



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Marlington Local School District
Stark County
10320 Moulin Avenue
Alliance, Ohio 44601

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Marlington Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the 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 generally accepted auditing standards 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 Marlington Local School District, Stark County, Ohio, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2001, on our consideration of the 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.

Marlington Local School District
Stark County
Report of Independent Accountants
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Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of 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. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

January 26, 2001

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**Marlington Local School District
Combined Balance Sheet - All Fund Types and Account Groups
June 30, 2000**

	Governmental Fund Types			Proprietary Fund Types			Fiduciary Fund Types			Account Groups			Totals (Memorandum Only)	
	General	Special	Debt	Capital	Enterprise	Agency	Trust and	Expendable	General	Fixed	Long-Term	Obligations		
	Revenue	Service	Projects	Enterprise	Agency	Trust and	Expendable	General	Fixed	Long-Term	Obligations			
ASSETS AND OTHER DEBITS:														
Assets:														
Equity in Pooled Cash and Investments	\$1,987,952	\$460,132	\$0	\$803,479	\$533,604	\$664,776	\$0	\$0	\$0	\$0	\$0	\$0	\$4,449,943	
Receivables														
Taxes	6,977,210	0	88,068	319,793	0	0	0	0	0	0	0	0	7,385,071	
Accounts	20,629	3,288	0	0	120	0	0	0	0	0	0	0	24,037	
Intergovernmental	400	39,000	0	1,000	12,133	0	0	0	0	0	0	0	52,533	
Interfund	444,601	0	0	0	0	0	0	0	0	0	0	0	444,601	
Due from Other Funds	126,025	0	0	0	0	0	0	0	0	0	0	0	126,025	
Materials and Supplies														
Inventory	85,693	0	0	0	25,554	0	0	0	0	0	0	0	111,247	
Prepaid Items	7,956	1,744	0	0	493	0	0	0	0	0	0	0	10,193	
Restricted Assets:														
Equity in Pooled Cash and Investments	583,851	0	0	0	0	0	0	0	0	0	0	0	583,851	
Fixed Assets (Net where applicable, of Accumulated Depreciation)	0	0	0	0	42,622	0	25,468,898	0	25,468,898	0	0	0	25,511,520	
Other Debits:														
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0	0	0	0	0	0	0	0	0	1,316,577	
Total Assets and Other Debits	\$10,234,317	\$504,164	\$88,068	\$1,124,272	\$614,526	\$664,776	\$25,468,898	\$1,316,577	\$1,316,577	\$0	\$0	\$0	\$40,015,598	

(Continued)

The accompanying notes are an integral part of these statements.

**Marlington Local School District
Combined Balance Sheet - All Fund Types and Account Groups
June 30, 2000**

	Governmental Fund Types			Proprietary Fund Types			Fiduciary Fund Types			Account Groups			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	Long-Term Obligations	General	Long-Term Obligations	General	Totals	
LIABILITIES, FUND EQUITY AND OTHER CREDITS:													
Liabilities:													
Accounts Payable	\$134,191	\$22,424	\$0	\$22,314	\$2,599	\$2,234	\$0	\$0	\$0	\$0	\$0	\$183,762	
Accrued Wages and Benefits	1,246,680	32,011	0	667	37,763	0	0	0	0	0	0	1,317,121	
Compensated Absences	24,431	0	0	0	27,265	0	0	1,203,049	0	0	0	1,254,745	
Intergovernmental Payable	271,184	984	0	52	6,746	0	0	113,528	0	0	0	392,494	
Interfund Payable	0	327,152	0	101,515	0	15,934	0	0	0	0	0	444,601	
Due to Other Funds	0	126,025	0	0	0	0	0	0	0	0	0	126,025	
Due to Others	0	0	0	0	0	57,983	0	0	0	0	0	57,983	
Deferred Revenue	6,677,610	0	88,068	294,123	16,249	0	0	0	0	0	0	7,076,050	
Total Liabilities	8,354,096	508,596	88,068	418,671	90,622	76,151	0	1,316,577	0	0	0	10,852,781	
Fund Equity and Other Credits:													
Investment in General Fixed Assets	0	0	0	0	0	0	0	25,468,898	0	0	0	25,468,898	
Contributed Capital	0	0	0	0	124,067	0	0	0	0	0	0	124,067	
Retained Earnings - Unreserved	0	0	0	0	399,837	0	0	0	0	0	0	399,837	
Fund Balances													
Reserved for Property Taxes	299,600	0	0	25,670	0	0	0	0	0	0	0	325,270	
Reserved for Encumbrances	1,530,123	86,547	0	489,995	0	17,000	0	0	0	0	0	2,123,665	
Reserved for Inventory	85,693	0	0	0	0	0	0	0	0	0	0	85,693	
Reserved for Budget Stabilization	363,861	0	0	0	0	0	0	0	0	0	0	363,861	
Reserved for School Bus Purchase	182,312	0	0	0	0	0	0	0	0	0	0	182,312	
Reserved for Advances not Repaid	126,025	0	0	0	0	0	0	0	0	0	0	126,025	
Reserved for Prepaid Items	7,956	1,744	0	0	0	0	0	0	0	0	0	9,700	
Reserved for Textbooks	37,678	0	0	0	0	0	0	0	0	0	0	37,678	
Unreserved - Undesignated (Deficit)	(753,027)	(92,723)	0	189,936	0	571,625	0	0	0	0	0	(84,189)	
Total Fund Equity and Other Credits	1,880,221	(4,432)	0	705,601	523,804	588,625	0	25,468,898	0	0	0	29,162,817	
Total Liabilities, Fund Equity and Other Credits	\$10,234,317	\$504,164	\$88,068	\$1,124,272	\$614,526	\$664,776	\$25,468,898	\$1,316,577	\$0	\$0	\$0	\$40,015,598	

The accompanying notes are an integral part of these statements.

Marlington Local School District
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special	Debt	Capital	Expendable	
	Revenue	Service	Projects	Trust		
REVENUE:						
Taxes	\$6,396,798	\$0	\$88,068	\$297,968	\$0	\$6,782,834
Tuition and Fees	45,875	704	0	0	0	46,579
Intergovernmental	8,443,644	520,038	0	62,960	0	9,026,642
Interest	196,091	17,532	0	16,502	30,418	260,543
Extracurricular Activities	33,260	308,038	0	773	0	342,071
Other	84,732	63,510	0	6,595	1,301	156,138
Classroom Materials & Fees	92,642	0	0	0	0	92,642
Total Revenues	15,293,042	909,822	88,068	384,798	31,719	16,707,449
EXPENDITURES:						
Current						
Instruction						
Regular	6,625,176	62,702	0	19,083	0	6,706,961
Special	1,178,848	195,588	0	0	0	1,374,436
Vocational	858,815	24,565	0	0	0	883,380
Other	720,765	0	0	0	0	720,765
Support Services						
Pupil	565,520	225,087	0	0	0	790,607
Instructional Staff	426,095	41,793	0	0	0	467,888
Board of Education	34,175	0	0	0	0	34,175
Administration	1,338,802	11,060	0	0	0	1,349,862
Fiscal	259,531	701	0	0	0	260,232
Business	173,118	16,081	0	0	0	189,199
Operation and Maintenance of Plant						
enancement of Plant	1,470,948	19,940	0	133,058	0	1,623,946
Pupil Transportation						
Central	1,028,008	2,714	0	19,315	0	1,050,037
Community Services	18,923	0	0	0	0	18,923
Community Services	9,219	3,056	0	0	1,485	13,760
Extracurricular Activities	372,835	347,344	0	0	16,498	736,677
Capital Outlay	36,200	0	0	6,600	0	42,800
Debt Service						
Principal and Interest Retirement	0	0	88,068	0	0	88,068
Total Expenditures	15,116,978	950,631	88,068	178,056	17,983	16,351,716
Revenues Over (Under)						
Expenditures	\$176,064	\$(40,809)	\$0	\$206,742	\$13,736	\$355,733

(Continued)

The accompanying notes are an integral part of these statements.

**Marlington Local School District
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2000**

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expensible Trust	
OTHER FINANCING SOURCES (USES):						
Sale of Assets	\$8,424	\$0	\$0	\$0	\$0	\$8,424
Refund of Prior Year's Expense	57,023	0	0	0	0	57,023
Total Other Financing Sources	<u>65,447</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>65,447</u>
Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	241,511	(40,809)	0	206,742	13,736	421,180
Fund Balances at Beginning of Year	1,676,497	36,377	0	498,859	574,889	2,786,622
Increase in Reserve for Inventory	<u>(37,787)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(37,787)</u>
Fund Balances at End of Year	<u>\$1,880,221</u>	<u>\$ (4,432)</u>	<u>\$0</u>	<u>\$705,601</u>	<u>\$588,625</u>	<u>\$3,170,015</u>

The accompanying notes are an integral part of these statements.

Marlington Local School District
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget Basis and Actual
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2000

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
REVENUES			
Taxes	\$ 6,380,798	\$ 6,380,798	\$ 0
Tuition and Fees	45,875	45,875	0
Charges for Services	0	0	0
Intergovernmental	8,443,244	8,443,244	0
Interest	196,091	196,091	0
Food Services	0	0	0
Extracurricular Activities	23,744	23,744	0
Classroom Materials and Fees	92,938	92,938	0
Other	84,410	84,410	0
Total Revenues	<u>15,267,100</u>	<u>15,267,100</u>	<u>0</u>
EXPENDITURES:			
Current			
Instruction			
Regular	7,563,174	7,563,174	0
Special	1,365,186	1,365,186	0
Vocational	881,138	881,138	0
Other	894,880	894,880	0
Support Services			0
Pupil	606,555	606,555	0
Instructional Staff	472,039	472,039	0
Board of Education	37,642	37,642	0
Administration	1,381,117	1,381,117	0
Fiscal	263,638	263,638	0
Business	183,848	183,848	0
Operation and Maintenance of Plant	1,636,871	1,636,871	0
Pupil Transportation	1,248,366	1,248,366	0
Central	20,498	20,498	0
Food Service Operations	16,797	16,797	0
Community Services	0	0	0
Extracurricular Activities	378,914	378,914	0
Architecture and Engineering	34,325	34,325	0
Debt Service			0
Principal Retirement and Interest	0	0	0
Total Expenditures	<u>16,984,988</u>	<u>16,984,988</u>	<u>0</u>
Revenues Over (Under) Expenditures	<u>(1,717,888)</u>	<u>(1,717,888)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES):			
Sale of Fixed Assets	8,424	8,424	0
Advances - In	618,003	618,003	0
Advances - Out	(836,370)	(836,370)	0
Refund of Prior Year Expenditures	57,024	57,024	0
Total Other Financing Sources (Uses)	<u>(152,919)</u>	<u>(152,919)</u>	<u>0</u>
Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,870,807)</u>	<u>(1,870,807)</u>	<u>0</u>
Fund Balances at Beginning of Year	835,793	835,793	0
Prior Year Encumbrances	1,976,426	1,976,426	0
Fund Balance at End of Year	<u>\$ 941,412</u>	<u>\$ 941,412</u>	<u>\$ 0</u>

The accompanying notes are an integral part of these statements.

Special Revenue Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0
704	704	0
0	0	0
481,036	481,036	0
17,532	17,532	0
757	757	0
306,294	306,294	0
0	0	0
64,240	64,240	0
<u>870,563</u>	<u>870,563</u>	<u>0</u>

Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 88,068	\$ 88,068	\$ 0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
<u>88,068</u>	<u>88,068</u>	<u>0</u>

56,721	56,721	0
208,605	208,605	0
26,667	26,667	0
0	0	0
233,838	233,838	0
45,436	45,436	0
0	0	0
12,363	12,363	0
1,001	1,001	0
7,998	7,998	0
21,440	21,440	0
3,964	3,964	0
0	0	0
4,356	4,356	0
0	0	0
428,457	428,457	0
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
<u>1,050,846</u>	<u>1,050,846</u>	<u>0</u>
<u>(180,283)</u>	<u>(180,283)</u>	<u>0</u>

0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
<u>88,068</u>	<u>88,068</u>	<u>0</u>
<u>88,068</u>	<u>88,068</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>

0	0	0
929,905	589,745	(340,160)
(485,553)	(485,553)	0
0	0	0
<u>444,352</u>	<u>104,192</u>	<u>(340,160)</u>

0	0	0
114,068	26,000	(88,068)
(26,000)	(26,000)	0
0	0	0
<u>88,068</u>	<u>0</u>	<u>(88,068)</u>

264,069	(76,091)	(340,160)
297,645	297,645	0
139,350	139,350	0
<u>\$ 701,064</u>	<u>\$ 360,904</u>	<u>\$ (340,160)</u>

88,068	0	(88,068)
0	0	0
0	0	0
<u>\$ 88,068</u>	<u>\$ 0</u>	<u>\$ (88,068)</u>

Marlington Local School District
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget Basis and Actual
All Governmental Fund Types and Expendable Trust Fund - Continued
For the Fiscal Year Ended June 30, 2000

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 283,798	\$ 283,798	\$ 0
Tuition and Fees	0	0	0
Charges for Services	0	0	0
Intergovernmental	61,960	61,960	0
Interest	16,502	16,502	0
Food Service	-	-	-
Extracurricular Activities	773	773	0
Classroom Materials and Fees	0	-	-
Other	6,595	6,595	0
Total Revenues	<u>369,628</u>	<u>369,628</u>	<u>0</u>
EXPENDITURES:			
Current			
Instruction			
Regular	44,551	44,551	0
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
Support Services			
Pupil	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	30,000	30,000	0
Operation and Maintenance of Plant	583,248	583,248	0
Pupil Transportation	19,315	19,315	0
Central	0	0	0
Food Service Operations	0	0	0
Community Services	0	0	0
Extracurricular Activities	0	0	0
Architecture and Engineering	6,600	6,600	0
Debt Service			
Principal Retirement and Interest	0	0	0
Total Expenditures	<u>683,714</u>	<u>683,714</u>	<u>0</u>
Revenues Over (Under) Expenditures	<u>(314,086)</u>	<u>(314,086)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES):			
Sale of Fixed Assets	0	0	0
Advances - In	181,715	181,715	0
Advances - Out	(80,200)	(80,200)	0
Refund of Prior Year Expenditures	0	0	0
Total Other Financing Sources (Uses)	<u>101,515</u>	<u>101,515</u>	<u>0</u>
Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(212,571)	(212,571)	0
Fund Balances at Beginning of Year	455,188	455,188	0
Prior Year Encumbrances	48,641	48,641	0
Fund Balance at End of Year	<u>\$ 291,258</u>	<u>\$ 291,258</u>	<u>\$ 0</u>

The accompanying notes are an integral part of these statements.

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 6,752,664	\$ 6,752,664	\$ 0
0	0	0	46,579	46,579	0
0	0	0	0	0	0
0	0	0	8,986,240	8,986,240	0
30,418	30,418	0	260,543	260,543	0
-	-	0	757	757	0
0	0	0	330,811	330,811	0
2,500	2,500	0	92,938	92,938	0
32,918	32,918	0	157,745	157,745	0
			16,628,277	16,628,277	0
0	0	0	7,664,446	7,664,446	0
0	0	0	1,573,791	1,573,791	0
0	0	0	907,805	907,805	0
0	0	0	894,880	894,880	0
0	0	0	840,393	840,393	0
0	0	0	517,475	517,475	0
0	0	0	37,642	37,642	0
0	0	0	1,393,480	1,393,480	0
0	0	0	264,639	264,639	0
0	0	0	221,846	221,846	0
0	0	0	2,241,559	2,241,559	0
0	0	0	1,271,645	1,271,645	0
0	0	0	20,498	20,498	0
0	0	0	21,153	21,153	0
1,485	1,485	0	1,485	1,485	0
33,498	33,498	0	840,869	840,869	0
0	0	0	40,925	40,925	0
0	0	0	88,068	88,068	0
34,983	34,983	0	18,842,599	18,842,599	0
(2,065)	(2,065)	0	(2,214,322)	(2,214,322)	0
0	0	0	8,424	8,424	0
0	0	0	1,843,691	1,415,463	(428,228)
0	0	0	(1,428,123)	(1,428,123)	0
0	0	0	57,024	57,024	0
0	0	0	481,016	52,788	(428,228)
(2,065)	(2,065)	0	(1,733,306)	(2,161,534)	(428,228)
571,264	571,264	0	2,159,890	2,159,890	0
2,450	2,450	0	2,166,867	2,166,867	0
\$ 571,649	\$ 571,649	\$ 0	\$ 2,593,451	\$ 2,165,223	\$ (428,228)

Marlington Local School District
 Combined Statement of Revenues, Expenses, and Changes in
 Retained Earnings - Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2000

	<u>Enterprise</u>
OPERATING REVENUES:	
Sales	\$445,303
Charges for Services	<u>20,487</u>
Total Operating Revenues	<u>465,790</u>
OPERATING EXPENSES:	
Salaries and Wages	236,963
Fringe Benefits	87,104
Cost of Sales	272,211
Depreciation	3,892
Materials and Supplies Expense	<u>18,923</u>
Total Operating Expenses	<u>619,093</u>
Operating Loss	<u>(153,303)</u>
NON-OPERATING REVENUES:	
Donated Commodities	26,698
Federal and State Subsidies	135,519
Interest	<u>53,797</u>
Total Non-Operating Revenues	<u>216,014</u>
Net Income	62,711
Retained Earnings at Beginning of Year	<u>337,126</u>
Retained Earnings at End of Year	<u><u>\$399,837</u></u>

The accompanying notes are an integral part of these statements.

Marlington Local School District
Combined Statement of Revenues, Expenses, and Changes
in Fund Equity - Budget Basis and Actual
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2000

	Enterprise Funds		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Tuition and Fees	\$ 20,107	\$ 20,107	\$ 0
Sales	445,479	445,479	0
Operating Grants	166,003	166,003	0
Interest	53,798	53,798	0
Extracurricular Activities	561	561	0
Total Revenues	<u>685,948</u>	<u>685,948</u>	<u>0</u>
EXPENSES:			
Salaries and Wages	257,922	257,922	
Fringe Benefits	86,585	86,585	
Contract Services	8,301	8,301	0
Supplies	243,884	243,884	0
Capital Outlay	16,058	16,058	0
Total Expenses	<u>612,750</u>	<u>612,750</u>	<u>0</u>
Revenues Over Expenditures	<u>73,198</u>	<u>73,198</u>	<u>0</u>
Fund Balance at Beginning of Year	417,572	417,572	0
Prior Year Encumbrances	<u>34,655</u>	<u>34,655</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 525,425</u>	<u>\$ 525,425</u>	<u>\$ 0</u>

The accompanying notes are an integral part of these statements.

Marlington Local School District
Combined Statement of Cashflows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2000

	<u>Enterprise Funds</u>
Cash flows from operating activities:	
Operating Loss	\$ (153,303)
Adjustments to reconcile operating loss to net cash (used in) operating activities	
Depreciation	3,892
Donated commodities in cost of sales	42,947
Changes in assets and liabilities that increase (decrease) cash flow from operations	
Accounts receivable	357
Intergovernmental receivable	30,484
Material and supplies inventory	3,740
Prepaid expenses	(493)
Accounts payable	1,999
Accrued wages and benefits	(5,977)
Compensated absences	(14,982)
Intergovernmental payable	519
	<u> </u>
Net cash used in operating activities	<u>(90,817)</u>
Cash flows from capital and related financing activities	
Operating grants received	135,519
Other non-operating revenue	53,797
Acquisition of Equipment	(17,120)
	<u> </u>
Net cash provided by capital and related financing activities	<u>172,196</u>
Net increase in cash and cash equivalents	81,379
Cash and cash equivalents - beginning of year	<u>452,225</u>
Cash and cash equivalents - end of year	<u><u>\$ 533,604</u></u>
Non-cash financing activities:	
Donated commodities received	<u><u>\$ 26,698</u></u>

The accompanying notes are an integral part of these statements.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

1. DESCRIPTION OF THE ENTITY

The Marlinton Local School District (the 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 District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 1999 was 2,725. The District employed 176 certified employees and 110 non-certified employees.

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the District's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of these criteria involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1. DESCRIPTION OF THE ENTITY - Continued

The District is associated with certain organizations, which are defined as Jointly Governed Organizations and Public Entity Risk Pools. These organizations include the Stark/Portage Area Computer Consortium (SPARCC), the Stark County Schools Council of Government Risk Sharing Pool and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are more fully described in Notes M and N to the general purpose financial statements.

2. BASIS OF PRESENTATION - FUND ACCOUNTING

The 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 District functions or activities.

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 regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the 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 District are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. BASIS OF PRESENTATION - FUND ACCOUNTING - Continued

Governmental Fund Types: - Continued

General Fund - This fund is the operating fund of the 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

Capital Projects Funds - This fund is 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 and trust funds).

Proprietary Fund Type:

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

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that 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 the governing body has 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.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. BASIS OF PRESENTATION - FUND ACCOUNTING - Continued

Fiduciary Fund Types:

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds. These include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental 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 District, other than those accounted for in the proprietary or trust funds.

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

3. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds 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 combined 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 combined balance

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., 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, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is 60 days after year-end. In applying the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants and entitlements.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise in the governmental funds when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000 and delinquent property taxes that are intended to finance fiscal year 2001 operations have been recorded as deferred revenue as more fully described in Note D.

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 fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. There were no unbilled service charges at fiscal year-end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities nonoperating revenue. Unused donated commodities as of June 30, 2000 were insignificant to the general purpose financial statements.

4. 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 year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modification 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 Stark County Budget Commission for rate determination.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. BUDGETARY DATA - Continued

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing 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 year.

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District's Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 2000.

Appropriations:

By October 1, the annual appropriation resolution must be 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 resolution, the Board may pass a temporary resolution to meet the ordinary expenses of the District. Appropriations 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 the appropriation at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental fund appropriations were legally enacted, however, the amount of the increases were not significant. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. BUDGETARY DATA - Continued

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and 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 year-end are reported as a reservation of fund balances for subsequent year expenditures for governmental funds and reported in the notes to the financial statements for proprietary fund. At year end, the District's advances in/out did not agree by \$12,660 on a non-GAAP budgetary basis. This is a result of a \$12,660 repayment of a prior year advance from the Agency Fund Type to the General Fund. Agency fund activity is not disclosed in the financial statements.

Lapsing of Appropriations:

At the close of each 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 need not be reappropriated.

Budgetary Basis of Accounting:

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

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. BUDGETARY DATA - Continued

1. Revenues are reported 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 for proprietary fund types (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).

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

**Total Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types and Similar Trust Funds**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$241,511	\$(40,809)	\$-0-	\$206,742	\$13,736
Net Adjustment for Revenue Accruals	(25,942)	(39,259)	-0-	(15,170)	1,199
Net Adjustment for Expenditure Accruals	(1,868,010)	(100,215)	-0-	(505,658)	(17,000)
Advances - In (Out) – Net	(218,367)	104,192	-0-	101,515	-0-
Other	<u>1</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Budget Basis	<u><u>\$ (1,870,807)</u></u>	<u><u>\$ (76,091)</u></u>	<u><u>\$-0-</u></u>	<u><u>\$ (212,571)</u></u>	<u><u>\$ (2,065)</u></u>

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. BUDGETARY DATA - Continued

**Net Income/Total Revenues Over
Expenses, Advances Total and Operating Transfers
Proprietary Fund Type**

	Enterprise
GAAP Basis	\$ 62,711
Net Adjustment for Revenue Accruals	(30,842)
Commodities Received	(26,698)
Net Adjustment for Expense Accruals	40,627
Commodities Used	23,508
Depreciation	3,892
Budget Basis	\$ 73,198

5. POOLED CASH AND INVESTMENTS

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

During fiscal year 2000, investments were limited to STAROhio, repurchase agreements and mutual funds.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. POOLED CASH AND INVESTMENTS - Continued

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2000. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2000.

For the purpose of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments of the cash management pool and investments with the original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

6. 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, costs are determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported materials 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. Inventory in the enterprise funds consists of purchased food, donated commodities and school supplies held for resale.

7. FIXED ASSETS AND DEPRECIATION

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction 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 respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. The District has established a capitalization threshold for fixed assets at \$500. Books, records, movies, and other learning aids kept at the District Library are also included for

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. FIXED ASSETS AND DEPRECIATION - Continued

reporting purposes. The District does not possess any infrastructure.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line basis over an estimated useful life of 5 to 10 years.

8. INTERGOVERNMENTAL REVENUES

For governmental funds, intergovernmental revenue, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Title I
Title VI
Drug Free Schools
Title VI-B
Migrant Education
Schoolnet

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. INTERGOVERNMENTAL REVENUES - Continued

Reimbursable Grants

General Fund

Driver Education
School Bus Purchase Reimbursement

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 53% of the District's operating revenue during the 2000 fiscal year.

9. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2000 are recorded as prepaid items.

10. SHORT-TERM, INTERFUND ASSETS/LIABILITIES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as interfund receivables/payables.

11. COMPENSATED ABSENCES

The District follows the provision of Governmental Accounting Standards Board Statement No. 16, "Accounting for 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 District will compensate the employees for the benefits through paid time off or some other means. 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 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 District's termination policy.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. COMPENSATED ABSENCES - Continued

Employees earn vacation at rates specified by Union Contractual Agreement based on credited service. Administrative and 260-day employees are entitled to vacation ranging from 5 to 20 days. Employees with less than one year of service hired prior to February 1st earn 5 days of vacation. At June 30, 2000, a liability of \$141,092 has been provided for earned but unused vacation.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one fourth of the value of the first 200 days of sick leave. The total maximum is 50 days. At June 30, 2000, a current liability and long-term liability of \$27,265 and \$1,086,368, respectively, has been provided for earned but unused sick leave severance.

Teachers with at least 25 years of teaching service accepted by the State Teachers Retirement System, but less than 31 years of accumulated service credit accepted by STRS and who are accepted by STRS for retirement benefits at the time they terminate employment with the District, shall receive an additional settlement as payment in the amount of \$15,000 provided the amount of the total severance pay to such a teacher shall not exceed the value of the teacher's accrued sick leave. In order to be eligible for the additional payment, the teacher must submit a resignation to the Board of Education no later than January 15th of the teacher's last school year of employment.

Classified staff members with at least 25 years of service but less than 31 years of service and/or accepted by SERS for retirement benefits at the time they terminate employment with the District shall receive an additional settlement as payment in the amount of \$5,000 at retirement provided that the total severance payment to such staff member shall not exceed the value of the staff member's accrued sick leave. In order to be eligible for the additional payment, the staff member must submit a resignation to the Board of Education not later than six months prior to the employee's retirement date.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

12. CONTRIBUTED CAPITAL

Contributed capital represents resources from other funds, other governments and private sources provided to enterprise funds and is 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 year-end. There was no change in contributed capital during the year.

13. LONG-TERM DEBT

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year.

For other long-term obligations, only that portion expected to be financed from expendable, available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations are reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Under Ohio Law, a debt retirement fund must be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the debt service fund and the general long-term obligations account group, with principal and interest payments on matured general long-term debt reported in the debt service fund.

To comply with GAAP reporting requirements, the District's debt retirement fund has been split among the appropriate funds and account group. Debt service fund resources used to pay both the principal and interest have also been allocated accordingly.

14. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

14. INTERFUND TRANSACTIONS - Continued

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

15. FUND BALANCE RESERVES

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for reappropriation, in future periods. Fund equity reserves are established for property taxes, encumbrances, inventory, budget stabilization and prepaid items. The reserve for property taxes represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

The District is also required by State law to set aside certain General Fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabiliation Reserve</u>	<u>Total</u>
Balance at June 30, 1999	\$ -0-	\$ -0-	\$ 194,561	\$ 194,561
Required set aside	335,968	335,968	169,300	841,236
Offset Credits	-0-	(371,866)	-0-	(371,866)
Qualifying Expenditures	(298,290)	(149,955)	-0-	(448,245)
Total	<u>\$ 37,678</u>	<u>\$ (185,853)</u>	<u>\$ 363,861</u>	<u>\$ 215,686</u>
Balance Carried Forward To FY2001	<u>\$ 37,678</u>	<u>\$ -0-</u>	<u>\$ 363,861</u>	\$ 401,539
Amount Restricted For School Bus Replacement				<u>182,312</u>
Total Restricted Assets				<u>\$ 583,851</u>

The District had offset and qualifying disbursements during the year that reduced the Capital Maintenance Reserve set-aside amount below zero. This extra amount may not be used to reduce set-aside requirements of future years. Therefore, this negative balance is not presented as being carried to future years.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

16. PROPRIETARY FUND ACCOUNTING

Under the guidelines of GASB Statement No. 20, "Accounting and Financial Reporting and Other Governmental Entities that use Proprietary Fund Accounting", the District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, to its proprietary activities.

17. ESTIMATES

The preparation of the 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 could differ from those estimates.

18. RESTRICTED ASSETS

Restricted assets in the general fund represents cash and cash equivalents set aside to establish a budget stabilization reserve and school bus replacement reserve. The budget stabilization reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instructions. During fiscal year 1998 and 1999, the District received \$82,463 and \$2,570 in refunds, respectively, from the Bureau of Worker's Compensation which state statute requires to be included in the budget stabilization reserve.

19. TOTAL COLUMNS ON GENERAL PURPOSE FINANCIAL STATEMENTS

Total columns on the general purpose financial statements are captioned (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 B – CASH AND CASH EQUIVALENTS

State statutes classify monies held by the 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 District Treasury, in

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE B – CASH AND CASH EQUIVALENTS - Continued

commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in the money market deposit account.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two-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 monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies can 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 issuance 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 30 days;
4. Bonds 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE B – CASH AND CASH EQUIVALENTS - Continued

described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time, and

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 District, and must be purchased with the expectation that it will be held to maturity.

Protection of the 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 monies deposited with the institution.

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, 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".

Deposits - At fiscal year end, the carrying amount of the District's deposits was \$3,898,449 and the bank balance was \$4,187,367. \$200,000 of the bank balance was covered by federal depository insurance, \$81,572 was covered by specific collateral in the District's name and \$3,905,795 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE B – CASH AND CASH EQUIVALENTS - Continued

Investments - The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the District at fiscal year end.

Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.

Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the 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 District's name. The District's investment in STAROhio is unclassified because it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Mutual Fund	\$ 27,053	\$ 27,053	\$ 27,053
Repurchase Agreement	881,213	881,213	881,213
	908,266	908,266	908,266
STAR Ohio		227,079	227,079
Totals		\$1,135,345	\$1,135,345

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary Fund Accounting". A reconciliation between the classifications of cash and investments on the combined balance sheet and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 5,033,794	\$ 0
Investments:		
Mutual Fund	(27,053)	27,053
Repurchase Agreement	(881,213)	881,213
STAR Ohio	(227,079)	227,079
GASB Statement 3	\$ 3,898,449	\$1,135,345

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE C - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES - FUND DEFICITS

Fund balances at June 30, 2000 included the following individual fund deficits:

Special Revenue Funds

Athletic Fund	\$24,130
Disadvantaged Pupil	6,189
Title VI-B	128,394
Title I	62,059
Title VI	6,102
Other Federal Grants	14,607

The special revenue deficit fund balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

NOTE D - PROPERTY TAX

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The County Auditor reappraise all real property every six years with a triennial update. The last update was completed for tax year 1999.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for tax (calendar) year 1999 was \$48.40 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$25.07 per \$1,000 of assessed valuation for real property classified as residential or agricultural and \$28.92 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE D - PROPERTY TAX - Continued

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for tax (calendar) year 1999 was \$48.90 per \$1,000 of assessed valuation.

Real Property - 1999 Valuation	
Residential/Agricultural	\$ 156,738,120
Commercial/Industrial	47,860,330
Public Utilities	78,900
Minerals	1,209,660
Tangible Personal Property - 1999 Valuation	
General	31,212,354
Public Utilities	12,094,430
	<hr/>
Total Valuation	<u>\$ 249,193,794</u>

The Stark County Treasurer collects property tax on behalf of all taxing districts within the county. The Stark County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represent delinquent taxes outstanding on real property, personal property and public utility taxes, which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30, 2000 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available and received as an advance at June 30, 2000 was \$299,600 in the General Fund and \$25,670 in the Capital Projects Fund.

NOTE E - RISK MANAGEMENT

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE E - RISK MANAGEMENT - Continued

For fiscal year 2000, the District participated in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool (Note N). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The worker's compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the GRP. Each participant pays its worker's compensation premium to the State based on the rate for 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 share equally in the overall performance of the GRP.

Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services of the GRP.

The District has contracted with the Stark County Schools Council of Government's Health Benefits Program to provide employee medical/surgical and dental benefits. Rates are set through an annual calculation process. The District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district to the settlements of all expenses and claims.

NOTE F - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2000 follows:

Furniture and Equipment	\$ 155,823
Less Accumulated Depreciation	(113,201)
Net Fixed Assets	<u>\$ 42,622</u>

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE F - FIXED ASSETS - Continued

A summary of the changes in general fixed assets during fiscal year 2000 follows:

	<u>Balance July 1, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2000</u>
Land and Buildings	\$ 20,933,295	\$ 0	\$ 0	\$ 20,933,295
Furniture and Equipment	2,938,414	262,107	248,372	2,952,149
Vehicles	<u>1,396,486</u>	<u>186,968</u>	<u>0</u>	<u>1,583,454</u>
Total	<u>\$ 25,268,195</u>	<u>\$ 449,075</u>	<u>\$ 248,372</u>	<u>\$ 25,468,898</u>

NOTE G - LONG-TERM DEBT

Long-term obligations of the District as of June 30, 2000 were as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
SERS Pivable	\$ 102,328	\$ 113,528	\$ 102,328	\$ 113,528
Energy Conservation Bond, 1995, 4.81%	86,000	-0-	86,000	-0-
Compensated Absences	<u>876,410</u>	<u>326,639</u>	<u>-0-</u>	<u>1,203,049</u>
Total	<u>\$ 1,064,738</u>	<u>\$ 440,167</u>	<u>\$ 188,328</u>	<u>\$ 1,316,577</u>

During fiscal year 1995, the District issued \$430,000 in energy conservation bonds for the purpose of installations, modifications, and remodeling of school buildings to conserve energy. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. As of June 30, 2000, the Energy Conservation Bond was fully retired. Intergovernmental payables and the compensated absences will be paid from the fund from which the employees' salaries are paid.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE H - RETIREMENT PLANS

The District provides retirement benefits to all certified employees under the State Teachers' Retirement System and to all noncertified employees under the School Employees Retirement System. Both systems are cost-sharing, multiple-employer plans.

1. STATE TEACHERS' RETIREMENT SYSTEM (STRS)

The District contributes to the State Teachers' Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers' Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers' Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$ 1,073,722, \$1,057,848 and \$1,031,304, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$185,484 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

2. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2000

NOTE H - RETIREMENT PLANS - Continued

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The covered District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion to fund pension obligations. For fiscal year 1999, 7.7 percent was 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$323,784, \$312,378, and \$308,664, respectively; 47 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$170,292 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term debt account group.

NOTE I - POST-EMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired noncertified 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.

For STRS, all benefit recipients are required to pay a portion of health care cost in form of monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. However, for the fiscal year ended June 30, 1999, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was 2.783 million on June 30, 1999 (the latest information available). As of July 1, 1999, eligible benefit recipients statewide totaled 95,796. For the fiscal year ended June 30, 1999, net health care costs paid by STRS statewide were \$249,929,000.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2000

NOTE I - POST-EMPLOYMENT BENEFITS - Continued

For SERS, coverage is made available to service retirees with 10 or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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 of the premium.

For the fiscal year, employer contributions to fund health care benefits were 4.98 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 2000, the minimum pay was established at \$12,400. The number of participants currently receiving health care benefits is 50,000.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1999 were \$111.9 million (the latest information available). At June 30, 1999, SERS had net assets available for payment of health care benefits of \$160.3 million. For the District, the amount to fund health care benefits, including surcharge, equaled \$15,556 during the 2000 fiscal year.

NOTE J - CONTINGENCIES

GRANTS

During the year ended June 30, 2000, the District received grants-in-aid from federal and state sources amounting to \$593,581 and \$8,588,995, respectively, for specific purposes that are subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the District's management believes such disallowances, if any, would be insignificant.

STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2000

NOTE J - CONTINGENCIES – Continued

support to the School District. During the fiscal year ended June 30, 2000, the School District received \$7,742,495 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE K - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains three enterprise funds; adult education, food service and uniform school supplies, which are operated on a sales basis. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District for the fiscal year ended June 30, 2000:

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenues	\$445,303	\$ 19,926	\$ 561	\$ 465,790
Operating Expenses Before Depreciation	590,180	22,064	485	612,729
Depreciation	3,892	-0-	-0-	3,892
Operating Income/(Loss)	(151,241)	(2,138)	76	(153,303)
Operating Grants	135,519	-0-	-0-	135,519
Net Non-Operating Revenue/Expenses	214,756	1,029	229	216,014
Net Income/(Loss)	63,515	(1,109)	305	62,711
Net Working Capital	460,192	17,567	3,523	481,282
TOTAL ASSETS	591,346	19,656	3,524	614,526
TOTAL EQUITY	502,814	17,567	3,523	523,904
Encumbrances	2,235	5,946	-0-	8,181

NOTE L - LEASING ARRANGEMENTS

The District is involved in various operating lease agreements for vehicles and equipment. The term of the lease agreements range from 24 to 60 months.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE L - LEASING ARRANGEMENTS - Continued

The following is a schedule of future minimum rental payments required under the above operating leases as of June 30, 2000:

<u>Year Ending June 30,</u>	<u>Amount</u>
2001	34,400
2002	10,114
2003	<u>3,750</u>
	<u>\$ 48,264</u>

NOTE M - JOINTLY GOVERNED ORGANIZATION

Stark/Portage Area Computer Consortium (SPARCC) is a jointly governed organization created as a regional council of governments made up of public school districts and county boards of education from Stark, Portage and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC. SPARCC is governed by a board of directors comprised of each Superintendent within the Consortium. The Stark County Educational Service Center serves as the fiscal agent of the consortium and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of SPARCC is limited to its voting authority and any representation it may have on the board of directors. The continued existence of SPARCC is not dependent on the District's continued participation and no equity interest exists.

NOTE N - PUBLIC ENTITY RISK POOLS

The Stark County Schools Council of Government (Council) operates a Health Benefits Program which is a shared risk pool comprised of 15 Stark County schools districts. It is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2000

NOTE N - PUBLIC ENTITY RISK POOLS - Continued

are generated from charges for services.

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

NOTE O - RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accounts, and interfund loans. Taxes receivable are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

A summary of the principal items of receivables follows:

	<u>Amount</u>
<u>General Fund</u>	
Taxes	\$ 6,977,210
Interfund	570,626
<u>Debt Service Fund</u>	
Taxes	88,068
<u>Capital Projects Fund</u>	
Taxes	319,793
<u>Enterprise Funds</u>	
Intergovernmental	12,133

NOTE P – SUBSEQUENT EVENTS

On July 11, 2000, the Board of Education approved a lease-purchase agreement for the Athletic Complex with Dick Clark Associates in the amount of \$725,000 for 11 years. Also the Board awarded a contract to Biz Builders in an amount of \$595,000 for the Moulin Center Community Center.

On September 19, 2000, the Board of Education authorized a ground lease, lease purchase agreement and escrow agreement to provide for constructing, enlarging, improving, and equipping of Marlington School facilities for a community center in an amount not to exceed \$750,000.

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MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
Passed through the Ohio Department of Education: Child Nutrition Cluster:						
Food Distribution	N/A	10.550	\$0	\$26,698	\$0	\$30,350
School Breakfast Program	0449882-05-PU-99 0449882-05-PU-00	10.553	2,408 2,798		2,408 2,798	
National School Lunch Program	049882-03-PU-99 049882-03-PU-00 049882-04-PU-98 049882-04-PU-99	10.555	15,701 26,213 44,317 64,945		15,701 26,213 44,317 64,945	
Total U.S. Department of Agriculture - Child Nutrition Cluster			156,382	26,698	156,382	30,350
U.S. DEPARTMENT OF EDUCATION						
Passed through the Ohio Department of Education:						
Special Education Grants to States	049882-6B-SF-99 049882-6B-SF-00	84.027	56,687 114,817		181,994 53,495	
Total Special Education Grants to States			171,504		235,489	
Title I - Grants to Local Educational Agencies	049882-C1-S1-99 049882-C1-S1-99C 049882-C1-S1-00	84.010	94,884 11,170 31,667		54,945 11,170 79,561	
Total Title I - Grants to Local Educational Agencies			137,721		145,676	
Migrant Education - Basic Grant Program	049882-MG-S1-98C 049882-MG-S1-99 049882-MG-S1-99C 049882-MG-S1-00	84.011	34,595 3,294 8,000		1,845 40,278 3,294 5,048	
Total Migrant Education - Basic Grant Program			45,889		50,465	
Eisenhower Professional Development State Grants	N/A	84.281	0 11,573		12,255 4,104	
Total Eisenhower Professional Development State Grants			11,573		16,359	
Title VI-R - Class Size Reduction	049882-CR-S1-00	84.340	15,649		24,900	
Innovative Education Program Strategies	049882-C2-S1-98C 049882-C2-S1-99C 049882-C2-S1-99 049882-C2-S1-00	84.298	0 5,494 (3,600) 4,300		3,934 5,264 (1,149) 10,617	
Total Innovative Education Program Strategies			6,194		18,666	
Continuous Improvement	049882-WK-BE	17.249	10,000		10,000	
Safe and Drug Free Schools and Communities State Grants	049882-DR-S1-99	84.186	11,971		11,971	
Total U.S. Department of Education			410,501		513,526	
Total			\$566,883	\$26,698	\$669,908	\$30,350

The notes to this schedule are an integral part of this schedule.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2000**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the 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 U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had food commodities totaling \$16,249 in inventory.



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

Marlington Local School District
Stark County
10320 Moulin Avenue
Alliance, Ohio 44601

To the Board of Education:

We have audited the general purpose financial statements of the Marlington Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated January 26, 2001. We conducted our audit in accordance with generally accepted auditing standards 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 District's 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 misstatements in amounts that would be material in relation to the 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we 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 District in a separate letter dated January 26, 2001.

Marlington Local School District
Stark County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of 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

January 26, 2001



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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**

Marlington Local School District
Stark County
10320 Moulin Avenue
Alliance, Ohio 44601

To the Board of Education:

Compliance

We have audited the compliance of the Marlington Local School District, Stark County, Ohio, (the 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 program for the year ended June 30, 2000. The District's major federal program is 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 program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 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 District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

The management of the 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 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 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.

This report is intended for the information and use of 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

January 26, 2001

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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MARLINGTON LOCAL SCHOOL DISTRICT

STARK 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
MARCH 13, 2001**