



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**





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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State



MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY

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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To Members of the Board:

We have audited the accompanying general purpose financial statements of the Marietta City School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Marietta City School District, Washington County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Self Insurance Fund has been under funded in prior years. This under funding indicates other funds have not been charged sufficient amounts to pay for the Self Insurance Fund's services. As described more fully in Note 10 C to the general purpose financial statements, the General Fund has made a transfer to the Self Insurance Fund at year end to allow the Self Insurance Fund to maintain a positive cash fund balance at year end.

As described in Note 3, during the year ended June 30, 2002, the School District reclassified its expendable trust fund to the special revenue fund type.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2002, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of Federal Awards Receipts and Expenditures is presented for additional analysis as required by 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 general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

December 13, 2002



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**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b><u>Assets and Other Debits:</u></b>				
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$550,902	\$697,594	\$1,139,917	\$66,650
Cash and Cash Equivalents in Segregated Accounts	0	10,674	0	0
Cash with Fiscal and Escrow Agents	0	0	111	0
Receivables:				
Taxes	10,359,400	0	865,555	0
Accounts	41,689	284	0	0
Intergovernmental	553,834	183,989	45,814	0
Interfund	70,185	0	0	0
Due from Other Funds	12,802	725	0	0
Prepaid Items	238,763	14,674	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	18,745	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	531,781	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
 <b><u>Other Debits:</u></b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
 <b>Total Assets and Other Debits</b>	<b><u>\$12,378,101</u></b>	<b><u>\$907,940</u></b>	<b><u>\$2,051,397</u></b>	<b><u>\$66,650</u></b>

*See Accompanying Notes to the General Purpose Financial Statements*

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$205,983	\$230,463	\$56,325	\$0	\$0	\$2,947,834
0	0	0	0	0	10,674
0	0	0	0	0	111
0	0	0	0	0	11,224,955
71,494	52,910	0	0	0	166,377
0	0	0	0	0	783,637
0	0	0	0	0	70,185
5,266	0	0	0	0	18,793
0	0	0	0	0	253,437
12,743	0	0	0	0	12,743
2,596	0	0	0	0	21,341
0	0	0	0	0	531,781
105,765	0	0	12,476,335	0	12,582,100
0	0	0	0	1,209,117	1,209,117
0	0	0	0	6,609,088	6,609,088
<b><u>\$403,847</u></b>	<b><u>\$283,373</u></b>	<b><u>\$56,325</u></b>	<b><u>\$12,476,335</u></b>	<b><u>\$7,818,205</u></b>	<b><u>\$36,442,173</u></b>

(Continued)

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Liabilities, Fund Equity and Other Credits:</b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$126,396	\$14,662	\$0	\$0
Accrued Wages Payable	1,511,678	122,438	0	0
Compensated Absences Payable	140,949	0	0	0
Interfund Payable	0	70,185	0	0
Due to Other Funds	3,280	15,130	0	0
Intergovernmental Payable	339,949	23,517	0	0
Deferred Revenue	10,178,679	88,825	842,169	0
Due to Students	0	0	0	0
Claims Payable	0	0	0	0
Matured Interest Payable	0	0	111	0
Capital Leases Payable	0	0	0	0
Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
	12,300,931	334,757	842,280	0
<b><u>Fund Equity and Other Credits:</u></b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	98,170	44,563	0	2,940
Reserved for Inventory	18,745	0	0	0
Reserved for Property Taxes	239,178	0	23,386	0
Reserved for School Bus Purchases	48,637	0	0	0
Reserved for Textbooks	187,869	0	0	0
Reserved for Capital Improvements	214,614	0	0	0
Reserved for Budget Stabilization	80,661	0	0	0
Unreserved:				
Designated for Textbooks	45,512	0	0	0
Designated for Capital Improvements	15,600	0	0	0
Undesignated	(871,816)	528,620	1,185,731	63,710
	77,170	573,183	1,209,117	66,650
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b>77,170</b>	<b>573,183</b>	<b>1,209,117</b>	<b>66,650</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$12,378,101</b>	<b>\$907,940</b>	<b>\$2,051,397</b>	<b>\$66,650</b>

*See Accompanying Notes to the General Purpose Financial Statements*

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$91,038	\$0	\$0	\$0	\$0	\$232,096
0	0	0	0	0	1,634,116
0	0	0	0	2,506,320	2,647,269
0	0	0	0	0	70,185
383	0	0	0	0	18,793
0	0	0	0	152,314	515,780
0	223,505	0	0	0	11,333,178
0	0	56,325	0	0	56,325
0	325,000	0	0	0	325,000
0	0	0	0	0	111
0	0	0	0	14,571	14,571
60,000	0	0	0	0	60,000
0	0	0	0	5,145,000	5,145,000
<u>151,421</u>	<u>548,505</u>	<u>56,325</u>	<u>0</u>	<u>7,818,205</u>	<u>22,052,424</u>
0	0	0	12,476,335	0	12,476,335
186,380	0	0	0	0	186,380
66,046	(265,132)	0	0	0	(199,086)
0	0	0	0	0	145,673
0	0	0	0	0	18,745
0	0	0	0	0	262,564
0	0	0	0	0	48,637
0	0	0	0	0	187,869
0	0	0	0	0	214,614
0	0	0	0	0	80,661
0	0	0	0	0	45,512
0	0	0	0	0	15,600
0	0	0	0	0	906,245
<u>252,426</u>	<u>(265,132)</u>	<u>0</u>	<u>12,476,335</u>	<u>0</u>	<u>14,389,749</u>
<u><b>\$403,847</b></u>	<u><b>\$283,373</b></u>	<u><b>\$56,325</b></u>	<u><b>\$12,476,335</b></u>	<u><b>\$7,818,205</b></u>	<u><b>\$36,442,173</b></u>

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Totals (Memorandum Only)</b>
<b>Revenues:</b>					
Taxes	\$9,720,262	\$0	\$855,652	\$0	\$10,575,914
Intergovernmental	9,986,998	1,733,812	155,215	54,471	11,930,496
Interest	72,455	2,991	30,348	0	105,794
Tuition and Fees	121,163	0	0	192	121,355
Extracurricular Activities	0	145,571	0	0	145,571
Miscellaneous	222,105	146,970	0	0	369,075
<b>Total Revenues</b>	<b>20,122,983</b>	<b>2,029,344</b>	<b>1,041,215</b>	<b>54,663</b>	<b>23,248,205</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	9,283,316	266,233	0	0	9,549,549
Special	1,883,920	642,826	0	0	2,526,746
Vocational	104,703	0	0	0	104,703
Adult/Continuing	2,040	91,731	0	0	93,771
Support Services:					
Pupils	977,283	59,865	0	0	1,037,148
Instructional Staff	908,918	431,180	0	0	1,340,098
Board of Education	131,253	0	0	0	131,253
Administration	1,832,196	149,252	0	0	1,981,448
Fiscal	432,257	1,900	18,741	0	452,898
Business	241,565	0	0	0	241,565
Operation and Maintenance of Plant	2,030,085	0	0	0	2,030,085
Pupil Transportation	1,150,921	15,120	0	0	1,166,041
Central	83,596	28,000	0	0	111,596
Operation of Non-Instructional Services	3,428	159,607	0	0	163,035
Extracurricular Activities	250,118	182,868	0	0	432,986
Capital Outlay	0	0	0	51,703	51,703
Debt Service:					
Principal	523,064	0	715,000	0	1,238,064
Interest and Fiscal Charges	28,436	0	306,622	0	335,058
<b>Total Expenditures</b>	<b>19,867,099</b>	<b>2,028,582</b>	<b>1,040,363</b>	<b>51,703</b>	<b>22,987,747</b>
Excess of Revenues Over Expenditures	255,884	762	852	2,960	260,458
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Fixed Assets	22,458	0	0	0	22,458
Operating Transfers In	0	98,026	0	0	98,026
Operating Transfers Out	(1,125,638)	0	0	(5,584)	(1,131,222)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,103,180)</b>	<b>98,026</b>	<b>0</b>	<b>(5,584)</b>	<b>(1,010,738)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(847,296)	98,788	852	(2,624)	(750,280)
Restated Fund Balances at Beginning of Year - Note 3	922,556	474,395	1,208,265	69,274	2,674,490
Increase in Reserve for Inventory	1,910	0	0	0	1,910
<b>Fund Balances at End of Year</b>	<b>\$77,170</b>	<b>\$573,183</b>	<b>\$1,209,117</b>	<b>\$66,650</b>	<b>\$1,926,120</b>

See Accompanying Notes to the General Purpose Financial Statements

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS) ·  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$9,900,000	\$9,894,803	(\$5,197)	\$0	\$0	\$0
Intergovernmental	10,475,337	10,020,162	(455,175)	1,848,445	1,669,512	(178,933)
Interest	90,000	69,381	(20,619)	3,082	3,004	(78)
Tuition and Fees	187,500	165,286	(22,214)	0	0	0
Extracurricular Activities	0	0	0	204,494	153,856	(50,638)
Miscellaneous	242,687	202,250	(40,437)	144,284	137,193	(7,091)
<b>Total Revenues</b>	<b>20,895,524</b>	<b>20,351,882</b>	<b>(543,642)</b>	<b>2,200,305</b>	<b>1,963,565</b>	<b>(236,740)</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	9,779,407	9,751,365	28,042	354,813	274,250	80,563
Special	1,901,267	1,854,257	47,010	819,081	646,452	172,629
Vocational	174,371	111,060	63,311	0	0	0
Adult/Continuing	3,315	2,253	1,062	106,601	92,234	14,367
Support Services:						
Pupils	1,097,580	973,091	124,489	75,560	62,089	13,471
Instructional Staff	1,023,586	1,028,758	(5,172)	579,974	453,200	126,774
Board of Education	124,435	121,460	2,975	0	0	0
Administration	2,080,252	1,814,512	265,740	254,132	177,147	76,985
Fiscal	438,766	433,779	4,987	2,500	1,900	600
Business	278,696	271,689	7,007	0	0	0
Operation and Maintenance of Plant	2,708,625	2,094,904	613,721	0	0	0
Pupil Transportation	1,217,350	1,164,701	52,649	27,570	22,091	5,479
Central	98,432	87,113	11,319	86,629	52,000	34,629
Operation of Non-Instructional Services	10,310	3,814	6,496	223,956	160,908	63,048
Extracurricular Activities	275,230	246,491	28,739	215,819	190,557	25,262
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>21,211,622</b>	<b>19,959,247</b>	<b>1,252,375</b>	<b>2,746,635</b>	<b>2,132,828</b>	<b>613,807</b>
Excess of Revenues Over (Under) Expenditures	(316,098)	392,635	708,733	(546,330)	(169,263)	377,067
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year Receipts	(190,023)	0	190,023	(9,293)	(9,293)	0
Refund of Prior Year Expenditures	6,650	6,350	(300)	8,796	8,796	0
Proceeds from Sale of Fixed Assets	6,000	4,539	(1,461)	0	0	0
Advances In	984,359	983,903	(456)	70,185	70,185	0
Advances Out	(70,185)	(70,185)	0	(134,750)	(65,394)	69,356
Operating Transfers In	0	0	0	98,026	98,026	0
Operating Transfers Out	(1,041,207)	(1,125,638)	(84,431)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(304,406)</b>	<b>(201,031)</b>	<b>103,375</b>	<b>32,964</b>	<b>102,320</b>	<b>69,356</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(620,504)	191,604	812,108	(513,366)	(66,943)	446,423
Fund Balances at Beginning of Year	294,244	294,244	0	560,675	560,675	0
Prior Year Encumbrances Appropriated	331,582	331,582	0	132,298	132,298	0
<b>Fund Balances at End of Year</b>	<b>\$5,322</b>	<b>\$817,430</b>	<b>\$812,108</b>	<b>\$179,607</b>	<b>\$626,030</b>	<b>\$446,423</b>

See Accompanying Notes to the General Purpose Financial Statements

(Continued)

MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS) ·  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$875,392	\$872,303	(\$3,089)	\$0	\$0	\$0
Intergovernmental	174,000	109,401	(64,599)	54,471	54,471	0
Interest	34,608	33,261	(1,347)	0	0	0
Tuition and Fees	0	0	0	192	192	0
Extracurricular Activities	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
<b>Total Revenues</b>	<b>1,084,000</b>	<b>1,014,965</b>	<b>(69,035)</b>	<b>54,663</b>	<b>54,663</b>	<b>0</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	0	0	0	0	0	0
Special	0	0	0	0	0	0
Vocational	0	0	0	0	0	0
Adult/Continuing	0	0	0	0	0	0
Support Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	0	0	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal	21,500	18,741	2,759	0	0	0
Business	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0	0	0
Pupil Transportation	0	0	0	0	0	0
Central	0	0	0	0	0	0
Operation of Non-Instructional Services	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	119,488	55,778	63,710
Debt Service:						
Principal Retirement	715,000	715,000	0	0	0	0
Interest and Fiscal Charges	307,000	306,622	378	0	0	0
<b>Total Expenditures</b>	<b>1,043,500</b>	<b>1,040,363</b>	<b>3,137</b>	<b>119,488</b>	<b>55,778</b>	<b>63,710</b>
Excess of Revenues Over (Under) Expenditures	40,500	(25,398)	(65,898)	(64,825)	(1,115)	63,710
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year Receipts	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	0	0	0	(5,584)	(5,584)	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,584)</b>	<b>(5,584)</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	40,500	(25,398)	(65,898)	(70,409)	(6,699)	63,710
Fund Balances at Beginning of Year	1,165,315	1,165,315	0	62,656	62,656	0
Prior Year Encumbrances Appropriated	0	0	0	7,753	7,753	0
<b>Fund Balances at End of Year</b>	<b>\$1,205,815</b>	<b>\$1,139,917</b>	<b>(\$65,898)</b>	<b>\$0</b>	<b>\$63,710</b>	<b>\$63,710</b>

See Accompanying Notes to the General Purpose Financial Statements



**Totals (Memorandum Only)**

<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
\$10,775,392	\$10,767,106	(\$8,286)
12,552,253	11,853,546	(698,707)
127,690	105,646	(22,044)
187,692	165,478	(22,214)
204,494	153,856	(50,638)
386,971	339,443	(47,528)
<u>24,234,492</u>	<u>23,385,075</u>	<u>(849,417)</u>
10,134,220	10,025,615	108,605
2,720,348	2,500,709	219,639
174,371	111,060	63,311
109,916	94,487	15,429
1,173,140	1,035,180	137,960
1,603,560	1,481,958	121,602
124,435	121,460	2,975
2,334,384	1,991,659	342,725
462,766	454,420	8,346
278,696	271,689	7,007
2,708,625	2,094,904	613,721
1,244,920	1,186,792	58,128
185,061	139,113	45,948
234,266	164,722	69,544
491,049	437,048	54,001
119,488	55,778	63,710
715,000	715,000	0
307,000	306,622	378
<u>25,121,245</u>	<u>23,188,216</u>	<u>1,933,029</u>
<u>(886,753)</u>	<u>196,859</u>	<u>1,083,612</u>
(199,316)	(9,293)	190,023
15,446	15,146	(300)
6,000	4,539	(1,461)
1,054,544	1,054,088	(456)
(204,935)	(135,579)	69,356
98,026	98,026	0
(1,046,791)	(1,131,222)	(84,431)
<u>(277,026)</u>	<u>(104,295)</u>	<u>172,731</u>
(1,163,779)	92,564	1,256,343
2,082,890	2,082,890	0
471,633	471,633	0
<u><b>\$1,390,744</b></u>	<u><b>\$2,647,087</b></u>	<u><b>\$1,256,343</b></u>

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS -  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
<b><u>Operating Revenues:</u></b>			
Sales	\$596,622	\$0	\$596,622
Charges for Services	0	2,675,704	2,675,704
Total Operating Revenues	<u>596,622</u>	<u>2,675,704</u>	<u>3,272,326</u>
<b><u>Operating Expenses:</u></b>			
Purchased Services	375,752	269,148	644,900
Materials and Supplies	130,673	0	130,673
Cost of Sales	287,690	0	287,690
Depreciation	35,665	0	35,665
Claims	0	2,439,694	2,439,694
Total Operating Expenses	<u>829,780</u>	<u>2,708,842</u>	<u>3,538,622</u>
Operating Loss	<u>(233,158)</u>	<u>(33,138)</u>	<u>(266,296)</u>
<b><u>Non-Operating Revenues:</u></b>			
Federal Donated Commodities	34,459	0	34,459
Interest Income	2,646	0	2,646
Operating Grants	257,890	0	257,890
Total Non-Operating Revenues	<u>294,995</u>	<u>0</u>	<u>294,995</u>
Income (Loss) before Operating Transfers	61,837	(33,138)	28,699
Operating Transfers In	4,393	1,028,803	1,033,196
Net Income (Loss)	66,230	995,665	1,061,895
Retained Earnings (Deficits) at Beginning of Year	<u>(184)</u>	<u>(1,260,797)</u>	<u>(1,260,981)</u>
<b>Retained Earnings (Deficit) at End of Year</b>	<b><u>\$66,046</u></b>	<b><u>(\$265,132)</u></b>	<b><u>(\$199,086)</u></b>

*See Accompanying Notes to the General Purpose Financial Statements*

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS) - ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<b>Enterprise Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b><u>Revenues:</u></b>			
Sales	\$596,935	\$580,103	(\$16,832)
Charges for Services	0	0	0
Interest Income	3,000	2,794	(206)
Operating Grants	292,000	290,256	(1,744)
Other Non-Operating Revenues	500	0	(500)
<b>Total Revenues</b>	<b>892,435</b>	<b>873,153</b>	<b>(19,282)</b>
<b><u>Expenses:</u></b>			
Fringe Benefits	0	0	0
Purchased Services	740,313	647,212	93,101
Materials and Supplies	147,594	134,077	13,517
Capital Outlay	2,199	2,199	0
Debt Service Principal	20,000	20,000	0
<b>Total Expenses</b>	<b>910,106</b>	<b>803,488</b>	<b>106,618</b>
Excess of Revenues Over (Under) Expenses	<b>(17,671)</b>	<b>69,665</b>	<b>87,336</b>
Advances Out	(13,956)	(13,956)	0
Operating Transfers In	11,815	4,393	(7,422)
Excess of Revenues Over (Under) Expenses, Advances, and Transfers	<b>(19,812)</b>	<b>60,102</b>	<b>79,914</b>
Fund Equity at Beginning of Year	29,573	29,573	0
Prior Year Encumbrances Appropriated	36,240	36,240	0
<b>Fund Equity at End of Year</b>	<b>\$46,001</b>	<b>\$125,915</b>	<b>\$79,914</b>

See Accompanying Notes to the General Purpose Financial Statements

(Continued)

MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS) - ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)

	Internal Service Fund			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Sales	\$0	\$0	\$0	\$596,935	\$580,103	(\$16,832)
Charges for Services	2,670,000	2,654,518	(15,482)	2,670,000	2,654,518	(15,482)
Interest Income	0	0	0	3,000	2,794	(206)
Operating Grants	0	0	0	292,000	290,256	(1,744)
Other Non-Operating Revenues	0	0	0	500	0	(500)
<b>Total Revenues</b>	<b>2,670,000</b>	<b>2,654,518</b>	<b>(15,482)</b>	<b>3,562,435</b>	<b>3,527,671</b>	<b>(34,764)</b>
<b>Expenses:</b>						
Fringe Benefits	2,440,368	2,424,694	15,674	2,440,368	2,424,694	15,674
Purchased Services	286,500	281,893	4,607	1,026,813	929,105	97,708
Materials and Supplies	0	0	0	147,594	134,077	13,517
Capital Outlay	0	0	0	2,199	2,199	0
Debt Service Principal	0	0	0	20,000	20,000	0
<b>Total Expenses</b>	<b>2,726,868</b>	<b>2,706,587</b>	<b>20,281</b>	<b>3,636,974</b>	<b>3,510,075</b>	<b>126,899</b>
Excess of Revenues Over (Under) Expenses	(56,868)	(52,069)	4,799	(74,539)	17,596	92,135
Advances Out	(904,553)	(904,553)	0	(918,509)	(918,509)	0
Operating Transfers In	1,028,803	1,028,803	0	1,040,618	1,033,196	(7,422)
Excess of Revenues Over (Under) Expenses, Advances, and Transfers	67,382	72,181	4,799	47,570	132,283	84,713
Fund Equity at Beginning of Year	142,282	142,282	0	171,855	171,855	0
Prior Year Encumbrances Appropriated	1,000	1,000	0	37,240	37,240	0
<b>Fund Equity at End of Year</b>	<b>\$210,664</b>	<b>\$215,463</b>	<b>\$4,799</b>	<b>\$256,665</b>	<b>\$341,378</b>	<b>\$84,713</b>

See Accompanying Notes to the General Purpose Financial Statements

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>			
<b><u>Cash Flows from Operating Activities:</u></b>			
Cash Received from Customers	\$580,103	\$0	\$580,103
Cash Received from Quasi-External Transactions with Other Funds	0	2,654,518	2,654,518
Cash Payments to Suppliers for Goods and Services	(701,221)	(266,893)	(968,114)
Cash Payments for Claims	0	(2,424,694)	(2,424,694)
Net Cash Used for Operating Activities	<u>(121,118)</u>	<u>(37,069)</u>	<u>(158,187)</u>
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>			
Advances In	0	1,024,583	1,024,583
Advances Out	(13,956)	(904,553)	(918,509)
Operating Transfers In	4,393	4,220	8,613
Operating Grants Received	290,256	0	290,256
Net Cash Provided by Noncapital Financing Activities	<u>280,693</u>	<u>124,250</u>	<u>404,943</u>
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>			
Principal Paid on Loan	(20,000)	0	(20,000)
Payments for Capital Acquisitions	(2,199)	0	(2,199)
Net Cash Used for Capital and Related Financing Activities	<u>(22,199)</u>	<u>0</u>	<u>(22,199)</u>
<b><u>Cash Flows from Investing Activities:</u></b>			
Interest Income	2,794	0	2,794
Net Increase in Cash and Cash Equivalents	140,170	87,181	227,351
Cash and Cash Equivalents at Beginning of Year	<u>65,813</u>	<u>143,282</u>	<u>209,095</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$205,983</u></b>	<b><u>\$230,463</u></b>	<b><u>\$436,446</u></b>

See Accompanying Notes to the General Purpose Financial Statements

(Continued)

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

	<b>Proprietary Fund Types</b>		<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Internal Service</b>	
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</b>			
Operating Loss	(\$233,158)	(\$33,138)	(\$266,296)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</b>			
Donated Commodities Used During Year	34,459	0	34,459
Depreciation	35,665	0	35,665
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(24,057)	(52,910)	(76,967)
Increase in Due from Other Funds	(5,266)	0	(5,266)
Decrease in Prepaid Items	0	2,417	2,417
Decrease in Intergovernmental Receivables	13,956	0	13,956
Increase in Inventory Held for Resale	(6,731)	0	(6,731)
Increase in Materials and Supplies Inventory	(851)	0	(851)
Increase (Decrease) in Accounts Payable	67,203	(162)	67,041
Increase in Due to Other Funds	383	0	383
Increase (Decrease) in Deferred Revenue	(2,721)	31,724	29,003
Increase in Claims Payable	0	15,000	15,000
Total Adjustments	112,040	(3,931)	108,109
<b>Net Cash Used for Operating Activities</b>	<b>(\$121,118)</b>	<b>(\$37,069)</b>	<b>(\$158,187)</b>

**Non-cash transactions:** During fiscal year 2002, the School District received \$34,459 in donated commodities.

*See Accompanying Notes to the General Purpose Financial Statements*

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Marietta City School District (the 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 mandated by State and/or federal agencies. This Board of Education controls the School District's 12 instructional/support facilities staffed by 121 classified employees, 228 certified teaching personnel, and 18 administrators, who provide services to 3,414 students and other community members.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government 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 of the School District. 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 Treasurer of the School District, as directed by the parochial school. This activity is reflected in a special revenue fund for financial reporting purposes.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. No separate governmental units meet the criteria for inclusion as a component unit.

The School District participates in the Southeast Ohio Voluntary Educational Consortium, the Washington County Joint Vocational School, and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 19 and 20.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Marietta City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

*Governmental Fund Types:*

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary or fiduciary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

*General Fund* - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Special Revenue Funds* - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

*Capital Projects Funds* - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

*Proprietary Fund Types:*

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

*Enterprise Funds* - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*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.



**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fiduciary Fund Types:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*Account Groups:*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees, and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**C. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the fiscal year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The Treasurer maintains budgetary information at the object level and has the authority to allocate appropriations at the function and object level without resolution by the Board of Education. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

*Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Washington County Budget Commission for rate determination.

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources.

The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate may be further amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed fund appropriation totals. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The Treasurer has been given the authority to allocate appropriations among functions and objects within a fund during the fiscal year. During the fiscal year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the fiscal year for all funds, consistent with statutory provisions.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-fiscal year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

*Lapsing of Appropriations:*

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 2002, investments were limited to STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2002. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2002 amounted to \$72,455, which includes \$29,129 assigned from other School District funds.

The School District has a segregated bank account for athletic monies held separate from the School District's central bank account. This non-interest bearing depository account is presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" since it is not required to be deposited into the School District treasury.

The School District utilizes financial institutions to service bonded debt as principal and interest payments come due. The balance in this account is presented on the Combined Balance Sheet as "cash with fiscal and escrow agents" and represents deposits.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. During the fiscal year, the School District had no investments that met these criteria.

**E. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets, and the unspent workers' compensation monies. See Note 18 for additional information regarding set-asides.

**F. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditures in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and expendable supplies held for consumption and are expended when used.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**H. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

as of the date received. The School District maintains a capitalization threshold of five hundred dollars.

The School District does not capitalize infrastructure, as these assets are immovable and of value only to the School District. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**I. Interfund Assets/Liabilities**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after five years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**K. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than sixty days after fiscal year end are considered not to have been paid using current available financial resources. Bonds and capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**M. Fund Balance Reserves and Designations**

The School District records reservations for those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriations or expenditures. Designations represent tentative plans for future use of financial resources. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of materials and supplies, property taxes, textbooks, capital improvements, budget stabilization, and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents unspent workers' compensation money. Fund balance in the General Fund includes a designation for textbooks and capital improvements.

**N. Contributed Capital**

Contributed capital represents resources from other funds to the proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end. Capital contributions are now recorded as revenues and are reported as increases in retained earnings based on new guidelines established by GASB Statement 33, "Accounting and Reporting for Nonexchange transactions."

**O. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**P. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE**

**Changes in Accounting Principles** For fiscal year 2002, the School District reclassified a certain fund for presentation purposes. An expendable trust fund was reclassified to the special revenue fund. The fund reclassifications had the following effect on fund balances at June 30, 2001:

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE**

(Continued)

	Special Revenue Fund	Expendable Trust Fund
Fund Balance at June 30, 2001	\$469,156	\$5,239
Fund Reclassification	5,239	(5,239)
Adjusted Fund Balance at June 30, 2001	\$474,395	\$0

The effect of the fund reclassification on the excess of revenues and other financing sources over (under) expenditures and other uses previously reported for the year ended June 30, 2001 is as follows:

	Special Revenue Fund	Expendable Trust Fund
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses at June 30, 2001	(\$77,569)	\$5,239
Revenue and Expenditure Restatements	5,239	(5,239)
Restated Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses at June 30, 2001.	(\$72,330)	\$0

**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

The Lunchroom Enterprise Fund had deficit retained earnings of \$5,996 at June 30, 2002. Also, the Self-Insurance Internal Service Fund at June 30, 2002 had deficit retained earnings of \$265,132, which is the result of accumulated losses. The School District is analyzing fund operations to determine appropriate steps to alleviate the deficits.

**B. Compliance**

The School District incurred negative cash fund balances throughout the year contrary to section 5705.10, of the Revised Code.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$847,296)	\$98,788	\$852	(\$2,624)
Revenue Accruals	217,330	(65,352)	(26,250)	0
Expenditure Accruals	203,290	(40,134)	0	(1,135)
Segregated Cash	0	8,369	0	0
Prepaid Items	(30,185)	(1,841)	0	0
Advances In	983,903	70,185	0	0
Advances Out	(70,185)	(65,394)	0	0
Encumbrances	(265,253)	(71,564)	0	(2,940)
Budget Basis	\$191,604	(\$66,943)	(\$25,398)	(\$6,699)



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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

Net Income (Loss)/Excess of Revenues Over (Under) Expenses, Advances, and Transfers All Proprietary Fund Types	Enterprise	Internal Service
GAAP Basis	\$66,230	\$995,665
Adjustments:		
Revenue Accruals	15,995	(21,186)
Prepaid Items	0	2,417
Advances Out	(13,956)	(904,553)
Expense Accruals	58,435	14,838
Depreciation	35,665	0
Debt Principal	(20,000)	0
Capital Outlay	(2,199)	0
Encumbrances	(80,068)	(15,000)
Budget Basis	\$60,102	\$72,181

**NOTE 6 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 the Board of Education 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 accounts, including passbook accounts.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was \$3,395,288 and the bank balance was \$4,310,624. Of the bank balance, \$200,000 was covered by federal depository insurance and \$4,110,624 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

*Investments:* The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAROhio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The fair value of the investment in STAROhio at June 30, 2002, was \$95,112.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$3,490,400	\$0
Investments:		
STAR Ohio	(95,112)	95,112
GASB Statement 3	\$3,395,288	\$95,112

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 7 - PROPERTY TAXES (Continued)**

2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes. 2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2002 taxes were collected for Washington County are:

	<u>2001 Second- Half Collections</u>		<u>2002 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$288,210,080	80%	\$323,317,800	81%
Public Utility	17,789,820	5%	15,283,970	4%
Tangible Personal Property	<u>55,576,600</u>	<u>15%</u>	<u>60,854,900</u>	<u>15%</u>
Total Assessed Value	<u><u>\$361,576,500</u></u>	<u><u>100%</u></u>	<u><u>\$399,456,670</u></u>	<u><u>100%</u></u>
Tax Rate per \$1000 of Assessed Valuation	\$43.90		\$43.50	

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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Washington County. The Washington 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, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current fiscal year operations. The amount available as an advance at June 30, 2002, was \$262,564 and is recognized as revenue. \$239,178 was available to the General Fund and \$23,386 was available to the Debt Service Fund. At June 30, 2001, \$453,756 was available to the School District. \$413,719 was available to the General Fund and \$40,037 was available to the Debt Service Fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2002, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

**MARIETTA CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 8 – RECEIVABLES (Continued)**

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund:	
Kids on Campus Enrichment	\$2,719
CAFS Reimbursement	9,926
Homestead and Rollback	471,979
E-Rate	3,164
Charges for Services	58,395
Other	7,651
Total General Fund	553,834
Special Revenue Funds:	
Adult Basic Education	81,049
Math and Science Grant	263
Title VI-B	1,440
Title I	76,848
Title VI	5,898
Drug Free Schools	6,410
Title VI-R	4,800
Miscellaneous Federal Grants	6,500
Other	781
Total Special Revenue Funds	183,989
Debt Service Fund:	
Homestead and Rollback	45,814
Total Debt Service Fund	45,814
Total	\$783,637

**NOTE 9 - FIXED ASSETS**

A summary of the Enterprise fund's fixed assets at June 30, 2002, follows:

Description	Amount
Furniture and Equipment	\$234,062
Vehicles	20,141
Less: Accumulated depreciation	(148,438)
Net Fixed Assets	\$105,765

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 9 - FIXED ASSETS (Continued)**

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	<u>Balance at 7/1/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/02</u>
Land and Improvements	\$852,907	\$11,300	\$0	\$864,207
Buildings and Improvements	5,265,887	27,380	0	5,293,267
Furniture, Fixtures and Equipment	4,560,706	173,405	91,026	4,643,085
Vehicles	1,527,648	148,128	0	1,675,776
<b>Totals</b>	<b>\$12,207,148</b>	<b>\$360,213</b>	<b>\$91,026</b>	<b>\$12,476,335</b>

**NOTE 10 - 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 2002, the School District contracted with Selective Insurance Company for general liability with a \$2,000,000 per occurrence limit, a \$4,000,000 aggregate limit, and a \$1,000 deductible. The School District has an umbrella liability endorsement with a \$10,000,000 per occurrence limit and a \$10,000 deductible.

Vehicles are covered by Utica National Insurance Group. The policy has a \$5,000 deductible for comprehensive coverage and a \$1,000 deductible for collision coverage. Automobile liability and uninsured motorist coverage have a \$1,000,000 combined single limit of liability.

Coverage provided by Utica National Insurance Group is as follows:

Building and Contents - \$2,500 deductible	\$45,828,000 limit
Boiler and Machinery - \$1,000 deductible	\$45,828,000 limit
Inland Marine - \$2,000 deductible	\$500,000 limit
Musical Instruments and Band Uniforms - \$250 deductible	\$500,000 limit

Settled claims have not exceeded coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from last fiscal year.

**B. Workers' Compensation**

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP.

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 10 - RISK MANAGEMENT (Continued)**

Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**C. Employee Medical Benefits**

Medical/surgical benefits, vision, life, and dental insurance are offered to employees through a self-insurance internal service fund through Accordia National Insurance Company. The claims liability of \$325,000 reported in the internal service fund at June 30, 2002, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at 7/1/01	Current Year Claims	Claim Payments	Balance at 6/30/02
2001	\$355,000	\$2,097,910	\$2,142,910	\$310,000
2002	\$310,000	\$2,439,694	\$2,424,694	\$325,000

At year end, the Self Insurance Fund received a transfer from the General Fund to cover a continuing operating loss in the Self Insurance Fund. As of December 01, 2002, the District has raised the employee and employer portion of health care premiums by 36.1% to cover fiscal year 2003 costs and to help reduce the under funded liability.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School District participates in the School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$989,315, \$587,547 and \$635,013, respectively; 88.25 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$116,279 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

**MARIETTA CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)**

**B. School Employees Retirement System**

Marietta City School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$122,701, \$109,433 and \$121,476, respectively; 46.61 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$65,511 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$468,623 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less



**MARIETTA CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)**

than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400.

For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$307,749.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001, (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants receiving health care benefits.

**NOTE 13 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 260 days. Upon retirement, certified employees receive payments for one-third of the total sick leave accumulated and classified employees receive fifty percent of their total sick leave accumulated (payments will not exceed 75 days total).

**B. Other Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to all employees with a minimum of a half-time position through Hartford Insurance Company.

**C. Early Retirement Incentive**

The Marietta City School District Board of Education approved an early retirement incentive program. The plan is effective July 1, 1999, through August 31, 2001, for employees of the School District who are members of the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS.) Participation is open to employees who are or will become fifty years old and eligible for retirement during the effective period of the plan upon purchase of service credit under the incentive program.

The Board will purchase service credit in the amount of the lesser of two years or one-fifth of the employee's total service credit for employees electing to participate in the plan. The Board limits the number of employees participating in the plan to five percent each of the total number of employees of the Board who are members of STRS and SERS. The Board has the option of paying the liability for the purchased credit in its entirety or in installments. Early retirement incentive payments have been reclassified and are reflected as debt service

**MARIETTA CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 13 - EMPLOYEE BENEFITS (Continued)**

expenditures in the general purpose financial statements for governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

As an additional provision of the program, STRS and SERS members who elected to have the Board of Education purchase two years of retirement credit receive their unused compensated absence payment as follows:

STRS - Severance pay for employees who participate in the plan is thirty percent of the employee's accumulated and unused sick leave days using two hundred forty-five days as the maximum accumulation. Severance pay is paid in two equal installments; the first installment twelve months after retirement, the second installment twenty-four months following retirement.

SERS - Severance pay for employees who participate in the plan is equal to fifty percent of the employee's accumulated sick leave days to a maximum of one hundred forty sick leave days. Severance pay will not exceed seventy days total. Severance pay will be disbursed in two equal installments with the first payment being made twelve months after retirement, and the second payment being made twenty-four months after retirement.

**NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE**

The School District has entered into capitalized leases for equipment. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Equipment acquired by lease has been capitalized in the general fixed assets account group in the amount of \$54,873, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$17,811.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the net minimum lease payments:

	<u>Amount</u>
Fiscal Year 2003	<u>\$12,654</u>
Fiscal Year 2004	<u>2,614</u>
Total	<u>15,268</u>
Less: Amount Representing Interest	(697)
Present Value of Net Minimum Lease Payments	<u><u>\$14,571</u></u>

**NOTE 15 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

	Principal Outstanding 7/1/01	Additions	Deductions	Principal Outstanding 6/30/02
	<u>7/1/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/02</u>
General Obligation Bonds:				
School Improvement				
Bonds - 4.4% to 7.3%	\$5,860,000	\$0	\$715,000	\$5,145,000
Lunchroom Enterprise Fund				
Loan - 0%	80,000	0	20,000	60,000
Capital Leases	32,382	0	17,811	14,571
Compensated Absences	2,245,235	365,099	104,014	2,506,320
Early Retirement Incentive	0	505,253	505,253	0
Pension Obligation	171,027	152,314	171,027	152,314
Total Long-Term Obligations	<u>\$8,388,644</u>	<u>\$1,022,666</u>	<u>\$1,533,105</u>	<u>\$7,878,205</u>

*School Improvement General Obligation Bonds* - On April 1, 1993, Marietta City School District issued \$9,810,000 in voted general obligation bonds for the purpose of an addition and improvements to school buildings. The bonds were issued for a fifteen year period with final maturity at December 1, 2007. The bonds are being retired from the Debt Service Fund.

The Lunchroom Enterprise Fund interest free loan was obtained to finance lunchroom operations. Payments of \$20,000 will be made from operations on a yearly basis through fiscal year 2005.

Capital leases will be paid from the General Fund. Compensated absences, the early retirement incentive, and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$32,015,117, with an unvoted debt margin of \$399,457 at June 30, 2002.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2002, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$750,000	\$271,088	\$1,021,088
2004	785,000	230,144	1,015,144
2005	830,000	183,712	1,013,712
2006	875,000	134,694	1,009,694
2007	925,000	82,944	1,007,944
2008	<u>980,000</u>	<u>28,175</u>	<u>1,008,175</u>
Total	<u>\$5,145,000</u>	<u>\$930,757</u>	<u>\$6,075,757</u>

**MARIETTA CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE 16 - INTERFUND ACTIVITY**

As of June 30, 2002, receivables and payables that resulted from various interfund transactions were as follows:

	Receivables		Payables	
	Interfund	Due From	Interfund	Due To
General Fund	\$70,185	\$12,802	\$0	\$3,280
Special Revenue Fund:				
Public School Support	\$0	\$725	\$830	\$386
Summer Intervention	0	0	0	8,467
Miscellaneous State Grant	0	0	0	725
Miscellaneous Federal Grant	0	0	0	300
Title VI-R	0	0	0	30
Title VI-B	0	0	0	433
Title VI	0	0	0	30
Title I	0	0	0	37
ABLE	0	0	69,355	0
Auxiliary Services	0	0	0	4,717
Ohio Reads	0	0	0	5
Total Special Revenue Funds	\$0	\$725	\$70,185	\$15,130
Enterprise Fund:				
Lunchroom	0	5,266	0	383
Total Enterprise Fund	\$0	\$5,266	\$0	\$383
Total All Funds	\$70,185	\$18,793	\$70,185	\$18,793

**NOTE 17 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of the lunchroom and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Marietta City School District as of and for the fiscal year ended June 30, 2002:

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE 17 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	<u>Lunchroom</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$448,736	\$147,886	\$596,622
Depreciation Expense	\$35,665	\$0	\$35,665
Operating Income (Loss)	(\$253,670)	\$20,512	(\$233,158)
Donated Commodities	\$34,459	\$0	\$34,459
Operating Grants	\$257,890	\$0	\$257,890
Interest Income	\$2,646	\$0	\$2,646
Operating Transfer In	\$0	\$4,393	\$4,393
Net Income	\$41,325	\$24,905	\$66,230
Fixed Asset Additions	\$2,199	\$0	\$2,199
Net Working Capital	\$134,620	\$72,041	\$206,661
Long-Term Liabilities	\$60,000	\$0	\$60,000
Total Assets	\$330,285	\$73,562	\$403,847
Total Equity	\$180,385	\$72,041	\$252,426
Encumbrances (Cash Basis)	\$78,000	\$2,068	\$80,068

**NOTE 18 - 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 purchase of textbooks and other instructional materials and an equal amount 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 years, the School District was also required to set aside money for budget stabilization. At June 30, 2002, some of the unspent portion of certain workers' compensation refunds continues to be set aside.

The following cash basis information describes the change in the fiscal year end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside reserve balance as of June 30, 2001	\$7,272	\$0	\$111,341
Current year set-aside requirement	398,744	398,744	0
Qualifying Disbursements	<u>(218,147)</u>	<u>(184,130)</u>	<u>(30,680)</u>
Totals	<u>\$187,869</u>	<u>\$214,614</u>	<u>\$80,661</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$187,869</u>	<u>\$0</u>	<u>\$80,661</u>
Set-aside Reserve Balance as of June 30, 2002	<u>\$187,869</u>	<u>\$214,614</u>	<u>\$80,661</u>

The total reserve balance for the three set-asides at the end of the fiscal year was \$483,144.

**MARIETTA CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

*Southeast Ohio Voluntary Educational Consortium (SEOVEC)* - SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2002, the Marietta City School District paid \$125,388 to SEOVEC. To obtain financial information write to the Southeast Ohio Voluntary Educational Consortium, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

*Washington County Joint Vocational School* - The Washington County 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 Washington County Educational Service Center's board. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Washington County Joint Vocational School, Mary Bee, Treasurer, at Route 2, Marietta, Ohio 45750.

*Coalition of Rural and Appalachian Schools* - The Coalition of Rural and Appalachian Schools consists of over one hundred school districts in southeastern Ohio. The Coalition is operated by a fourteen member Board which consists of one superintendent from each County elected by the school districts within that County. The Coalition provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. During fiscal year 2002, the Marietta City School District paid \$300 to the Coalition.

**NOTE 20 - 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 Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 21 - STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**MARIETTA CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**NOTE 22 - 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

**B. Litigation**

One lawsuit is pending against the School District. However, in the opinion of management, the outcome of the suit cannot be determined at this time and will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

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MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	NonCash Receipts	Disbursements	NonCash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster</i>						
Food Distribution Program	10.550	N/A	\$0	\$34,459	\$0	\$34,459
National School Breakfast Program	10.553	044321-05PU-01/02	45,840		45,840	
National School Lunch Program	10.555	044321-LL-P1/P4-01/02	228,395		228,395	
Total United States Department of Agriculture - Nutrition Cluster			<u>274,235</u>	<u>34,459</u>	<u>274,235</u>	<u>34,459</u>
<b>United States Department of Education</b>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	84.010	044321-C1S1/SD/SS-01/02-C/P	608,701		634,408	
Special Education Grants to States (IDEA Part B)	84.027	044321-6BSF-02-P	282,839		285,626	
Drug Free Schools and Communities Act	84.186	044321-DRS1-02	6,945		21,867	
Education for Homeless Children and Youth	84.196	044321-HCS1-02	27,200		37,193	
Goals 2000 - State and Local Education Systematic Improvement Grants	84.276	044321-G2S9-01	25,000		3,071	
Eisenhower Professional Development Grant - Title II, Part B	84.281	044321-MSS1-02	9,582		19,916	
Assistive Technology_State Grants for Protection and Advocacy	84.343	044321-ATS1-02	8,823		8,234	
Innovative Education Program Strategies	84.298	044321-C2S1-02	12,885		7,508	
Title VI-R of ESEA - Class Size Reduction	84.340	044321-CRS1-02	123,038		126,193	
Total United States Department of Education			<u>1,105,013</u>		<u>1,144,016</u>	
<b>United States Department of Health and Human Services</b>						
<i>Passed Through Ohio Department of Mental Retardation &amp; Developmental Disabilities:</i>						
Medical Assistance Program - Community Alternative Funding System (CAFS)	93.778	N/A	66,901		66,901	
Total Passed Through Ohio Department of Mental Retardation & Developmental Disabilities			66,901		66,901	
<i>Passed Through Washington County Jobs and Family Services</i>						
Temporary Assistance for Needy Families (TANF)	93.558	N/A	28,868		40,328	
Total Passed Through Washington County Jobs and Family Services			28,868		40,328	
<i>Passed Through Washington County Community Action Commission</i>						
Temporary Assistance for Needy Families (TANF)	93.558	N/A	300		0	
Total Passed Through Washington County Community Action Commission			300		0	
Total United States Department of Health and Human Services			<u>96,069</u>	<u>0</u>	<u>107,229</u>	<u>0</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<u>\$1,475,317</u>	<u>\$34,459</u>	<u>\$1,525,480</u>	<u>\$34,459</u>

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

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the United States Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the School District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To Members of the Board:

We have audited the general purpose financial statements of the Marietta City School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2002, and have issued our report thereon dated December 13, 2002, wherein we noted the under funding of the Self Insurance Fund and during 2002, the School District reclassified its expendable trust fund to the special revenue fund type. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2002-11084-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated December 13, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2002-11084-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable condition described above as finding 2002-11084-001 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 13, 2002.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

December 13, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To Members of the Board:

**Compliance**

We have audited the compliance of the Marietta City School District, Washington County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. The School District's major federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2002.

**Internal Control over Compliance**

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated December 13, 2002.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Jim Petro**  
Auditor of State

December 13, 2002

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I, C.F.D.A 84.010 Title VI-R, C.F.D.A 84.340
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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

**FINDING NUMBER 2002-11084-001**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code § 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit balance in any fund indicates that money from another fund or funds have been used to pay obligations of the fund or funds carrying the deficit balance.

As of February 28, 2002, the following funds had negative fund balances:

Fund	Amount
Uniform School Supplies	\$31,763
School Net Plus	\$1,074
Adult Basic Education	\$16,573
Title I	\$123,351
Title VI	\$401
Telecommunication Act	\$8,398
Title VI-R	\$19,030
Guidance Grant	\$590

As of July 31, 2001, the following funds had negative fund balances:

Fund	Amount
Self Insurance	\$82,809
Ohio Reads	\$1,302

Throughout most of the fiscal year, the Self Insurance Fund maintains a deficit fund balance. For example, as of June 21, 2002, the Self Insurance Fund had a cash deficit of \$1,227,268. This indicates that money from other funds have been used to pay obligations of the Self Insurance Fund.

We recommend the School District monitor fund balances in order to ensure compliance with the Ohio Revised Code. In addition, Internal Service Fund charges should be set at sufficient levels to provide the funding needed to pay claims and finance claim liabilities, including incurred but not reported claims (IBNR), including a reasonable provision for catastrophic losses. Furthermore, *Audits of States and Local Government Units* Section 13.28 states that it is inappropriate to set interfund levels that accumulate excess retained earnings or deficits over long periods.



**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
*OMB CIRCULAR A-133 §.505*  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**MARIETTA CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 §.315 (c)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-11084-001	The School District will implement internal control procedures to monitor fund balances to ensure moneys from one fund are not used to pay an obligation of another fund. In addition, the School District Board of Education approved a Resolution to increase health premiums 36.1% and implement a new Prescription Drug Plan to become effective December 1, 2002. Based on the projections submitted by the actuary for the insurance plan, this will generate sufficient revenues to cover the estimated claims expense of FY 2003 and under funded liability.	June 30, 2003	Larry Bayless, Business Manager & Interim Treasurer



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
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**MARIETTA CITY SCHOOL DISTRICT**

**WASHINGTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 18, 2003**