentive Grants, CFDA # 84.395
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2015-001**

**Noncompliance**

**Ohio Revised Code § 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 § 117-2-03 further classifies the requirements of Ohio Rev. Code § 117.38.

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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

**FINDING NUMBER 2015-001 (Continued)**

**Noncompliance - Ohio Revised Code § 117.38 (Continued)**

Ohio Administrative Code § 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 Revised Code § 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:** Refer to the Corrective Action Plan at the end of this report

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2015-002
<b>CFDA Titles and Numbers</b>	Teacher Incentive Fund Cluster, CFDA # 84.374A
<b>Federal Award Number/Year</b>	2015
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agencies</b>	Ohio Department of Education Ohio Appalachian Collaborative

**Noncompliance/Material Weakness – Cash Management**

**2 C.F.R. § 215.51(a)** provides that recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award.

The Ohio Department of Education (ODE) and Ohio Appalachian Cooperative (OAC) require recipients of the OAC Teacher Incentive Fund (TIF) Grants to file manual Project Cash Requests (PCR) to drawdown money to pay for grant expenditures. The School District must provide financial information including fund balance, expenditures to date and receipts to date for the grant to support the request of funds.

The School District failed to submit PCRs for the \$60,548 portion of the Year 5 Professional Development Grant and the \$65,719 portion of the Year 5 Operating Budget Grant during the fiscal year. The Treasurer submitted the requests during fiscal year 2016, which were subsequently approved by ODE. This occurred as a result of failure to track grant activity by the School District. We were able to obtain adequate assurances that the amounts relating to these grant funds were accurately reported on the financial statements and Schedule of Federal Awards Receipts and Expenditures. We also verified the School District did not request more funds than what was available when the request was completed.

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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

**FINDING NUMBER 2015-002 (Continued)**

**Noncompliance/Material Weakness – Cash Management – 2 C.F.R. § 215.51(a) (Continued)**

We recommend the Treasurer track the filing of PCRs throughout the grant year and submit PCRs and related support timely based on the grant agreement.

**Officials’ Response:** Refer to the Corrective Action Plan at the end of this report

<b>Finding Number</b>	2015-003
<b>CFDA Titles and Numbers</b>	Teacher Incentive Fund Cluster, CFDA # 84.374A
<b>Federal Award Number/Year</b>	2015
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agencies</b>	Ohio Department of Education Ohio Appalachian Collaborative

**Noncompliance/Material Weakness – Reporting**

**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, or 60 days after the end of the project period for “paper” grant process. 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 close.

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 Reports for the Teacher Incentive Fund grants were not submitted by the required date and the amounts reported could not be agreed to supporting documentation because more than one TIF grant was posted to the same fund.

We recommend the Treasurer review program guidelines and submit the Final Expenditure Report within the required time period. We also recommend the Treasurer account for grant funds separately.

**Officials’ Response:** Refer to the Corrective Action Plan at the end of this report

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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

<b>Finding Number</b>	2015-004
<b>CFDA Titles and Numbers</b>	Child Nutrition Cluster, CFDA #10.553 and #10.555 Title I Grants to Local Education Agencies, CFDA #84.010 Teacher Incentive Fund Cluster, CFDA #84.374 and #84.385 ARRA State Teacher Fiscal Stabilization Fund – Race to the Top Incentive Grant, CFDA # 84.395
<b>Federal Award Number/Year</b>	2015
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass- Through Agencies</b>	Ohio Department of Education Ohio Appalachian Collaborative

**Material Weakness**

**Office of Management and Budget (OMB) Circular A-133 § .300** includes the following auditee responsibilities.

- (A) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity
- (B) Prepare appropriate financial statements, including the Federal Awards Receipts and Expenditure Schedule in accordance with § .310.

Management is responsible for developing internal control procedures which provide reasonable assurance the School District’s Schedule of Federal Awards Receipts and Expenditures (the Schedule) is complete and accurate. Sound internal controls require a review of the Schedule be performed and documented to verify the information reported is complete and accurate before finalizing the Schedule.

For fiscal year 2015, the School District had the following errors on the Schedule:

- The Title I Grants to Local Educational Agencies’ receipts were understated by \$17,059 and expenditures were understated by \$17,279.
- The Teacher Incentive Fund’s receipts were overstated by \$225,531 and expenditures were understated by \$9,677.
- The ARRA State Fiscal Stabilization Fund Race to the Top Incentive Grant’s receipts were understated by \$9,366 and expenditures were overstated by \$15,415.
- The Child Nutrition Cluster receipts and expenditures were understated by \$55,581.
- Errors were also noted in some of the non-major programs as well.

These adjustments, with which management agrees, are reflected on the Schedule of Federal Awards Receipts and Expenditures.

We recommend the School District develop policies and procedures to ensure the completeness and accuracy of the Schedule.

**Official’s Response:** Refer to the Corrective Action Plan at the end of this report

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i></b>
2014-001	Ohio Revised Code Section 117.38 – Filing of Annual Financial Report	No	Not Corrected; Repeated as Finding 2015-001
2014-002	2 C.F.R. Section 215.51(a) – Cash Management	No	Not Corrected; Repeated as Finding 2015-002
2014-003	34 C.F.R. Section 80.20(b)(7) – Cash Management	Yes	
2014-004	34 C.F.R. 80.41(b)(4) - Reporting	No	Not Corrected; Repeated as Finding 2015-003
2014-005	OMB Circular A-133 Subpart C Section .300(e) – Reporting – Report Filing	Yes	
2014-006	OMB Circular A-133 Subpart C Section .300(e) – Reporting – Schedule of Federal Awards Receipts and Expenditures	No	Not Corrected; Repeated as Finding 2015-004

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315(c)**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2015-001	Discuss with the Board of Education. Explain reasons to do GAAP for Federal funding issues.	June 30, 2016	Frank Antill, Treasurer
2015-002	TIF Grant ends FY2016. Make sure funds receipted/expensed in correct funds.	June 30, 2016	Frank Antill, Treasurer
2015-003	Complete PCR/FER in a timely manner. Make sure funds/expenses receipted correctly.	June 30, 2016	Frank Antill, Treasurer
2015-004	Update policies and procedures. Correct errors in the Schedule moving forward.	June 30, 2016	Frank Antill, Treasurer



# Dave Yost • Auditor of State

**MARIETTA CITY SCHOOL DISTRICT**

**WASHINGTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 26, 2016**