



Rea & associates *a brighter way*

# Marlington Local School District Stark County, Ohio

*Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2013





# Dave Yost • Auditor of State

Board of Education  
Marlington Local School District  
10320 Moulin Ave  
Alliance, Ohio 44601

We have reviewed the *Independent Auditor's Report* of the Marlington Local School District, Stark County, prepared by Rea & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

February 21, 2014

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**MARLINGTON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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December 23, 2013

To the Board of Education  
Marlington Local School District  
Stark County, Ohio  
10320 Moulin Avenue  
Alliance, OH 44601

## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marlington Local School District, Stark County, Ohio, (the "School District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Marlington Local School District, Stark County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5–12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

New Philadelphia, Ohio



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**Marlington Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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The management's discussion and analysis of Marlington Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key Financial Highlights for 2013 are as follows:

- The community passed an 8.5 mill renewal operating levy in November 2012. This levy generates over \$2.3 million annually and is an integral part of the general operations of the School District.
- The Board of Education partnered with the Ohio School Facilities Commission and presented two opportunities to the community to pass a bond issue to secure the funding for new buildings, but both issues were defeated.
- The School District along with some donations from local partners expended some permanent improvement funds for security upgrades. The main entrances in Marlboro Elementary, Washington Elementary, and the administration entrance of the middle school were secured with new entrance doors and/or electronic locks.

### **Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes pertaining to those statements. The statements are organized so the reader can understand the Marlington Local School District as a financial whole, or complete operating entity.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Marlington Local School District, the general fund is the most significant fund.

### **Reporting the School District as a Whole**

#### *Statement of Net Position and Statement of Activities*

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2013?" The *Statement of Net Position* and *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the School District's net position and changes in that net position. The amount of net position, the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is one measure of the School District's financial health, or financial position. The

**Marlington Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. Assessing the overall health of the School District involves many factors. Non-financial factors may include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency and fiscal capacity.

In the Statement of Net Position and the Statement of Activities, all of the School District's activities are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, and extracurricular activities.

**Reporting the School District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the School District's major fund begins on page 10. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant fund. The School District's major governmental fund is the general fund.

*Governmental Funds*

Most of the School District's activities are reported as governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

*Fiduciary Funds*

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

**The School District as a Whole**

You may recall that the *Statement of Net Position* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012.

**Marlington Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

**Table 1**  
**Net Position**  
**Governmental Activities**

	2013	2012	Change
<b>Assets</b>			
Current and Other Assets	\$19,294,180	\$19,908,405	(\$614,225)
Capital Assets, Net	7,515,925	7,483,545	32,380
<i>Total Assets</i>	<u>26,810,105</u>	<u>27,391,950</u>	<u>(581,845)</u>
<b>Liabilities</b>			
Current Liabilities	2,613,595	2,642,517	28,922
Long-Term Liabilities:			
Due Within One Year	155,284	185,108	29,824
Due in More Than One Year	1,062,660	1,155,237	92,577
<i>Total Liabilities</i>	<u>3,831,539</u>	<u>3,982,862</u>	<u>151,323</u>
<b>Deferred Inflows of Resources</b>	<u>7,937,886</u>	<u>7,718,872</u>	<u>(219,014)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	7,515,925	7,467,844	48,081
Restricted	2,119,769	1,921,077	198,692
Unrestricted	5,404,986	6,301,295	(896,309)
<i>Total Net Position</i>	<u>\$15,040,680</u>	<u>\$15,690,216</u>	<u>(\$649,536)</u>

Total assets decreased as a result of sharp decreases in cash and investments and accounts receivable. The decrease in cash is a result of expenditures outpacing revenues.

Total liabilities decreased due primarily to a large decrease in amounts due in more than one year. This was caused by a decrease in compensated absences, as thirteen employees retired during fiscal year 2013.

The vast majority of revenue supporting all governmental activities is general revenue. The most significant portions of the general revenue are grants and entitlements, which is primarily State foundation funding, and local property tax. The remaining revenue was program revenues, which consist of charges for services provided by the School District and State and Federal grants.

Table 2 shows the changes in net position for fiscal years 2013 and 2012.

**Marlington Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

**Table 2**  
**Changes in Net Position**  
**Governmental Activities**

	2013	2012	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$2,441,270	\$2,164,571	\$276,699
Operating Grants and Contributions	1,927,463	1,860,414	67,049
Capital Grants and Contributions	0	7,650	(7,650)
Total Program Revenues	<u>4,368,733</u>	<u>4,032,635</u>	<u>336,098</u>
General Revenues:			
Property Taxes	8,236,231	7,928,007	308,224
Grants and Entitlements	11,088,121	11,372,850	(284,729)
Unrestricted Contributions	6,000	0	6,000
Investment Earnings	22,299	52,971	(30,672)
Miscellaneous	142,806	128,109	14,697
Total General Revenues	<u>19,495,457</u>	<u>19,481,937</u>	<u>13,520</u>
Total Revenues	<u>23,864,190</u>	<u>23,514,572</u>	<u>349,618</u>
<b>Program Expenses</b>			
Instruction:			
Regular	8,793,999	8,415,035	(378,964)
Special	3,126,128	2,985,731	(140,397)
Vocational	758,178	725,905	(32,273)
Student Intervention Services	1,364,364	1,227,036	(137,328)
Support Services:			
Pupils	810,489	927,950	117,461
Instructional Staff	1,324,521	1,302,834	(21,687)
Board of Education	22,412	20,447	(1,965)
Administration	1,885,460	2,030,182	144,722
Fiscal	638,796	542,224	(96,572)
Business	297,775	449,740	151,965
Operation and Maintenance of Plant	1,999,971	2,074,354	74,383
Pupil Transportation	1,349,019	1,428,732	79,713
Central	103,416	38,773	(64,643)
Operation of Non-Instructional Services	1,024,763	998,282	(26,481)
Extracurricular Activities	1,014,435	1,126,642	112,207
Interest and Fiscal Charges	0	4,273	4,273
Total Program Expenses	<u>24,513,726</u>	<u>24,298,140</u>	<u>(215,586)</u>
Decrease in Net Position	(649,536)	(783,568)	134,032
<i>Net Position Beginning of Year</i>	<u>15,690,216</u>	<u>16,473,784</u>	<u>(783,568)</u>
<i>Net Position End of Year</i>	<u>\$15,040,680</u>	<u>\$15,690,216</u>	<u>(\$649,536)</u>

**Marlington Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

**Governmental Activities**

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

The majority of the School District's expenses are for instruction. Additional supporting services for pupils, staff, administration, operation and maintenance of plant, pupil transportation and business operations are the next largest area of expenses. The remaining amount of program expenses are to facilitate other obligations of the School District such as the food service program and numerous extracurricular activities.

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
**Governmental Activities**

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$8,793,999	\$8,081,340	\$8,415,035	\$7,269,997
Special	3,126,128	2,066,803	2,985,731	1,152,486
Vocational	758,178	696,413	725,905	582,503
Student Intervention Services	1,364,364	1,266,659	1,227,036	1,227,036
Support Services:				
Pupils	810,489	756,531	927,950	816,433
Instructional Staff	1,324,521	1,167,388	1,302,834	1,217,392
Board of Education	22,412	20,807	20,447	20,447
Administration	1,885,460	1,753,323	2,030,182	2,006,559
Fiscal	638,796	593,660	542,224	542,224
Business	297,775	68,787	449,740	202,892
Operation and Maintenance of Plant	1,999,971	1,865,155	2,074,354	2,064,248
Pupil Transportation	1,349,019	1,251,579	1,428,732	1,346,546
Central	103,416	88,299	38,773	29,773
Operation of Non-Instructional Services	1,024,763	(5,534)	998,282	(53,383)
Extracurricular Activities	1,014,435	473,783	1,126,642	591,884
Interest and Fiscal Charges	0	0	4,273	4,273
<b>Total</b>	<b>\$24,513,726</b>	<b>\$20,144,993</b>	<b>\$24,298,140</b>	<b>\$19,021,310</b>

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 33 percent of expenses are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support a majority of expenses. Program revenues account for almost 18 percent of all governmental expenses.

**Marlington Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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**School District's Funds**

Information regarding the School District's major funds can be found beginning on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$23,664,244 and expenditures of \$24,668,507. The net change in fund balance for the year was most significant in the general fund with a decrease of \$1,124,652, as a result of increased costs in almost every expenditure category.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the main operating fund of the School District, the general fund.

During the course of fiscal year 2013, the School District amended its general fund budget numerous times, none significant. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenditures but provide flexibility for program based decision and management.

For the general fund, the final budget basis estimated revenue totaled \$20,207,987, which is higher than the original estimate of \$18,867,358. Final budget basis appropriations for expenditures totaled \$21,687,447 compared to the original estimate of \$21,015,447.

The total revenue variance between final budget and actual was \$485,713, or 2.40 percent of final budget revenues. The total expenditure variance between final budget and actual amounted to \$177,240 or 0.82 percent of final budget expenditures.

The general fund's unencumbered ending cash balance totaled \$7,260,346, which was \$663,340 more than the final budgeted amount of \$6,597,006.

**Capital Assets and Debt Administration**

*Capital Assets*

Table 4 shows fiscal 2013 values compared to 2012. More detailed information is presented in Note 9 to the basic financial statements.

**Table 4**  
**Capital Assets at June 30**  
**Governmental Activities**

	2013	2012
Land	\$2,466,333	\$2,466,333
Land Improvements	747,676	686,796
Buildings and Improvements	2,951,844	3,063,073
Furniture, Fixtures and Equipment	574,582	527,324
Vehicles	775,490	740,019
<i>Total Capital Assets</i>	<i>\$7,515,925</i>	<i>\$7,483,545</i>

**Marlington Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

All capital assets, except land, are reported net of depreciation. As one can see, there was an increase in capital assets during the fiscal year, due to land improvements and the purchase of buses.

*Debt*

Table 5 summarizes the capital leases outstanding. More detailed information is presented in Note 12 to the basic financial statements.

**Table 5**  
**Outstanding Debt at Year End**  
**Governmental Activities**

	2013	2012
Capital Leases	\$0	\$15,701
<i>Total</i>	\$0	\$15,701

The School District's overall legal debt margin was \$25,506,719 with an unvoted debt margin of \$283,408 as of June 30, 2013.

**Current Financial Related Activities**

The School District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the levy millage amounts needed periodically from the community's citizens. The School District continues to be concerned with maintaining adequate revenue while controlling costs. Inflationary increases in costs associated with education, decreases in State aid and annual decreases in the effective millage of levies (to keep revenue generated from levies unchanged while property values increase), will continue to put pressure on the School District to go before the community in the future to levy for additional funds.

In November, 2012, the community passed an 8.5 mill renewal levy that generates approximately \$2.3 million per year in revenue to the School District. Passage of the levy was reflective of consistent community support in regards to passage of this and previous renewal levies.

Other concerns for the School District include increases in the cost of health insurance benefits, increases in fuel costs for buses and increases in utilities expense. The School District continues to utilize appropriate bidding, negotiation, and cooperative purchasing procedures to procure such commodities in the most economical manner. During fiscal year 2013, the School District realized savings of approximately \$93,000 due to an agreement through the Stark County Council of Governments with Constellation Energy which began July 1, 2012 to secure lower rates for natural gas. This agreement is for a period of five years.

Due to the age of the current facilities, an increased need for repairs and capital expenditures has been realized. Each year these proposed expenditures are monitored and prioritized to fit into the annual budget. The Board of Education has determined to continue to assess the infrastructure needs and act accordingly.

As a result of the School District's efforts for continuous educational improvement, the School District has been awarded by the Ohio Department of Education a rating of "Excellent" every year since the 2006-07 school year. For the 2011-12 school year, the School District was rated "Excellent with Distinction."



**Marlington Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Derek Nottingham, Treasurer, 10320 Moulin Avenue NE, Alliance, OH 44601-9797.

Basic  
Financial  
Statements

**Marlington Local School District**

*Statement of Net Position*

*June 30, 2013*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$10,031,622
Accounts Receivable	1,925
Accrued Interest Receivable	869
Intergovernmental Receivable	333,686
Inventory Held for Resale	20,418
Materials and Supplies Inventory	148,136
Property Taxes Receivable	8,743,901
Prepaid Items	13,623
Nondepreciable Capital Assets	2,466,333
Depreciable Capital Assets, Net	<u>5,049,592</u>
<i>Total Assets</i>	<u>26,810,105</u>
<b>Liabilities</b>	
Accounts Payable	49,020
Accrued Wages Payable	1,556,707
Matured Compensated Absences Payable	198,814
Intergovernmental Payable	598,580
Unearned Revenue	210,474
Long-Term Liabilities:	
Due Within One Year	155,284
Due In More Than One Year	<u>1,062,660</u>
<i>Total Liabilities</i>	<u>3,831,539</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	<u>7,937,886</u>
<b>Net Position</b>	
Net Investment in Capital Assets	7,515,925
Restricted for:	
Capital Outlay	1,409,758
Other Purposes	710,011
Unrestricted	<u>5,404,986</u>
<i>Total Net Position</i>	<u><u>\$15,040,680</u></u>

See accompanying notes to the basic financial statements

**Marlington Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$8,793,999	\$590,020	\$122,639	(\$8,081,340)
Special	3,126,128	160,130	899,195	(2,066,803)
Vocational	758,178	56,744	5,021	(696,413)
Student Intervention Services	1,364,364	97,705	0	(1,266,659)
Support Services:				
Pupils	810,489	53,958	0	(756,531)
Instructional Staff	1,324,521	88,797	68,336	(1,167,388)
Board of Education	22,412	1,605	0	(20,807)
Administration	1,885,460	131,716	421	(1,753,323)
Fiscal	638,796	45,136	0	(593,660)
Business	297,775	6,326	222,662	(68,787)
Operation and Maintenance of Plant	1,999,971	134,816	0	(1,865,155)
Pupil Transportation	1,349,019	97,440	0	(1,251,579)
Central	103,416	6,117	9,000	(88,299)
Operation of Non-Instructional Services	1,024,763	458,350	571,947	5,534
Extracurricular Activities	1,014,435	512,410	28,242	(473,783)
<i>Totals</i>	<u>\$24,513,726</u>	<u>\$2,441,270</u>	<u>\$1,927,463</u>	<u>(20,144,993)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				7,811,650
Capital Outlay				424,581
Grants and Entitlements not Restricted to Specific Programs				11,088,121
Unrestricted Contributions				6,000
Investment Earnings				22,299
Miscellaneous				142,806
<i>Total General Revenues</i>				<u>19,495,457</u>
Change in Net Position				(649,536)
<i>Net Position Beginning of Year</i>				<u>15,690,216</u>
<i>Net Position End of Year</i>				<u>\$15,040,680</u>

See accompanying notes to the basic financial statements

**Marlington Local School District***Balance Sheet**Governmental Funds**June 30, 2013*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$7,948,104	\$2,083,518	\$10,031,622
Accounts Receivable	1,757	168	1,925
Accrued Interest Receivable	869	0	869
Interfund Receivable	43,813	0	43,813
Intergovernmental Receivable	48,368	285,318	333,686
Inventory Held for Resale	0	20,418	20,418
Materials and Supplies Inventory	148,136	0	148,136
Prepaid Items	13,623	0	13,623
Taxes Receivable	8,281,248	462,653	8,743,901
<i>Total Assets</i>	<u>\$16,485,918</u>	<u>\$2,852,075</u>	<u>\$19,337,993</u>
<b>Liabilities</b>			
Accounts Payable	\$41,728	\$7,292	\$49,020
Accrued Wages Payable	1,400,483	156,224	1,556,707
Interfund Payable	0	43,813	43,813
Matured Compensated Absences Payable	191,803	7,011	198,814
Intergovernmental Payable	536,804	61,776	598,580
Unearned Revenue	210,474	0	210,474
<i>Total Liabilities</i>	<u>2,381,292</u>	<u>276,116</u>	<u>2,657,408</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	7,518,470	419,416	7,937,886
Unavailable Revenue	551,249	120,900	672,149
<i>Total Deferred Inflows of Resources</i>	<u>8,069,719</u>	<u>540,316</u>	<u>8,610,035</u>
<b>Fund Balances</b>			
Nonspendable	148,136	0	148,136
Restricted	0	2,054,780	2,054,780
Committed	403,141	0	403,141
Assigned	356,915	0	356,915
Unassigned (Deficit)	5,126,715	(19,137)	5,107,578
<i>Total Fund Balances</i>	<u>6,034,907</u>	<u>2,035,643</u>	<u>8,070,550</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$16,485,918</u>	<u>\$2,852,075</u>	<u>\$19,337,993</u>

See accompanying notes to the basic financial statements

**Marlington Local School District**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2013*

<b>Total Governmental Funds Balances</b>		\$8,070,550
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,515,925
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes and intergovernmental receivable.		
Property Taxes	582,352	
Intergovernmental	89,797	
Total	672,149	672,149
Compensated absences payable are not due and payable in the current period and therefore are not reported in the funds.		(1,217,944)
<i>Net Position of Governmental Activities</i>		<b>\$15,040,680</b>

See accompanying notes to the basic financial statements

**Marlington Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2013*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$7,685,081	\$416,759	\$8,101,840
Intergovernmental	11,033,500	1,883,756	12,917,256
Interest	26,391	439	26,830
Tuition and Fees	1,497,419	2,160	1,499,579
Extracurricular Activities	136,704	339,104	475,808
Contributions and Donations	11,217	23,025	34,242
Customer Sales and Services	2,689	462,894	465,583
Rentals	300	0	300
Miscellaneous	114,265	28,541	142,806
<i>Total Revenues</i>	<u>20,507,566</u>	<u>3,156,678</u>	<u>23,664,244</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	8,580,148	110,570	8,690,718
Special	2,250,987	845,137	3,096,124
Vocational	810,858	1,817	812,675
Student Intervention Services	1,370,682	0	1,370,682
Support Services:			
Pupils	763,501	52,243	815,744
Instructional Staff	1,228,495	60,637	1,289,132
Board of Education	22,412	0	22,412
Administration	1,920,956	14,734	1,935,690
Fiscal	615,649	8,515	624,164
Business	72,649	215,288	287,937
Operation and Maintenance of Plant	1,867,636	319,065	2,186,701
Pupil Transportation	1,369,844	676	1,370,520
Central	85,416	18,000	103,416
Operation of Non-Instructional Services	0	1,017,272	1,017,272
Extracurricular Activities	673,770	345,624	1,019,394
Capital Outlay	0	10,225	10,225
Debt Service:			
Principal Retirement	15,701	0	15,701
<i>Total Expenditures</i>	<u>21,648,704</u>	<u>3,019,803</u>	<u>24,668,507</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,141,138)</u>	<u>136,875</u>	<u>(1,004,263)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	16,486	0	16,486
Transfers Out	0	(16,486)	(16,486)
<i>Total Other Financing Sources (Uses)</i>	<u>16,486</u>	<u>(16,486)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(1,124,652)	120,389	(1,004,263)
<i>Fund Balances Beginning of Year</i>	<u>7,159,559</u>	<u>1,915,254</u>	<u>9,074,813</u>
<i>Fund Balances End of Year</i>	<u>\$6,034,907</u>	<u>\$2,035,643</u>	<u>\$8,070,550</u>

See accompanying notes to the basic financial statements

**Marlington Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
 In Fund Balances of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2013*

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**Net Change in Fund Balances - Total Governmental Funds** (\$1,004,263)

*Amounts reported for governmental activities in the  
 statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay expense exceeded depreciation in the current period.

Capital Outlay	525,931	
Current Year Depreciation	<u>(493,551)</u>	
Total		32,380

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	134,391	
Intergovernmental	70,086	
Interest	<u>(4,531)</u>	
Total		199,946

Capital lease payments are an expenditure in the governmental funds,  
 but the repayment reduces long-term liabilities in the statement of net position. 15,701

Some expenses, such as compensated absences, reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 106,700

*Change in Net Position of Governmental Activities* (\$649,536)

See accompanying notes to the basic financial statements



**Marlington Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$7,322,964	\$7,843,301	\$8,031,820	\$188,519
Intergovernmental	10,019,175	10,731,092	10,989,021	257,929
Interest	12,945	13,865	14,198	333
Tuition and Fees	1,384,983	1,483,394	1,519,048	35,654
Extracurricular Activities	17,564	18,812	19,264	452
Contributions and Donations	5,470	5,859	6,000	141
Customer Sales and Services	28	30	31	1
Rentals	274	293	300	7
Miscellaneous	103,955	111,341	114,018	2,677
<i>Total Revenues</i>	18,867,358	20,207,987	20,693,700	485,713
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,000,304	8,256,126	8,310,355	(54,229)
Special	2,497,505	2,577,366	2,322,426	254,940
Vocational	691,980	714,107	776,471	(62,364)
Student Intervention Services	1,099,547	1,134,707	1,378,869	(244,162)
Support Services:				
Pupils	771,128	795,786	818,374	(22,588)
Instructional Staff	1,265,348	1,305,809	1,219,778	86,031
Board of Education	25,235	26,042	22,488	3,554
Administration	2,014,425	2,078,839	1,986,139	92,700
Fiscal	613,030	632,633	613,766	18,867
Business	88,253	91,075	91,457	(382)
Operation and Maintenance of Plant	1,893,875	1,954,434	1,899,748	54,686
Pupil Transportation	1,417,721	1,463,055	1,415,275	47,780
Central	115,715	119,415	87,612	31,803
Extracurricular Activities	521,381	538,053	567,449	(29,396)
<i>Total Expenditures</i>	21,015,447	21,687,447	21,510,207	177,240
<i>Excess of Revenues Under Expenditures</i>	(2,148,089)	(1,479,460)	(816,507)	662,953
<b>Other Financing Sources (Uses)</b>				
Transfers In	15,031	16,099	16,486	387
Transfers Out	(77,521)	(80,000)	(80,000)	0
<i>Total Other Financing Sources (Uses)</i>	(62,490)	(63,901)	(63,514)	387
<i>Net Change in Fund Balance</i>	(2,210,579)	(1,543,361)	(880,021)	663,340
<i>Fund Balance Beginning of Year</i>	7,711,183	7,711,183	7,711,183	0
Prior Year Encumbrances Appropriated	429,184	429,184	429,184	0
<i>Fund Balance End of Year</i>	\$5,929,788	\$6,597,006	\$7,260,346	\$663,340

See accompanying notes to the basic financial statements

**Marlington Local School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2013*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$640,098	\$46,862
<b>Liabilities</b>		
Undistributed Monies	0	816
Due to Students	0	46,046
Total Liabilities	0	\$46,862
<b>Net Position</b>		
Held in Trust for Scholarships	\$640,098	

See accompanying notes to the basic financial statements

**Marlington Local School District**  
*Statement of Changes in Fiduciary Net Position*  
*Private Purpose Trust Fund*  
*June 30, 2013*

	<u>Schoarship</u>
<b>Additions</b>	
Gifts and Contributions	\$4,856
Interest	9,407
	14,263
<i>Total Assets</i>	14,263
<b>Deductions</b>	
	9,000
<i>Change in Net Position</i>	5,263
<i>Net Position Beginning of Year</i>	634,835
<i>Net Position End of Year</i>	\$640,098

See accompanying notes to the basic financial statements

**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

The Marlington Local School District (the “School District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The School District is governed by a five-member Board of Education (the Board) elected by its citizens, which is responsible for the provision of public education to residents of the School District.

The School District employs 129 non-certified and 177 certified employees to provide services to approximately 2,467 students in grades K through 12 and various community groups.

*Reporting Entity*

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Marlington Local School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

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

The School District is associated with the Stark County Schools Council of Governments Health Benefit Plan and the Stark County Schools Council of Governments Workers' Compensation Group Rating Program which are insurance purchasing pools; and the Stark/Portage Area Computer Consortium, the Stark County Tax Incentive Review Council, and the Alliance Tax Incentive Review Council that are jointly governed organizations. These organizations are presented in Notes 13 and 14 to the basic financial statements.

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

The financial statements of the Marlington Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

***Fund Accounting***

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The School District has two categories of funds: governmental and fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as fund balance. The following is the School District's major governmental fund:

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

**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

***Fiduciary Fund Type*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private-purpose trust which accounts for a scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student and community activities.

***Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities, and deferred outflows/inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (e.g., revenues and other financing sources) and uses (e.g., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

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

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

**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

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

***Unearned Revenue*** Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has no deferred outflows of resources.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental 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 related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

***Cash and Investments***

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

During fiscal year 2013, investments were limited to federal farm credit bank bonds, federal national mortgage association notes, and investments in STAROhio. 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, are reported at cost.

**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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 net asset value per share which is the price the investment could be sold for on June 30, 2013.

Under existing Ohio statues all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$26,391, which includes \$5,133 assigned from other School District funds.

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

***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventories consist of donated and purchased food and supplies held for resale, and supplies held for consumption. Inventory is recorded at fair market value for commodities.

***Capital Assets***

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received.

The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land Improvements	10-20 years
Buildings and Improvements	50 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	10 years



**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***Interfund Balances***

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are classified as “interfund receivables/payables.” Interfund balance amounts are eliminated in the governmental activities column of the statement of net position.

***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 employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District had identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees age 50 or greater with at least 10 years of service and all employees with 15 years of service at any age.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employee who has accumulated unpaid leave is paid.

***Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

***Internal Activity***

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order, provided such amounts have been lawfully appropriated.

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

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***Net Position***

Net position represents the difference between all other elements in the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include food service, district managed activities and grant funds.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which the services are consumed.

***Estimates***

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

***Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board of Education. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue closely reflects actual revenue for the fiscal year.

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

**Note 3 – Changes in Accounting Principles**

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", Statement No. 61, "The Financial Reporting Entity: Omnibus, an Amendment of GASB Statements No. 14 and No. 34", Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53", Statement No. 65, "Items Previously Reported as Assets and Liabilities", and Statement No. 66, "Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62."

**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units presentation and certain disclosure requirements. The implementation of this statement did not result in any change in the School District's financial statements.

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

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

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the School District's financial statements.

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

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

**Note 4 – Fund Balance**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2013

Fund Balances	General Fund	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>			
Inventory	\$148,136	\$0	\$148,136
<b><i>Restricted for</i></b>			
Food Service Operations	0	412,667	412,667
District Managed Activites	0	232,437	232,437
Entry Year Programs	0	1,402	1,402
Migrant Children Education	0	29,619	29,619
Capital Improvements	0	1,378,655	1,378,655
<b><i>Total Restricted</i></b>	<b>0</b>	<b>2,054,780</b>	<b>2,054,780</b>
<b><i>Committed to</i></b>			
Underground Storage Tanks	10,000	0	10,000
Employee Retirements	393,141	0	393,141
<b><i>Total Committed</i></b>	<b>403,141</b>	<b>0</b>	<b>403,141</b>
<b><i>Assigned to</i></b>			
2014 Appropriations	58,356	0	58,356
Purchases on Order	232,564	0	232,564
Other Purposes	65,995	0	65,995
<b><i>Total Assigned</i></b>	<b>356,915</b>	<b>0</b>	<b>356,915</b>
<b><i>Unassigned (Deficit)</i></b>	<b>5,126,715</b>	<b>(19,137)</b>	<b>5,107,578</b>
<b><i>Total Fund Balances</i></b>	<b>\$6,034,907</b>	<b>\$2,035,643</b>	<b>\$8,070,550</b>

**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).
4. Investments reported at cost (budget basis) rather than at fair value (GAAP basis).

**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

5. Budgetary revenues and expenditures of the public school support, adult education, and termination benefits funds are reclassified to the general fund for GAAP reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

GAAP Basis	(\$1,124,652)
Net Adjustment for Revenue Accruals	(31,025)
Ending Fair Value Adjustments for Investments	(3,129)
Net Adjustment for Expenditure Accruals	(95,824)
Perspective Differences:	
Public School Support	288,304
Termination Benefits	342,637
Encumbrances	<u>(256,332)</u>
Budget Basis	<u><u>(\$880,021)</u></u>

**Note 6 - Deposits and Investments**

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

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

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

Interim deposits are deposits of interim monies. Interim moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances of training requirement have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,064,969 of the School District's bank balance of \$9,066,838 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2013

**Investments**

As of June 30, 2013, the School District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities			
		1 year or less	1 - 2 years	2 - 3 years	3 - 5 years
Federal Farm Credit Bank Bonds	\$ 597,926		\$ 249,805	\$ 348,121	
Federal National Mortgage Association	498,945		255,065		243,880
STAROhio	795,116	795,116			
Total	\$ 1,891,987	\$ 795,116	\$ 504,870	\$ 348,121	\$ 243,880

**Interest Rate Risk** The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

**Credit Risk** STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average maturity of the portfolio held by STAROhio as of June 30, 2013 is 58 days. The School District's investments in federal agency securities were rated AA+ by Standard & Poor's. The School District has no investment policy that addresses credit risk.

**Concentration of Credit Risk** The School District places no limit on the amount it may invest in any one issuer. The following table includes the percentage of each investment type held by the School District at June 30, 2013:

Investment type	Percentage of Investments
Federal Farm Credit Bank Bonds	31.60%
Federal National Mortgage Association	26.37%
STAROhio	42.03%

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.



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Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in calendar year 2013 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Stark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2013 was \$211,529 in the general fund and \$12,134 in the permanent improvement fund (a nonmajor governmental fund). The amount available as an advance at June 30, 2012, was \$558,268 in the general fund and \$31,163 in the permanent improvement fund. The difference was in the timing and collection by the County Auditor.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$317,205,380	97.56 %	\$283,407,990	97.08 %
Public Utility Personal	7,931,520	2.44	8,511,010	2.92
Total	\$325,136,900	100.00 %	\$291,919,000	100.00 %
Tax rate per \$1,000 of assessed valuation	\$54.90		\$54.90	

**Note 8 - Receivables**

Receivables at June 30, 2013, consisted of taxes, accounts, intergovernmental grants, accrued interest and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except for a portion of the delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
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A summary of the principal items of intergovernmental receivables follows:

	Amount
<b>Governmental Activities</b>	
Migrant Children	\$101,946
IDEA-B	68,875
Title I	61,730
Miscellaneous	48,368
Race to the Top	33,563
Title II-A	18,173
Agricultural Education	1,031
<i>Total Governmental Activities</i>	<b>\$333,686</b>

**Note 9 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Balance 6/30/12	Additions	Deductions	Balance 6/30/13
<b>Governmental Activities</b>				
Capital Assets, not being Depreciated:				
Land	\$2,466,333	\$0	\$0	\$2,466,333
Capital Assets, being Depreciated:				
Land Improvements	2,113,448	229,928	0	2,343,376
Buildings and Improvements	8,606,898	22,430	0	8,629,328
Furniture, Fixtures and Equipment	2,004,480	80,401	0	2,084,881
Vehicles	2,910,947	193,172	(246,985)	2,857,134
Total Capital Assets, being Depreciated	15,635,773	525,931	(246,985)	15,914,719
Less Accumulated Depreciation:				
Land Improvements	(1,426,652)	(169,048)	0	(1,595,700)
Buildings and Improvements	(5,543,825)	(133,659)	0	(5,677,484)
Furniture, Fixtures and Equipment	(1,477,156)	(33,143)	0	(1,510,299)
Vehicles	(2,170,928)	(157,701)	246,985	(2,081,644)
Total Accumulated Depreciation	(10,618,561)	(493,551) *	246,985	(10,865,127)
Total Capital Assets, being Depreciated, net	5,017,212	32,380	0	5,049,592
Governmental Activities Capital Assets, Net	\$7,483,545	\$32,380	\$0	\$7,515,925

**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
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\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$202,368
Special	269
Vocational	4,598
Support Services:	
Instructional Staff	1,489
Administration	2,209
Business	9,633
Operation and Maintenance of Plant	99,481
Pupil Transportation	150,020
Food Service Operations	13,893
Extracurricular Activities	9,591
Total Depreciation Expense	\$493,551

**Note 10 - Risk Management**

***Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2013, the School District's contracted with Ohio Casualty Insurance for the following coverage:

Type of Coverage	Coverage	Deductible
Liability	\$2,000,000	\$0
School Leaders Errors/Omissions	\$1,000,000/\$1,000,000	\$2,500
Law Enforcement Liability	\$1,000,000/\$1,000,000	\$2,500
Sexual Misconduct/Molestation	\$1,000,000/\$1,000,000	\$0
Employers Stop Gap Liability	\$1,000,000/\$1,000,000/\$1,000,000	\$0
Employee Benefits Liability	\$1,000,000/\$3,000,000	\$1,000
Excess Liability/Umbrella	\$5,000,000/\$5,000,000	\$0
Fleet Insurance	\$1,000,000 liability	\$250/\$500
Property Insurance	\$65,371,267	\$5,000
Violent Event Response Coverage	\$1,000,000	\$0
Crime	\$50,000	\$1,000

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

**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
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***Worker's Compensation***

The School District participates in the Stark County Schools Council of Governments Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management Inc. provides administrative, cost control and actuarial services to the GRP, and the firm of AultComp provides medical review analysis services to the GRP.

**Note 11 - Set Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purpose in future years.

The following cash basis information describes the change in the fiscal year end set aside amount for capital acquisition. Disclosure of this information is required by State statute.

	Capital Acquisition
Set-aside Restricted Balance as of June 30, 2012	\$0
Current Year Set-aside Requirement	405,871
Current Year Offsets	(435,770)
Qualifying Disbursements	(291,493)
Totals	(\$321,392)
Set-aside Balance Carried Forward to Fiscal Year 2014	\$0
Set-aside Restricted Balance as of June 30, 2013	\$0

**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2013

**Note 12 – Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2013 were as follows:

	Amount			Amount	Amounts
	Outstanding		Deletions	Outstanding	Due in
	6/30/12	Additions		6/30/13	One Year
Compensated Absences	\$1,324,644	\$155,284	\$261,984	\$1,217,944	\$155,284
Capital Leases	15,701	0	15,701	0	0
<b>Total</b>	<b>\$1,340,345</b>	<b>\$155,284</b>	<b>\$277,685</b>	<b>\$1,217,944</b>	<b>\$155,284</b>

The School District entered into a lease for copier equipment in fiscal year 2009. The lease was fully repaid during fiscal year 2013.

Compensated absences will be paid from the general fund and the food service, IDEA Part B, and Title I special revenue funds.

The School District’s overall legal debt margin was \$25,506,719 with an unvoted debt margin of \$283,408 as of June 30, 2013.

**Note 13 - Insurance Purchasing Pools**

***Stark County Schools Council of Governments Health Benefit Plan*** The Stark County Schools Council of Governments Health Benefit Plan is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Consortium 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 on the Board of Directors. The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services.

***Stark County Schools Council of Governments Workers’ Compensation Group Rating Program*** The Stark County Schools Council of Government Workers’ Compensation Group Rating Program has created a group insurance pool for the purpose of creating a group rating plan for workers’ compensation. The governing body is comprised of the superintendents and representatives who have been appointed by the respective governing body of each member.

The intent of the pool is to achieve a reduced rate for the School District by the group with other members of the group. The injury claim history of all participating members is used to calculate a common rate for the group. An annual fee is paid to Comp Management, Inc. to administer the group and to manage any injury claims. Premium savings created by the group are prorated to each member entity annually based on the percentage created by comparing its payroll to the total payroll of the group.

**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
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**Note 14 - Jointly Governed Organizations**

***Stark/Portage Area Computer Consortium*** The Stark/Portage Area Computer Consortium (SPARCC) is a jointly governed organization created as a regional council of governments pursuant to State statutes made up of public school districts and educational service centers 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 School District's continued participation and no equity interest exists. Marlington Local School District paid \$17,337 to SPARCC during fiscal year 2013 for services. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 2100 38<sup>th</sup> Street N.W., Canton, Ohio 44709.

***Stark County Tax Incentive Review Council*** The Stark County Tax Incentive Review Council (SCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to State statutes. TIRC has 24 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, ten members appointed by township trustees, one member from the county auditor's office and six members appointed by boards of education located within the enterprise zones of Stark County. The TIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority that approved the agreement. There is no cost associated with being a member of this Council. The continued existence of the TIRC is not dependent upon the School District's continued participation and no measurable equity interest exists.

***Alliance Tax Incentive Review Council*** The Alliance Tax Incentive Review Council (ATIRC) is a jointly governed organization, created as a regional council of governments pursuant to State statutes. ATIRC has various members, including the School District's Superintendent. The ATIRC reviews and evaluates the performance of Enterprise Zone Agreements. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority that approved the agreement. There is no cost associated with being a member of the ATIRC. The continued existence of the ATIRC is not dependent upon the School District's continued participation and no measurable equity interest exists.

**Note 15 - Defined Benefit Pension Plans**

***School Employees Retirement System***

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a

**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.1 percent. The remaining 0.9 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$386,871, \$380,701 and \$334,466, respectively. For fiscal year 2013, 65.93 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

***State Teachers Retirement System***

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased by one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$1,244,951 and \$25,956 for the fiscal year ended June 30, 2013, \$1,328,163 and \$27,095 for the fiscal year ended June 30, 2012, and \$1,273,846 and \$25,986 for the fiscal year ended June 30, 2011. For fiscal year 2013, 82.26 percent has been contributed for the DB plan and 82.26 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2013 were \$28,940 made by the School District and \$20,671 made by the plan members. In addition, member contributions of \$18,540 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

***Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2013, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages.

**Note 16 - Postemployment Benefits**

***School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$53,153 in surcharge.



**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$57,878, \$58,968, and \$82,243, respectively. For fiscal year 2013, 65.93 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$25,847, \$25,580, and \$15,378 respectively. For fiscal year 2012, 65.93 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

***State Teachers Retirement System***

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$97,762, \$102,166, and \$97,988, respectively. For fiscal year 2013, 82.26 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**Note 17 - Other Employee Benefits**

***Compensated Absences***

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made to certified and classified employees for one-fourth of accrued, but unused sick leave credit up to a maximum 68 and 67 days, respectively.

**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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In addition to severance, employees meeting certain criteria are entitled to an incentive bonus of \$15,000. Employees retiring the first time they are eligible to retire based on STRS eligibility will receive the bonus. During fiscal year 2013, three employees qualified for the bonus. Employees will receive the bonus in fiscal year 2014. This liability is reported as a component of compensated absences on the governmental fund financial statements.

***Life Insurance***

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Stark County Schools Council of Governments Health Benefits Program. Coverage in the amount of \$50,000 and \$40,000 is provided to all certified and classified employees, respectively.

**Note 18 - Contingencies**

***Litigation***

The School District is not a party to legal proceedings.

***Grants***

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

**Note 19 – Significant Commitments**

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

General fund	\$256,332
Nonmajor funds	204,510
	<u>\$460,842</u>

**Note 20 – Accountability**

At June 30, 2013, the following funds had deficit fund balances:

<b><i>Non-Major Funds</i></b>	
Title I	(17,627)
Title VI-B IDEA	(1,117)
Improving Teacher Quality	(381)
Race to the Top	(12)

**Marlington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

The deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficits in these funds and provides transfers when cash is required, rather than when accruals occur.

**Note 21 - Interfund Balances and Transfers**

*Interfund Balances*

Interfund balances at June 30, 2013, consisted of the following:

	Interfund Balances	
	June 30, 2013	
	Receivables	Payables
General	\$43,813	\$0
<b>Nonmajor Funds</b>		
Title I: Migrant Children	0	30,912
Title VI-B IDEA	0	12,901
<b>Total Nonmajor Funds</b>	0	43,813
<b>Total Governmental Funds</b>	\$43,813	\$43,813

As of June 30, 2013, all interfund balances outstanding are anticipated to be repaid in one year. Advances were originally made to cover negative cash balances in various funds.

*Transfers*

During fiscal year 2013, the School Board approved a residual balance transfer from the CAFS fund to the general fund in the amount of \$16,486. The transfer was made in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

**Note 22 – Operating Lease – Lessor Disclosure**

The School District is the lessor of oil and gas rights on certain land parcels owned by the School District to the Chesapeake Oil Company. The lease agreement is from July 27, 2011, through July 27, 2021. The School District received \$260,380 in the general fund at the execution of the lease. This revenue is being recognized over the life of the lease, of which \$26,038 was recognized in the fiscal year ended June 30, 2013. The School District will also receive a 12.5 percent royalty on any oil or gas that is produced.

December 23, 2013

To the Board of Education  
Marlington Local School District  
Stark County, Ohio  
10320 Moulin Avenue  
Alliance, OH 44601

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marlington Local School District, Stark County, Ohio (the "School District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 23, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rea & Associates, Inc.*

New Philadelphia, Ohio

December 23, 2013

To the Board of Education  
Marlington Local School District  
Stark County, Ohio  
10320 Moulin Avenue  
Alliance, OH 44601

**Independent Auditor's Report on Compliance for Each Major  
Federal Program and on Internal Control over  
Compliance Required by OMB Circular A-133**

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

We have audited Marlington Local School District's, Stark County, Ohio (the "School District") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2013. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control over Compliance**

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Rea & Associates, Inc.*

New Philadelphia, Ohio

**MARLINGTON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS  
FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Program Year	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through the Ohio Department of Education:</i>				
<b>Child Nutrition Cluster:</b>				
School Breakfast Program	2012	10.553	\$ 18,225	\$ 18,225
School Breakfast Program	2013	10.553	107,010	107,010
National School Lunch Program (Food Distribution)	2013	10.555	67,348	67,348
National School Lunch Program	2012	10.555	58,143	58,143
National School Lunch Program	2013	10.555	420,251	420,251
Total Child Nutrition Cluster			670,977	670,977
Farm to School Grant Program	2013	10.575	3,500	3,500
<b>Total U.S. Department of Agriculture</b>			<b>674,477</b>	<b>674,477</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through the Ohio Department of Education:</i>				
Special Education - Grants to States (IDEA Part B)	2012	84.027	311,652	44,317
Special Education - Grants to States (IDEA Part B)	2013	84.027	433,572	446,473
Total Special Education			745,224	490,790
Grants to Local Educational Agencies (Title I)	2012	84.010	99,251	55,320
Grants to Local Educational Agencies (Title I)	2013	84.010	381,602	373,899
Total Title I Grants			480,853	429,219
Migrant Education (Title I-C)	2010	84.011	155	155
Migrant Education (Title I-C)	2012	84.011	69,433	73,452
Migrant Education (Title I-C)	2013	84.011	78,775	109,686
Total Migrant Education (Title I-C)			148,363	183,293
Technology Literacy Quality State Grants (Title II-D)	2012	84.318	4,419	0
Improving Teacher Quality State Grants (Title II-A)	2012	84.367	43,864	16,019
Improving Teacher Quality State Grants (Title II-A)	2013	84.367	85,092	83,529
Total Improving Teacher Quality State Grants (Title II-A)			128,956	99,548
ARRA - Race-to-the-Top	2012	84.395	(4,771)	1,047
ARRA - Race-to-the-Top	2013	84.395	58,138	57,832
ARRA - Race-to-the-Top (Resident Educator Funding)	2012	84.395	-	3,500
ARRA - Race-to-the-Top (Resident Educator Funding)	2013	84.395	3,150	3,150
Total ARRA - Race-to-the-Top			56,517	65,529
Education Jobs	2012	84.410	-	10,313
<b>Total U.S. Department of Education</b>			<b>1,564,332</b>	<b>1,278,692</b>
<b>Totals</b>			<b>\$ 2,238,809</b>	<b>\$ 1,953,169</b>

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



**Marlington Local School District  
Stark County, Ohio**

*Notes to the Schedule of Expenditures of Federal Awards – Cash Basis  
For the Fiscal Year Ended June 30, 2013*

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**Note A – Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports the federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

**Note B – Commingled Funds**

Federal money is commingled with state subsidy reimbursements for the Child Nutrition Cluster. It is assumed federal moneys are expended first.

**Note C – Food Donation Program**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

**Note D - Transfers**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The School District transferred the following amounts from program year 2012 to 2013:

<u>CFDA</u> <u>Number</u>	<u>Program Title</u>	<u>Program</u> <u>Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.027	Special Education, Part B-IDEA	2012	\$ 573	
84.027	Special Education, Part B-IDEA	2013		\$ 573
84.367	Improving Teacher Quality, Title II-A	2012	2,936	
84.367	Improving Teacher Quality, Title II-A	2013		2,936
84.395	Race to the Top	2012	4,771	
84.395	Race to the Top	2013		4,771

**MARLINGTON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133, Section .505  
JUNE 30, 2013**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Special Education - Grants to States (IDEA Part B) Grants to Local Educational Agencies (Title I)	CFDA # 84.027  CFDA # 84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None noted

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None noted

December 23, 2013

To the Board of Education  
Marlington Local School District  
Stark County, Ohio  
10320 Moulin Avenue  
Alliance, Ohio 44601

### **Independent Accountant's Report on Applying Agreed-Upon Procedure**

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on February 21, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

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

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

*Rea & Associates, Inc.*

New Philadelphia, Ohio

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# Dave Yost • Auditor of State

**MARLINGTON LOCAL SCHOOL DISTRICT**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 6, 2014**