



**Auditor of State
Betty Montgomery**

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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, 2002, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2003 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.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards 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. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



Betty Montgomery
Auditor of State

March 10, 2003

**Marlington Local School District
Combined Balance Sheet – All Fund Types and Account Groups
June 30, 2002**

	Governmental Fund Types			Proprietary	Fiduciary			Account Groups			
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Fund Types			General	Long-Term Obligations	Totals (Memorandum Only)
						Expendable Trust and Agency	General	Fixed Assets			
ASSETS AND OTHER DEBITS:											
Assets:											
Equity in Pooled Cash and Investments	\$2,105,978	\$698,282	\$60	\$1,008,574	\$661,181	\$680,646	\$0	\$0	\$0	\$5,154,721	
Receivables											
Taxes	6,513,703	0	0	456,937	0	0	0	0	0	6,970,640	
Accounts	24,317	7,303	0	0	480	33	0	0	0	32,133	
Interest	11,933	0	0	0	0	0	0	0	0	11,933	
Intergovernmental	0	444,572	0	0	20,614	0	0	0	0	465,186	
Interfund	396,702	0	0	0	0	0	0	0	0	396,702	
Due from Other Funds	179,050	0	0	0	0	0	0	0	0	179,050	
Materials and Supplies											
Inventory	104,993	0	0	0	33,383	0	0	0	0	138,376	
Prepaid Items	3,944	343	0	0	718	0	0	0	0	5,005	
Restricted Assets:											
Equity in Pooled Cash and Investments	292,839	0	0	0	0	0	0	0	0	292,839	
Fixed Assets (Net where applicable, of Accumulated Depreciation)	0	0	0	0	45,406	0	17,456,234	0	0	17,501,640	
Other Debits:											
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0	0	0	0	2,212,213	0	2,212,213	
Total Assets and Other Debits	<u>\$9,633,459</u>	<u>\$1,150,500</u>	<u>\$60</u>	<u>\$1,465,511</u>	<u>\$761,782</u>	<u>\$680,679</u>	<u>\$17,456,234</u>	<u>\$2,212,213</u>	<u>\$0</u>	<u>\$33,360,438</u>	

(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, 2002**

	Governmental Fund Types			Proprietary Fund Type		Fiduciary Fund Types			Account Groups			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Expendable Trust and Agency	General	Fixed Assets	Long-Term Obligations	General		
LIABILITIES, FUND EQUITY AND OTHER CREDITS:												
Liabilities:												
Accounts Payable	\$60,894	\$14,372	\$0	\$2,976	\$456	\$297	\$0	\$0	\$0	\$0	\$0	\$78,995
Accrued Wages and Benefits	1,383,577	36,328	0	794	40,772	0	0	0	0	0	0	1,461,471
Compensated Absences	48,735	0	0	0	19,963	0	0	1,139,892	0	0	0	1,208,590
Intergovernmental Payable	352,959	7,766	0	19	19,067	0	0	111,992	0	0	0	491,803
Interfund Payable	0	385,202	0	0	0	11,500	0	0	0	0	0	396,702
Bonds Payable	0	0	0	0	0	0	0	320,000	0	0	0	320,000
Capital Lease Payable	0	0	0	0	0	0	0	640,329	0	0	0	640,329
Interest Payable	8,887	0	0	0	0	0	0	0	0	0	0	8,887
Due to Others	0	0	0	0	0	65,226	0	0	0	0	0	65,226
Due to Other Funds	0	179,050	0	0	0	0	0	0	0	0	0	179,050
Deferred Revenue	6,322,943	402,322	0	441,227	24,447	0	0	0	0	0	0	7,190,939
Total Liabilities	8,177,995	1,025,040	0	445,016	104,705	77,023	0	2,212,213	0	0	0	12,041,992
(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, 2002**

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types		Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		Enterprise	Expendable Trust and Agency	General Fixed Assets	Long-Term Obligations	
Fund Equity and Other Credits:	0	0	0	0	0	0	17,456,234	0	0	17,456,234
Investment in General Fixed Assets	0	0	0	0	124,067	0	0	0	0	124,067
Contributed Capital	0	0	0	0	533,010	0	0	0	0	533,010
Retained Earnings - Unreserved	190,760	0	0	15,710	0	0	0	0	0	206,470
Fund Balances	1,343,048	248,825	0	144,065	0	0	0	0	0	1,735,938
Reserved for Property Taxes	104,993	0	0	0	0	0	0	0	0	104,993
Reserved for Encumbrances	170,936	0	0	0	0	0	0	0	0	170,936
Reserved for Inventory	3,944	343	0	0	0	0	0	0	0	4,287
Reserved for School Bus Purchase	121,903	0	0	0	0	0	0	0	0	121,903
Reserved for Prepaid Items	179,050	0	0	0	0	0	0	0	0	179,050
Reserved for Textbooks	(659,170)	(123,708)	60	860,720	0	603,656	0	0	0	681,558
Reserved for Advances not Repaid	1,455,464	125,460	60	1,020,495	657,077	603,656	17,456,234	0	0	21,318,446
Unreserved - Undesignated (Deficit)										
Total Fund Equity and Other Credits	\$9,633,459	\$1,150,500	\$60	\$1,465,511	\$761,782	\$680,679	\$17,456,234	\$2,212,213		\$33,360,438
Total Liabilities, Fund Equity and Other Credits										

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, 2002

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
					Fund Type	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
REVENUE:						
Taxes	\$6,959,237	\$111,147	\$99,368	\$351,109	\$0	\$7,520,861
Tuition and Fees	15,174	0	0	0	0	15,174
Intergovernmental	10,188,688	586,167	0	451,630	0	11,226,485
Interest	49,259	8,295	0	36,454	20,821	114,829
Extracurricular Activities	41,329	322,263	0	25	0	363,617
Other	84,023	59,700	0	0	1,977	145,700
Classroom Materials & Fees	81,127	0	0	0	0	81,127
Total Revenues	<u>17,418,837</u>	<u>1,087,572</u>	<u>99,368</u>	<u>839,218</u>	<u>22,798</u>	<u>19,467,793</u>
EXPENDITURES:						
Current						
Instruction						
Regular	7,419,841	109,852	0	144,993	0	7,674,686
Special	1,366,061	224,591	0	0	0	1,590,652
Vocational	829,921	55,225	0	0	0	885,146
Other	544,608	0	0	0	0	544,608
Support Services						
Pupil	580,983	184,106	0	0	0	765,089
Instructional Staff	473,332	200,601	0	0	0	673,933
Board of Education	37,238	0	0	0	0	37,238
Administration	1,533,862	11,747	0	3,790	0	1,549,399
Fiscal	387,219	395	0	63	0	387,677
Business	154,272	8,083	0	275,721	0	438,076
Operation and Maintenance of Plant	1,721,941	5,381	0	293,620	0	2,020,942
Pupil Transportation	1,041,345	2,787	0	0	0	1,044,132
Central	15,781	0	0	0	0	15,781
Community Services	14,157	2,959	0	0	1,300	18,416
Extracurricular Activities	517,777	418,978	0	37	18,355	955,147
Capital Outlay	3,778	0	0	0	0	3,778
Debt Service						
Principal and Interest Retirement	8,887	0	99,308	0	0	108,195
Total Expenditures	<u>16,651,003</u>	<u>1,224,705</u>	<u>99,308</u>	<u>718,224</u>	<u>19,655</u>	<u>18,712,895</u>
Revenues Over (Under)						
Expenditures	<u>\$767,834</u>	<u>\$(137,133)</u>	<u>\$60</u>	<u>\$120,994</u>	<u>\$3,143</u>	<u>\$754,898</u>

(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, 2002**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
OTHER FINANCING SOURCES (USES):						
Sale of Fixed Assets	\$3,376	\$0	\$0	\$0	\$0	\$3,376
Operating Transfers - In	266,286	69,927	0	0	0	336,213
Operating Transfers - Out	<u>(336,213)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(336,213)</u>
Total Other Financing Sources	<u>(66,551)</u>	<u>69,927</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,376</u>
Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	701,283	(67,206)	60	120,994	3,143	758,274
Fund Balances at Beginning of Year	737,994	192,666	0	899,501	600,513	2,430,674
Increase in Reserve for Inventory	<u>16,187</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,187</u>
Fund Balances at End of Year	<u>\$1,455,464</u>	<u>\$125,460</u>	<u>\$60</u>	<u>\$1,020,495</u>	<u>\$603,656</u>	<u>\$3,205,135</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 Similar Trust Funds
For the Fiscal Year Ended June 30, 2002

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 6,818,440	\$ 6,896,187	\$ 77,747
Intergovernmental	9,801,774	10,193,667	391,893
Tuition	(14,854)	15,174	30,028
Interest	181,381	70,532	(110,849)
Food Services	-	-	-
Extracurricular Activities	29,090	62,270	33,180
Classroom Materials and Fees	81,074	81,127	53
Other	70,952	84,087	13,135
Total Revenues	16,967,857	17,403,044	435,187
EXPENDITURES:			
Current			
Instruction			
Regular	7,990,066	7,870,918	119,148
Special	1,521,967	1,565,176	(43,209)
Vocational	905,339	864,850	40,489
Other	702,961	674,494	28,467
Support Services			
Pupil	629,237	609,075	20,162
Instructional Staff	565,097	541,230	23,867
Board of Education	28,742	40,582	(11,840)
Administration	1,540,601	1,615,909	(75,308)
Fiscal	380,417	392,084	(11,667)
Business	293,794	221,720	72,074
Operation and Maintenance of Plant	1,989,875	1,855,482	134,393
Pupil Transportation	1,109,706	1,241,739	(132,033)
Central	39,344	17,658	21,686
Food Service Operations	12,654	13,599	(945)
Community Services	-	-	-
Extracurricular Activities	476,851	527,553	(50,702)
Architecture and Engineering	18,870	18,875	(5)
Debt Service	-	-	-
Principal Retirement and Interest	-	-	-
Total Expenditures	18,205,521	18,070,944	134,577
Revenues Over (Under) Expenditures	(1,237,664)	(667,900)	569,764
OTHER FINANCING SOURCES (USES):			
Sale of Fixed Assets	1,790	3,376	1,586
Proceeds from Bonds	-	-	-
Advances - In	1,300,576	948,162	(352,414)
Advances - Out	(1,277,046)	(976,113)	300,933
Transfers - In	225,482	266,286	40,804
Transfers - Out	(225,482)	(336,213)	(110,731)
Capital Lease Proceeds	-	-	-
Refund of Prior Year Expenditures	1,978	-	(1,978)
Total Other Financing Sources (Uses)	27,298	(94,502)	(121,800)
Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,210,366)	(762,402)	447,964
Fund Balances at Beginning of Year	669,622	669,622	-
Prior Year Encumbrances	1,087,652	1,087,652	-
Fund Balance at End of Year	\$ 546,908	\$ 994,872	\$ 447,964

The accompanying notes are an integral part of these statements.

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 19,272	\$ 99,368	\$ 80,096
1,015,764	655,063	(360,701)	-	-	-
-	-	-	-	-	-
1,100	8,293	7,193	-	-	-
1,100	801	(299)	-	-	-
361,845	318,188	(43,657)	-	-	-
-	-	-	-	-	-
66,050	58,769	(7,281)	-	-	-
<u>1,445,859</u>	<u>1,041,114</u>	<u>(404,745)</u>	<u>19,272</u>	<u>99,368</u>	<u>80,096</u>
166,867	142,912	23,955	-	-	-
346,677	231,021	115,656	-	-	-
55,570	55,081	489	-	-	-
-	-	-	-	-	-
337,409	320,094	17,315	-	-	-
219,971	213,182	6,789	-	-	-
-	-	-	-	-	-
19,979	13,729	6,250	-	-	-
400	420	(20)	-	-	-
10,880	8,083	2,797	-	-	-
5,455	6,205	(750)	-	-	-
4,248	3,513	735	-	-	-
-	-	-	-	-	-
6,078	3,615	2,463	-	-	-
810	-	810	-	-	-
692,186	469,588	222,598	-	-	-
-	-	-	-	-	-
-	-	-	19,272	99,308	(80,036)
<u>1,866,530</u>	<u>1,467,443</u>	<u>399,087</u>	<u>19,272</u>	<u>99,308</u>	<u>(80,036)</u>
<u>(420,671)</u>	<u>(426,329)</u>	<u>(5,658)</u>	-	60	60
-	-	-	-	-	-
-	-	-	-	-	-
-	708,040	708,040	19,272	99,368	80,096
44,567	(453,520)	(498,087)	(19,272)	(99,368)	(80,096)
69,927	69,927	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>114,494</u>	<u>324,447</u>	<u>209,953</u>	-	-	-
(306,177)	(101,882)	204,295	-	60	60
415,558	415,558	-	-	-	-
121,453	121,453	-	-	-	-
<u>\$ 230,834</u>	<u>\$ 435,129</u>	<u>\$ 204,295</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 60</u>

Marlington Local School District
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget Basis and Actual
All Governmental Fund Types and Similar Trust Funds - Continued
For the Fiscal Year Ended June 30, 2002

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 437,375	\$ 345,929	\$ (91,446)
Intergovernmental	279,753	150,908	(128,845)
Tuition	-	-	-
Interest	115,519	36,454	(79,065)
Food Service	-	-	-
Extracurricular Activities	175	25	(150)
Classroom Materials and Fees	-	-	-
Other	3,632	-	(3,632)
Total Revenues	836,454	533,316	(303,138)
EXPENDITURES:			
Current			
Instruction			
Regular	153,421	146,761	6,660
Special	-	-	-
Vocational	-	-	-
Other	-	-	-
Support Services			
Pupil	-	-	-
Instructional Staff	-	-	-
Board of Education	-	-	-
Administration	-	3,790	(3,790)
Fiscal	-	63	(63)
Business	1,153,886	406,337	747,549
Operation and Maintenance of Plant	366,624	360,950	5,674
Pupil Transportation	21,975	-	21,975
Central	-	-	-
Food Service Operations	-	-	-
Community Services	-	-	-
Extracurricular Activities	2,629	37	2,592
Architecture and Engineering	2,000	-	2,000
Debt Service			
Principal Retirement and Interest	-	-	-
Total Expenditures	1,700,535	917,938	782,597
Revenues Over (Under) Expenditures	(864,081)	(384,622)	479,459
OTHER FINANCING SOURCES (USES):			
Sale of Fixed Assets	-	-	-
Proceeds from Bonds	416,000	-	(416,000)
Advances - In	606,008	150,500	(455,508)
Advances - Out	(483,600)	(374,219)	109,381
Transfers - In	-	-	-
Transfers - Out	-	-	-
Capital Lease Proceeds	300,722	300,722	-
Refund of Prior Year Expenditures	-	-	-
Total Other Financing Sources (Uses)	839,130	77,003	(762,127)
Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(24,951)	(307,619)	(282,668)
Fund Balances at Beginning of Year	711,087	711,087	-
Prior Year Encumbrances	458,066	458,066	-
Fund Balance at End of Year	\$ 1,144,202	\$ 861,534	\$ (282,668)

The accompanying notes are an integral part of these statements.

Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 7,275,087	\$ 7,341,484	\$ 66,397
-	-	-	11,097,291	10,999,638	(97,653)
-	-	-	(14,854)	15,174	30,028
31,096	20,821	(10,275)	329,096	136,100	(192,996)
-	-	-	1,100	801	(299)
-	-	-	391,110	380,483	(10,627)
-	-	-	81,074	81,127	53
1,477	1,953	476	142,111	144,809	2,698
<u>32,573</u>	<u>22,774</u>	<u>(9,799)</u>	<u>19,302,015</u>	<u>19,099,616</u>	<u>(202,399)</u>
-	-	-	8,310,354	8,160,591	149,763
-	-	-	1,868,644	1,796,197	72,447
-	-	-	960,909	919,931	40,978
-	-	-	702,961	674,494	28,467
-	-	-	966,646	929,169	37,477
-	-	-	785,068	754,412	30,656
-	-	-	28,742	40,582	(11,840)
-	-	-	1,560,580	1,633,428	(72,848)
-	-	-	380,817	392,567	(11,750)
-	-	-	1,458,560	636,140	822,420
-	-	-	2,361,954	2,222,637	139,317
-	-	-	1,135,929	1,245,252	(109,323)
-	-	-	39,344	17,658	21,686
-	-	-	18,732	17,214	1,518
1,352	1,300	52	2,162	1,300	862
1,993	18,355	(16,362)	1,173,659	1,015,533	158,126
-	-	-	20,870	18,875	1,995
-	-	-	19,272	99,308	(80,036)
<u>3,345</u>	<u>19,655</u>	<u>(16,310)</u>	<u>21,795,203</u>	<u>20,575,288</u>	<u>1,219,915</u>
<u>29,228</u>	<u>3,119</u>	<u>(26,109)</u>	<u>(2,493,188)</u>	<u>(1,475,672)</u>	<u>1,017,516</u>
-	-	-	1,790	3,376	1,586
-	-	-	416,000	-	(416,000)
-	-	-	1,925,856	1,906,070	(19,786)
-	-	-	(1,735,351)	(1,903,220)	(167,869)
-	-	-	295,409	336,213	40,804
-	-	-	(225,482)	(336,213)	(110,731)
-	-	-	300,722	300,722	-
-	-	-	1,978	-	(1,978)
-	-	-	<u>980,922</u>	<u>306,948</u>	<u>(673,974)</u>
29,228	3,119	(26,109)	(1,512,266)	(1,168,724)	343,542
600,137	600,137	-	2,396,404	2,396,404	-
400	400	-	1,667,571	1,667,571	-
<u>\$ 629,765</u>	<u>\$ 603,656</u>	<u>\$ (26,109)</u>	<u>\$ 2,551,709</u>	<u>\$ 2,895,251</u>	<u>\$ 343,542</u>

Marlington Local School District
Combined Statement of Revenues, Expenditures, and Changes
in Fund Equity - Budget Basis and Actual
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2002

	Enterprise Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Tuition and Fees	\$ 19,626	\$ 19,207	\$ (419)
Sales	474,945	478,698	3,753
Operating Grants	163,067	149,699	(13,368)
Interest	47,104	20,352	(26,752)
Extracurricular Activities	703	-	(703)
Total Revenues	<u>705,445</u>	<u>667,956</u>	<u>(37,489)</u>
EXPENSES:			
Salaries and Wages	254,122	240,631	13,491
Fringe Benefits	91,505	95,136	(3,631)
Contract Services	15,782	11,162	4,620
Supplies	271,102	278,702	(7,600)
Capital Outlay	14,694	12,565	2,129
Total Expenses	<u>647,205</u>	<u>638,196</u>	<u>9,009</u>
Revenues Over (Under) Expenditures	58,240	29,760	(28,480)
Fund Balances at Beginning of Year	<u>612,845</u>	<u>612,845</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 671,085</u>	<u>\$ 642,605</u>	<u>\$ (28,480)</u>

The accompanying notes are an integral part of these statements.

**Marlington Local School District
 Combined Statement of Revenues, Expenditures, and Changes in
 Retained Earnings – Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2002**

	<u>Enterprise</u>
OPERATING REVENUES:	
Sales	\$478,941
Charges for Services	<u>19,207</u>
Total Operating Revenues	<u>498,148</u>
OPERATING EXPENSES:	
Salaries and Wages	259,107
Fringe Benefits	94,986
Purchased Services	8,172
Cost of Sales	284,748
Depreciation	4,242
Materials and Supplies Expense	<u>22,713</u>
Total Operating Expenses	<u>673,968</u>
Operating Loss	<u>(175,820)</u>
NON-OPERATING REVENUES:	
Donated Commodities	37,604
Federal and State Subsidie:	181,064
Interest	<u>20,352</u>
Total Non-Operating Revenues	<u>239,020</u>
Net Income	63,200
Retained Earnings at Beginning of Year	<u>469,810</u>
Retained Earnings at End of Year	<u><u>\$533,010</u></u>

The accompanying notes are an integral part of these statements.

**Marlington Local School District
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2002**

	Enterprise Funds
Cash flows from operating activities:	
Operating loss	\$ (175,820)
Adjustments to reconcile operating loss to net cash (used in) operating activities	
Depreciation	4,242
Donated commodities in cost of sales	37,604
Changes in assets and liabilities that increase (decrease) cash flow from operations	
Accounts receivable	(243)
Intergovernmental receivable	(3,350)
Material and supplies inventory	(5,407)
Prepaid items	2
Accounts payable	(203)
Accrued wages and benefits	3,511
Compensated absences	2,378
Intergovernmental payable	(15,578)
Deferred revenue	8,198
	(144,666)
Net cash used in operating activities	
Cash flows from capital and related financing activities	
Operating grants received	181,064
Interest income	20,352
Acquisition of equipment	(8,411)
	193,005
Net cash provided by capital and related financing activities	
Net increase in cash and cash equivalents	48,339
Cash and cash equivalents - beginning of year	612,842
Cash and cash equivalents - end of year	\$ 661,181
Non-cash financing activities:	
Donated commodities received	\$ 37,604

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, 2002

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 basis) 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, 2001 was 2,704. The District employed 204 certified employees and 131 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
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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 O and P 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:

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.

**MARLINGTON LOCAL SCHOOL DISTRICT
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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 Fund - 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.

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.

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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 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.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. 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

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for the District is 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when the use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at the fiscal year-end: property taxes available as an advance, 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, 2002 and delinquent property taxes that are intended to finance fiscal year 2003 operations have been recorded as deferred revenue as more fully described in Note E. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become

**MARLINGTON LOCAL SCHOOL DISTRICT
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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, 2002 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.

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.

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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 2002.

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 that 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 do 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.

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 \$2,850 on a non-GAAP budgetary basis. This difference relates to Agency fund activity which 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

**MARLINGTON LOCAL SCHOOL DISTRICT
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June 30, 2002

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 - Proprietary Fund Type 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:

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. Other financing sources are reported when received in cash (budgetary basis) as opposed to when the liability is incurred (GAAP basis).
5. Other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

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

**MARLINGTON LOCAL SCHOOL DISTRICT
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June 30, 2002

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$ (762,402)	\$ (101,882)	\$ 60	\$ (307,619)	\$ 3,119
Net Adjustment for Revenue Accruals	15,793	46,458	0	5,180	24
Net Adjustment for Expenditure Accruals	15,999	(20,408)	0	52,673	(9,418)
Net Adjustment for other financing sources/(uses)	27,951	(254,520)		223,719	0
Year-end Encumbrances	1,403,942	263,146		147,041	9,418
GAAP Basis	<u>\$ 701,283</u>	<u>\$ (67,206)</u>	<u>\$ 60</u>	<u>\$ 120,994</u>	<u>\$ 3,143</u>

**Net Income/Revenues Over Expenditures
Proprietary Fund Type**

	Enterprise
Budget Basis	\$ 29,760
Net Adjustment for Revenue Accruals	69,212
Net Adjustment for Expenditure Accruals	(54,351)
Year End Encumbrances	<u>18,579</u>
GAAP Basis	<u>\$ 63,200</u>

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.

**MARLINGTON LOCAL SCHOOL DISTRICT
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During fiscal year 2002, investments were limited to STAROhio, repurchase agreements, treasury bills, 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.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2002. 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, 2002.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the auxiliary services fund, public schools support fund, permanent improvement fund and certain trust funds individually authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$49,259 which includes \$20,707 assigned from other District funds.

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.

**MARLINGTON LOCAL SCHOOL DISTRICT
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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. 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 five to ten years.

8. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2002 are recorded as prepaid items.

9. 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.

10. 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

**MARLINGTON LOCAL SCHOOL DISTRICT
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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.

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, 2002, a liability of \$133,398 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 120 days of sick leave. In addition, employees who have accrued more than 120 days sick leave receive one additional day for each 15 days accrued sick leave to a maximum of an additional 10 days. The total maximum is 40 days. At June 30, 2002, a current liability and long-term liability of \$116,508 and \$946,049, respectively, have 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.

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11. CONTRIBUTED CAPITAL

Contributed capital represents resources from other funds, other governments and private sources provided to enterprise funds prior to the implementation of GASB 33 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.

12. 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.

13. 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.

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

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

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14. FUND BALANCE RESERVES/DESIGNATIONS

Reserved fund balances indicate those portions of fund equity which are not available for current appropriation or are legally segregated for a specific use. Designated fund balance indicates that portion of fund equity for which management has an intended use of the resources. Fund balances are reserved for property taxes, encumbrances, inventory, school bus purchase, prepaid items, advances not repaid and textbooks. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations 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, 2002, the reserve activity was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Total
Balance at June 30, 2000	\$ 38,905	\$ 0	\$ 38,905
Required set aside	353,353	353,353	706,706
Offset Credits	0	(345,929)	(345,929)
Qualifying Expenditures	(270,355)	(315,518)	(585,873)
Total	<u>\$121,903</u>	<u>\$ (308,094)</u>	<u>\$ (186,191)</u>
Balance Carried Forward To FY2003	<u>\$121,903</u>	<u>\$ 0</u>	\$121,903
Amount Restricted For School Bus Purchase			170,936
Total Restricted Assets			<u>\$ 292,839</u>

The District is required by State law to maintain the textbook reserve and the capital acquisition reserve.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

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

June 30, 2002

15. 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.

16. 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.

17. RESTRICTED ASSETS

Restricted assets in the general fund represents cash and cash equivalents that are restricted in use by State Statute. A fund balance reserve has also been established. See Note A-15 for details.

18. 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 – ACCOUNTABILITY AND COMPLIANCE

The following funds had expenditures and encumbrances which exceeded appropriations at the legal level of budgetary control for the fiscal year ended June 30, 2002:

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Fund Type/Fund	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Debt Service Fund:			
Bond Retirement	\$ 38,545	\$198,677	\$(160,132)
Expendable Trust:			
Special Trust	\$2,945	\$19,254	\$ (16,309)

NOTE C – 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 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 five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim 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

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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 2 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 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 180 days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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.

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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 \$3,505,880 and the bank balance was \$4,086,863. \$200,000 of the bank balance was covered by federal depository insurance. \$3,886,863 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.

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 STAR Ohio is unclassified because it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
U.S. Treasury Bills	\$ 500,000	\$ 500,000	\$ 500,000
Repurchase Agreement	1,320,841	1,320,841	1,320,841
	<u>\$ 1,820,841</u>	1,820,841	1,820,841
STAR Ohio		120,839	120,839
Totals		<u>\$ 1,941,680</u>	<u>\$ 1,941,680</u>

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

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classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 5,447,560	\$ 0
Investments:		
U.S. Treasury Bills	(500,000)	500,000
Repurchase Agreement	(1,320,841)	1,320,841
STAR Ohio	(120,839)	120,839
GASB Statement 3	\$ 3,505,880	\$ 1,941,680

NOTE D - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES - FUND DEFICITS

Fund balances at June 30, 2002 included the following individual fund deficits:

Special Revenue Funds

Athletic Fund	\$98,991
Disadvantaged Pupil	4,591
Title I	73,590
Title VI-B	18,898
Drug Free	8,148
Title VI-R	27,710
Title VI	19,289

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 E - PROPERTY TAX

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year operates from June through July. Real property tax collections by the County are remitted to the District a year after they are assessed by the County.

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 2000.

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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 2001 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 \$30.79 per \$1,000 of assessed valuation for real property classified as residential or agricultural and \$34.72 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.

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 2001 was \$48.40 per \$1,000 of assessed valuation.

Real Property - 2001 Valuation	\$ 187,889,880
Residential/Agricultural	46,796,490
Commercial/Industrial	
Public Utilities	72,040
Minerals	1,362,980
Tangible Personal Property - 2002 Valuation	
General	32,907,263
Public Utilities	9,080,600
	<hr/>
Total Valuation	\$ 278,109,253
	<hr/>

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, 2002. Although total property tax collections for the next fiscal year are

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measurable, only the amount available as an advance at June 30, 2002 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, 2002 was \$190,760 in the General Fund and \$15,710 in the Capital Projects Fund.

NOTE F - 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.

For fiscal year 2002, the District participated in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool (Note P). 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 Aultcomp, 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.

**MARLINGTON LOCAL SCHOOL DISTRICT
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NOTE G - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002 follows:

Furniture and Equipment	\$ 239,943
Less Accumulated Depreciation	(194,537)
Net Fixed Assets	\$ 45,406

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

	Balance July 1, 2001	Increase	(Decrease)	Balance June 30, 2002
Land and Buildings	\$ 10,500,926	\$ 1,077,230	\$ (45,461)	\$11,532,695
Furniture, fixtures and equipment	4,604,968	388,613	(1,017,723)	3,975,858
Vehicles	1,756,005	326,131	(134,455)	1,947,681
Construction in Progress	504,549	0	(504,549)	0
Total	\$ 17,366,448	\$ 1,791,974	\$(1,702,188)	\$17,456,234

NOTE H - LONG-TERM DEBT

Long-term obligations of the District as of June 30, 2002 were as follows:

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002
SERS Payable	\$ 132,352	\$ 111,992	\$ 132,352	\$ 111,992
Capitalized Lease Payable				
6.24% Energy	701,688	0	61,359	640,329
Conservation Bond, 2000, 5.38%	400,000	0	80,000	320,000
Compensated Absences	1,052,691	87,201	0	1,139,892
Total	\$ 2,286,731	\$ 199,193	\$ 273,711	\$ 2,212,213

**MARLINGTON LOCAL SCHOOL DISTRICT
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During July 2000, the District issued \$400,000 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. Intergovernmental payables and the compensated absences will be paid from the fund from which the employees' salaries are paid.

Bond debt principal and interest requirements for the next four years are as follows:

	Interest	Principal	Total
June 30, 2003	\$ 15,064	\$ 80,000	\$ 95,064
June 30, 2004	10,760	80,000	90,760
June 30, 2005	6,456	80,000	86,456
June 30, 2006	2,152	80,000	82,152
	<u>\$ 34,432</u>	<u>\$ 320,000</u>	<u>\$ 354,432</u>

NOTE I – CAPITAL LEASE – LESSEE DISCLOSURE

On October 12, 2000, the District entered into a lease-purchase agreement for financing the constructing, improving, furnishing, equipping and eventual acquisition of the Project Facilities on October 12, 2001. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease principal payments amounted to \$61,359 for the fiscal year ended June 30, 2002. The carrying cost of capital lease assets is \$725,000.

In conjunction with the lease-purchase agreement, the District entered into an escrow agreement with Fifth Third Bank whereby Fifth Third Bank acts as escrow agent for the funds received under the lease-purchase agreement. Under the escrow agreement, Fifth Third Bank is required to deposit lease-purchase proceeds in an amount not to exceed \$725,000 into a separate fund in the District's name to pay for the project costs. The District shall prepare and submit "Disbursement Request Forms" to Fifth Third Bank for an amount necessary to cover submitted contractors invoices. The District subsequently remits payment to each respective contractor based on the submitted invoices. At June 30, 2002, the District had requested and subsequently received \$725,000 of lease-proceeds. All funds with the escrow agent were drawn down as of June 30, 2002.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

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	Fiscal Year Ending June 30, 2003	\$	68,802
	2004		91,737
	2005		91,737
	2006		91,737
	2007		91,737
	2008-2012		412,815
Total			848,565
	Less: Amount Representing Interest		(208,236)
	Present Value of Net Minimum Lease Payments		\$ 640,329

NOTE J - 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; 9.5 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, 2002, 2001 and 2000 were \$1,196,940, \$1,148,112 and \$1,073,722, respectively; 84 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$197,220, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**MARLINGTON LOCAL SCHOOL DISTRICT
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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, 300 East Broad Street, Columbus, Ohio 43215-3746

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent; 4.2 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$366,516, \$368,820, and \$323,784, respectively; 54 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$167,988, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term debt account group.

NOTE K - 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 premiums. 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 two 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, 2002, the board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion on

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June 30, 2001. As of July 1, 2001 (latest information available), eligible benefit recipients statewide totaled 102,132. For the fiscal year ended June 30, 2001, net health care costs paid by STRS statewide were \$300,772,000.

For SERS, coverage is made available to service retirees with ten 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 9.80 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay 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 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (latest information available) were \$161.4 million. At June 30, 2001 (latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million.

NOTE L - CONTINGENCIES

GRANTS

During the year ended June 30, 2002, the District received grants-in-aid from federal and state sources amounting to \$637,171 and \$10,812,888, 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 December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

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

**MARLINGTON LOCAL SCHOOL DISTRICT
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June 30, 2002

will have on its future State funding and its financial operations.

NOTE M - 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, 2002:

	Food Service	Uniform School Supplies	Adult Education	Total
Operating Revenues	\$ 478,941	\$ 19,207	\$ 0	\$ 498,148
Operating Expenses Before Depreciation	647,167	22,559	0	669,726
Depreciation	4,242	0	0	4,242
Operating (Loss)	(172,468)	(3,352)	0	(175,820)
Operating Grants	181,064	0	0	181,064
Net Non-Operating Revenue/Expenses	238,397	485	138	239,020
Net Income/(Loss)	65,929	(2,867)	138	63,200
Net Working Capital	588,787	18,570	4,314	611,671
Total Assets	738,898	18,570	4,314	761,782
Total Equity	634,193	18,570	4,314	657,077
Reserve for Encumbrances	15,738	2,841	0	18,579

NOTE N – OPERATING LEASING ARRANGEMENTS

The District is involved in various operating lease agreements for vehicles and equipment. The term of the lease agreements range from 12 to 36 months.

The following is a schedule of future minimum rental payments required under the above operating lease as of June 30, 2002:

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Year Ending June 30,	Amount
2003	\$ 3,750
	\$ 3,750

Rental expense amounted to \$44,760 for the year ended June 30, 2002.

NOTE O - 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 P - 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 38 member organizations. 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 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.

**MARLINGTON LOCAL SCHOOL DISTRICT
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NOTE Q - RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts, interest, intergovernmental, 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:

	Amount
<u>General Fund</u>	
Taxes	\$6,980,865
Accounts	24,317
Interfund	575,752
Interest	11,933
<u>Special Revenue Fund</u>	
Accounts	7,303
Intergovernmental	448,471
<u>Capital Projects Fund</u>	
Taxes	489,537
<u>Enterprise Fund</u>	
Accounts	480
Intergovernmental	20,614

NOTE R – CONTRACTUAL COMMITMENTS

As of June 30, 2002, the Marlington Local School District had the following contractual commitments outstanding:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Paid as of June 30, 2002</u>	<u>Amount Remaining on Contract</u>
Moulin Center			
General Contractor	\$ 647,289	\$ 560,826	\$ 86,463
Plumbing	14,215	12,818	1,397
Electric	56,750	55,913	837
	\$718,254	\$629,557	\$88,697

NOTE S – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2002, consist of the following individual interfund loans receivable and payable:

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

June 30, 2002

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$396,702	\$0
<u>Special Revenue Funds</u>		
Land Lab	0	5,950
Odyssey of the Mind	0	100
Saturn	0	1,399
Title VI-B	0	173,007
Title I	0	126,138
Title VI	0	20,925
Drug Free Grant	0	8,148
Title VI-R	0	49,535
<u>Agency Fund</u>		
Robotics	0	11,500
Totals	<u>\$396,702</u>	<u>\$396,702</u>

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

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

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE							
<i>Passed Through Ohio Department of Education:</i>							
Child Nutrition Cluster:							
Food Donation	N/A		10.550		\$59,425		\$58,717
School Breakfast Program	049882-05-PU-02	02	10.553	5,978		5,978	
National School Lunch Program	049882-LL-P4-02	02	10.555	137,624		137,624	
Total U.S. Department of Agriculture - Child Nutrition Cluster				143,602	59,425	143,602	58,717
U.S. DEPARTMENT OF EDUCATION							
<i>(Passed Through Ohio Department of Education)</i>							
Special Education Cluster:							
Special Education Grants to States	049882-6B-SF-01	01	84.027	27,595		88,544	
	049882-6B-SF-02	02		74,146		89,776	
Total Special Education Cluster				101,741		178,320	
Title I - Grants to Local Educational Agencies	049882-C1-S1-01	01	84.010	54,671		39,829	
	049882-C1-S1-01C	01C		18,938		18,938	
	049822-C1-S1-02	02		27,689		86,043	
Total Title I - Grants to Local Educational Activities				101,298		144,810	
Migrant Education - State Grant Program	049882-MG-S1-00	00C	84.011	0		545	
	049882-MG-S1-01	01		0		36,808	
	049882-MG-S1-02	02		12,492		2,415	
Total Migrant Education - State Grant Program				12,492		39,768	
Eisenhower Professional Development State Grants	049882-MS-S1-01	01	84.281	0		8,740	
Eisenhower Saturn Grant (Elementary Sciences - SEEDS)	049882-MS-S1-01	01	84.281	1,144		9,250	
	049882-MS-S1-02	02		12,588		2,579	
Total Eisenhower Saturn Grant				13,732		11,829	
Class Size Reduction	049882-CR-S1-01	01	84.340	39,108		0	
	049882-CR-S1-02	02		19,264		38,493	
Total Class Size Reduction				58,372		38,493	
Innovative Education Program Strategies	049882-C2-S1-01	01	84.298	0		2,936	
	049882-C2-S1-02	02		3,992		11,984	
Total Innovative Education Program Strategies				3,992		14,920	
Safe and Drug-Free Schools and Communities - State Grants	049882-MS-S1-01	01	84.186	7,973		0	
	049882-MS-S1-02	02		2,298		10,446	
Total Safe and Drug-Free Schools and Comm. - State Grants				10,271		10,446	
Technology Literacy Challenge Fund Grants	049882- -S1-02	02	84.318	200,000		199,332	
Total U.S. Department of Education				501,898		646,658	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
<i>(Passed Through Ohio Department of Mental Retardation and) Developmental Disabilities)</i>							
Medicaid Assistance Program - Community Alternative Funding System (CAFS)	7600555	02	93.778	50,043		25,361	
Totals				\$695,543	\$59,425	\$815,621	\$58,717

See Accompanying Notes to Schedule of Receipts and Expenditures of Federal Awards.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2002, the District's food commodities in inventory totaled \$24,447.

NOTE C – MEDICAID ASSISTANCE PROGRAM

Cash receipts from the U.S. Department of Health and Human Services for the Medicaid Assistance Program – CAFS are commingled with local funds. It is assumed federal monies are expended first.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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 financial statements of the Marlington Local School District Stark County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated March 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2002-11276-001.

In addition, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 10, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 March 10, 2003.

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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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 10, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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 each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the 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 each of its major federal programs for the year ended June 30, 2002.

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.

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

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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 10, 2003

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 84.340, Class Size Reduction and CFDA #10.550, 10.553, and 10.555, Child Nutrition Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2002-11276-001

NONCOMPLIANCE CITATION

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At June 30, 2002, individual fund expenditures plus outstanding encumbrances exceeded appropriations in the following funds:

Fund	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Debt Service Fund:			
Bond Retirement (Fund 002)	\$38,545	\$198,677	\$(160,132)
Expendable Trust Fund:			
Special Trust (Fund 007)	\$2,945	\$19,254	\$(16,309)

The Treasurer should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the individual fund level to avoid overspending.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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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
APRIL 10, 2003**