



**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Marlington Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2001, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Marlington Local School District, Stark County, Ohio, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note Q to the general purpose financial statements, the District adopted Governmental Accounting Standards Board Statement No. 33. In addition, certain errors and omissions resulting in the overstatement of fixed assets were discovered during the current year. Accordingly, the beginning balance for the General Fixed Assets Account Group was restated as of July 1, 2000 to correct for these errors.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2001 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 20, 2001

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**Marlington Local School District
Combined Balance Sheet - All Fund Types and Account Groups
June 30, 2001**

| | Governmental Fund Types | | | Proprietary Fund Type | | Fiduciary Fund Types | | Account Groups | | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|-----------------|-----------------------|------------------|-----------------------------------|---------------------|--------------------|--------------------------|------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Enterprise | Expendable Trust and Agency | General | Fixed | Long-Term Obligations | General | |
| | | | | | | | | | | | |
| ASSETS AND OTHER DEBITS: | | | | | | | | | | | |
| Assets: | | | | | | | | | | | |
| Equity in Pooled Cash and Investments | \$1,557,464 | \$537,014 | \$0 | \$1,169,153 | \$612,842 | \$669,978 | \$0 | \$0 | \$0 | \$0 | \$4,546,451 |
| Cash with Escrow Agent | 0 | 0 | 0 | 330,000 | 0 | 0 | 0 | 0 | 0 | 0 | 330,000 |
| Receivables | | | | | | | | | | | |
| Taxes | 6,855,661 | 0 | 18,531 | 469,734 | 0 | 0 | 0 | 0 | 0 | 0 | 7,343,926 |
| Accounts | 39,166 | 2,075 | 0 | 0 | 237 | 0 | 0 | 0 | 0 | 0 | 41,478 |
| Interest | 33,206 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 33,206 |
| Intergovernmental | 4,979 | 172,841 | 0 | 0 | 17,264 | 0 | 0 | 0 | 0 | 0 | 195,084 |
| Interfund | 404,551 | 1,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 405,551 |
| Due from Other Funds | 143,450 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 143,450 |
| Materials and Supplies | | | | | | | | | | | |
| Inventory | 88,806 | 0 | 0 | 0 | 27,976 | 0 | 0 | 0 | 0 | 0 | 116,782 |
| Prepaid Items | 3,304 | 302 | 0 | 0 | 720 | 0 | 0 | 0 | 0 | 0 | 4,326 |
| Restricted Assets: | | | | | | | | | | | |
| Equity in Pooled Cash and Investments | 199,811 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 199,811 |
| Fixed Assets (Net where applicable, of Accumulated Depreciation) | 0 | 0 | 0 | 0 | 41,237 | 0 | 17,366,448 | 0 | 0 | 0 | 17,407,685 |
| Other Debits: | | | | | | | | | | | |
| Amount to be Provided for Retirement of General Long-Term Obligations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,286,731 | 0 | 0 | 2,286,731 |
| Total Assets and Other Debits | <u>\$9,330,398</u> | <u>\$713,232</u> | <u>\$18,531</u> | <u>\$1,968,887</u> | <u>\$700,276</u> | <u>\$669,978</u> | <u>\$17,366,448</u> | <u>\$2,286,731</u> | <u>\$0</u> | <u>\$0</u> | <u>\$33,054,481</u> |

(Continued)

The accompanying notes are an integral part of these statements.

**Marlington Local School District
Combined Balance Sheet - All Fund Types and Account Groups
June 30, 2001**

| | Governmental Fund Types | | | | Proprietary Fund Types | | | | Fiduciary | | Totals (Memorandum Only) |
|----------------------------|-------------------------|--------------------|-----------------|---------------------|------------------------|-----------------------------------|----------------------------|-------------------------------------|-------------------|------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Enterprise | Fund Types | | Account Groups | | | |
| | | | | | | Expendable Trust and Agency | General Fixed Assets | General Long-Term Obligations | General Totals | | |
| Accounts Payable | \$78,644 | \$13,753 | \$0 | \$56,137 | \$659 | \$4,844 | \$0 | \$0 | \$0 | \$154,037 | |
| Accrued Wages and Benefits | 1,298,689 | 23,369 | 0 | 317 | 37,261 | 0 | 0 | 0 | 0 | 1,359,636 | |
| Compensated Absences | 193,626 | 0 | 0 | 0 | 17,585 | 0 | 0 | 1,052,691 | 0 | 1,263,902 | |
| Intergovernmental Payable | 284,031 | 846 | 0 | 8 | 34,645 | 0 | 0 | 132,352 | 0 | 451,882 | |
| Interfund Payable | 0 | 166,307 | 0 | 223,720 | 0 | 15,524 | 0 | 0 | 0 | 405,551 | |
| Bonds Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 400,000 | 0 | 400,000 | |
| Capital Lease Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 701,688 | 0 | 701,688 | |
| Interest Payable | 9,463 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9,463 | |
| Due to Others | 0 | 0 | 0 | 0 | 0 | 49,097 | 0 | 0 | 0 | 49,097 | |
| Due to Other Funds | 0 | 143,450 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 143,450 | |
| Deferred Revenue | 6,227,951 | 172,841 | 18,531 | 789,204 | 16,249 | 0 | 0 | 0 | 0 | 7,224,776 | |
| Total Liabilities | 8,592,404 | 520,566 | 18,531 | 1,069,385 | 106,399 | 69,465 | 0 | 2,286,731 | 0 | 12,663,482 | |

LIABILITIES, FUND EQUITY AND OTHER CREDITS:
Liabilities:
Accounts Payable
Accrued Wages and Benefits
Compensated Absences
Intergovernmental Payable
Interfund Payable
Bonds Payable
Capital Lease Payable
Interest Payable
Due to Others
Due to Other Funds
Deferred Revenue
Total Liabilities
(Continued)

The accompanying notes are an integral part of these statements.

**Marlington Local School District
Combined Balance Sheet - All Fund Types and Account Groups
June 30, 2001**

| | Governmental Fund Types | | | Proprietary Fund Types | | Fiduciary Fund Types | | | Account Groups | | | Totals (Memorandum Only) | |
|---|-------------------------|--------------------|-----------------|------------------------|------------|----------------------|---------------------|---------------------|----------------|------------|-----------------------|--------------------------------|----------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Enterprise | Agency | Trust and Agency | Expendable Trust | General | Fixed | Assets Obligations | | General Long-Term |
| Fund Equity and Other Credits: | | | | | | | | | | | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17,366,448 | 0 | 0 | 17,366,448 |
| Contributed Capital | 0 | 0 | 0 | 0 | 124,067 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 124,067 |
| Retained Earnings - Unreserved | 0 | 0 | 0 | 0 | 469,810 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 469,810 |
| Fund Balances | | | | | | | | | | | | | |
| Reserved for Property Taxes | 127,710 | 0 | 0 | 10,530 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 138,240 |
| Reserved for Encumbrances | 1,011,164 | 109,935 | 0 | 401,930 | 0 | 400 | 0 | 0 | 0 | 0 | 0 | 0 | 1,523,429 |
| Reserved for Inventory | 88,806 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 88,806 |
| Reserved for School Bus Purchase | 160,906 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 160,906 |
| Reserved for Prepaid Items | 3,304 | 302 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,606 |
| Reserved for Textbooks | 38,905 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 38,905 |
| Reserved for Advances not Repaid | 143,450 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 143,450 |
| Unreserved - Designated for Budget Stabilization | 203,861 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 203,861 |
| Unreserved - Undesignated (Deficit) | (1,040,112) | 82,429 | 0 | 487,041 | 0 | 600,113 | 0 | 0 | 0 | 0 | 0 | 0 | 129,471 |
| Total Fund Equity and Other Credits | 737,994 | 192,666 | 0 | 899,501 | 593,877 | 600,513 | 0 | 0 | 0 | 17,366,448 | 0 | 0 | 20,390,999 |
| Total Liabilities, Fund Equity and Other Credits | \$9,330,398 | \$713,232 | \$18,531 | \$1,968,887 | \$700,276 | \$669,978 | \$17,366,448 | \$2,286,731 | \$33,054,481 | | | | |

The accompanying notes are an integral part of these statements.

Marlington Local School District
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2001

| | Governmental Fund Types | | | Fiduciary | Totals (Memorandum Only) | |
|------------------------------------|-------------------------|-------------------|---------------|---------------------|--------------------------------|----------------------|
| | Special | Debt | Capital | Fund Type | | |
| | General | Revenue | Service | Expendable Trust | | |
| REVENUE: | | | | | | |
| Taxes | \$6,081,418 | \$0 | \$18,531 | \$405,413 | \$0 | \$6,505,362 |
| Intergovernmental | 8,748,601 | 550,519 | 0 | 198,700 | 0 | 9,497,820 |
| Interest | 207,610 | 20,839 | 0 | 111,076 | 29,900 | 369,425 |
| Extracurricular Activities | 42,430 | 330,185 | 0 | 168 | 0 | 372,783 |
| Other | 55,591 | 49,872 | 0 | 3,492 | 1,420 | 110,375 |
| Classroom Materials & Fees | 77,933 | 0 | 0 | 0 | 0 | 77,933 |
| Total Revenues | <u>15,213,583</u> | <u>951,415</u> | <u>18,531</u> | <u>718,849</u> | <u>31,320</u> | <u>16,933,698</u> |
| EXPENDITURES: | | | | | | |
| Current | | | | | | |
| Instruction | | | | | | |
| Regular | 7,245,527 | 130,381 | 0 | 154,913 | 0 | 7,530,821 |
| Special | 1,273,350 | 209,065 | 0 | 0 | 0 | 1,482,415 |
| Vocational | 903,879 | 25,534 | 0 | 0 | 0 | 929,413 |
| Other | 585,004 | 0 | 0 | 0 | 0 | 585,004 |
| Support Services | | | | | | |
| Pupil | 608,207 | 140,956 | 0 | 0 | 0 | 749,163 |
| Instructional Staff | 439,155 | 17,156 | 0 | 0 | 0 | 456,311 |
| Board of Education | 27,148 | 0 | 0 | 0 | 0 | 27,148 |
| Administration | 1,495,156 | 11,419 | 0 | 0 | 0 | 1,506,575 |
| Fiscal | 282,845 | 701 | 0 | 0 | 0 | 283,546 |
| Business | 157,249 | 0 | 0 | 0 | 0 | 157,249 |
| Operation and Maintenance of Plant | 1,645,089 | 5,784 | 0 | 634,402 | 0 | 2,285,275 |
| Pupil Transportation | 1,146,654 | 2,365 | 0 | 21,129 | 0 | 1,170,148 |
| Central | 79,571 | 0 | 0 | 0 | 0 | 79,571 |
| Community Services | 12,038 | 3,280 | 0 | 0 | 1,300 | 16,618 |
| Extracurricular Activities | 401,552 | 453,789 | 0 | 2,455 | 18,132 | 875,928 |
| Capital Outlay | 4,789 | 0 | 0 | 507,050 | 0 | 511,839 |
| Debt Service | | | | | | |
| Principal and Interest Retirement | 55,333 | 0 | 18,531 | 0 | 0 | 73,864 |
| Total Expenditures | <u>16,362,546</u> | <u>1,000,430</u> | <u>18,531</u> | <u>1,319,949</u> | <u>19,432</u> | <u>18,720,888</u> |
| Revenues Over (Under) | | | | | | |
| Expenditures | <u>\$(1,148,963)</u> | <u>\$(49,015)</u> | <u>\$0</u> | <u>\$(601,100)</u> | <u>\$11,888</u> | <u>\$(1,787,190)</u> |

(Continued)

The accompanying notes are an integral part of these statements.

**Marlington Local School District
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2001**

| | Governmental Fund Types | | | | Fiduciary | Totals (Memorandum Only) |
|--|-------------------------|-------------------------|-------------------|-------------------------|----------------------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Fund Type Expendable Trust | |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Sale of Fixed Assets | \$1,721 | \$0 | \$0 | \$0 | \$0 | \$1,721 |
| Proceeds from Bonds | 0 | 0 | 0 | 400,000 | 0 | 400,000 |
| Capital Lease Proceeds | 0 | 0 | 0 | 395,000 | 0 | 395,000 |
| Operating Transfers - In | 216,810 | 0 | 0 | 0 | 0 | 216,810 |
| Operating Transfers - Out | (216,810) | 0 | 0 | 0 | 0 | (216,810) |
| Refund of Prior Year's Receipts | 1,902 | 0 | 0 | 0 | 0 | 1,902 |
| Total Other Financing Sources | <u>3,623</u> | <u>0</u> | <u>0</u> | <u>795,000</u> | <u>0</u> | <u>798,623</u> |
| Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (1,145,340) | (49,015) | 0 | 193,900 | 11,888 | (988,567) |
| Fund Balances at Beginning of Year (Restated, See Note Q) | 1,880,221 | 241,681 | 0 | 705,601 | 588,625 | 3,416,128 |
| Increase in Reserve for Inventory | <u>3,113</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>3,113</u> |
| Fund Balances at End of Year | <u><u>\$737,994</u></u> | <u><u>\$192,666</u></u> | <u><u>\$0</u></u> | <u><u>\$899,501</u></u> | <u><u>\$600,513</u></u> | <u><u>\$2,430,674</u></u> |

The accompanying notes are an integral part of these statements.

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Marlington Local School District
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget Basis and Actual
All Governmental Fund Types and Similar Trust Funds
For the Fiscal Year Ended June 30, 2001

| | General Fund | | |
|--|--------------------|--------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | |
| Taxes | \$ 6,253,308 | \$ 6,253,308 | \$ - |
| Intergovernmental | 8,744,023 | 8,744,023 | - |
| Interest | 174,404 | 174,404 | - |
| Food Services | - | - | - |
| Extracurricular Activities | 27,971 | 27,971 | - |
| Classroom Materials and Fees | 77,956 | 77,956 | - |
| Other | 53,940 | 53,940 | - |
| Total Revenues | 15,331,602 | 15,331,602 | - |
| EXPENDITURES: | | | |
| Current | | | |
| Instruction | | | |
| Regular | 7,395,105 | 7,395,105 | - |
| Special | 1,396,815 | 1,396,815 | - |
| Vocational | 880,100 | 880,100 | - |
| Other | 717,630 | 717,630 | - |
| Support Services | | | |
| Pupil | 602,501 | 602,501 | - |
| Instructional Staff | 507,417 | 507,417 | - |
| Board of Education | 28,906 | 28,906 | - |
| Administration | 1,468,325 | 1,468,325 | - |
| Fiscal | 326,616 | 326,616 | - |
| Business | 259,621 | 259,621 | - |
| Operation and Maintenance of Plant | 1,876,000 | 1,876,000 | - |
| Pupil Transportation | 1,211,060 | 1,211,060 | - |
| Central | 107,262 | 107,262 | - |
| Food Service Operations | 12,167 | 12,167 | - |
| Community Services | - | - | - |
| Extracurricular Activities | 407,759 | 407,759 | - |
| Architecture and Engineering | 16,876 | 16,876 | - |
| Debt Service | - | - | - |
| Principal Retirement and Interest | 45,870 | 45,870 | - |
| Total Expenditures | 17,260,030 | 17,260,030 | - |
| Revenues Over (Under) Expenditures | (1,928,428) | (1,928,428) | - |
| OTHER FINANCING SOURCES (USES): | | | |
| Sale of Fixed Assets | 1,721 | 1,721 | - |
| Proceeds from Bonds | - | - | - |
| Advances - In | 1,250,554 | 1,250,554 | - |
| Advances - Out | (1,227,929) | (1,227,929) | - |
| Transfers - In | 216,810 | 216,810 | - |
| Transfers - Out | (216,810) | (216,810) | - |
| Capital Lease Proceeds | - | - | - |
| Refund of Prior Year Expenditures | 1,902 | 1,902 | - |
| Total Other Financing Sources (Uses) | 26,248 | 26,248 | - |
| Total Revenues and Other Financing | | | |
| Sources Over (Under) Expenditures and | | | |
| Other Financing Uses | (1,902,180) | (1,902,180) | - |
| Fund Balances at Beginning of Year | 941,412 | 941,412 | - |
| Prior Year Encumbrances | 1,630,390 | 1,630,390 | - |
| Fund Balance at End of Year | \$ 669,622 | \$ 669,622 | \$ - |

The accompanying notes are an integral part of these statements.

| Special Revenue Funds | | |
|-----------------------|------------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$ - | \$ - | \$ - |
| 1,025,978 | 835,631 | (190,347) |
| 20,838 | 20,838 | - |
| 775 | 775 | - |
| 331,368 | 331,368 | - |
| - | - | - |
| 49,124 | 49,124 | - |
| <u>1,428,083</u> | <u>1,237,736</u> | <u>(190,347)</u> |

| Debt Service Funds | | |
|--------------------|---------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$ 18,531 | \$ 18,531 | \$ - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| <u>18,531</u> | <u>18,531</u> | <u>-</u> |

| | | |
|------------------|------------------|------------------|
| 125,552 | 125,552 | - |
| 228,378 | 228,378 | - |
| 26,667 | 26,667 | - |
| - | - | - |
| 143,915 | 143,915 | - |
| 33,379 | 33,379 | - |
| - | - | - |
| 12,346 | 12,346 | - |
| 901 | 901 | - |
| 16,166 | 16,166 | - |
| 6,634 | 6,634 | - |
| 3,365 | 3,365 | - |
| - | - | - |
| 4,125 | 4,125 | - |
| - | - | - |
| 536,463 | 536,463 | - |
| - | - | - |
| <u>1,137,891</u> | <u>1,137,891</u> | <u>-</u> |
| <u>290,192</u> | <u>99,845</u> | <u>(190,347)</u> |

| | | |
|---------------|---------------|----------|
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| <u>18,531</u> | <u>18,531</u> | <u>-</u> |
| <u>18,531</u> | <u>18,531</u> | <u>-</u> |
| <u>-</u> | <u>-</u> | <u>-</u> |

| | | |
|------------------|------------------|----------|
| - | - | - |
| - | - | - |
| 584,544 | 584,544 | - |
| (728,964) | (728,964) | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| <u>(144,420)</u> | <u>(144,420)</u> | <u>-</u> |

| | | |
|----------|----------|----------|
| - | - | - |
| - | - | - |
| 18,531 | 18,531 | - |
| (18,531) | (18,531) | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> |

| | | |
|-------------------|-------------------|---------------------|
| 145,772 | (44,575) | (190,347) |
| 360,904 | 360,904 | - |
| 99,229 | 99,229 | - |
| <u>\$ 605,905</u> | <u>\$ 415,558</u> | <u>\$ (190,347)</u> |

| | | |
|-------------|-------------|-------------|
| - | - | - |
| - | - | - |
| - | - | - |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

| | Capital Projects Funds | | |
|---|------------------------|--------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | |
| Taxes | \$ 420,553 | \$ 420,553 | \$ - |
| Intergovernmental | 216,569 | 199,700 | (16,869) |
| Interest | 111,077 | 111,077 | - |
| Food Service | - | - | - |
| Extracurricular Activities | 168 | 168 | - |
| Classroom Materials and Fees | - | - | - |
| Other | 3,492 | 3,492 | - |
| Total Revenues | <u>751,859</u> | <u>734,990</u> | <u>(16,869)</u> |
| EXPENDITURES: | | | |
| Current | | | |
| Instruction | | | |
| Regular | 156,153 | 156,153 | - |
| Special | - | - | - |
| Vocational | - | - | - |
| Other | - | - | - |
| Support Services | | | |
| Pupil | - | - | - |
| Instructional Staff | - | - | - |
| Board of Education | - | - | - |
| Administration | - | - | - |
| Fiscal | - | - | - |
| Business | 827,273 | 827,273 | - |
| Operation and Maintenance of Plant | 733,039 | 733,039 | - |
| Pupil Transportation | 21,129 | 21,129 | - |
| Central | - | - | - |
| Food Service Operations | - | - | - |
| Community Services | - | - | - |
| Extracurricular Activities | 2,492 | 2,492 | - |
| Architecture and Engineering | 4,500 | 4,500 | - |
| Debt Service | | | |
| Principal Retirement and Interest | - | - | - |
| Total Expenditures | <u>1,744,586</u> | <u>1,744,586</u> | <u>-</u> |
| Revenues Over (Under) Expenditures | <u>(992,727)</u> | <u>(1,009,596)</u> | <u>(16,869)</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Sale of Fixed Assets | - | - | - |
| Proceeds from Bonds | 400,000 | 400,000 | - |
| Advances - In | 594,573 | 594,573 | - |
| Advances - Out | (472,369) | (472,369) | - |
| Transfers - In | - | - | - |
| Transfers - Out | - | - | - |
| Capital Lease Proceeds | 395,000 | 395,000 | - |
| Refund of Prior Year Expenditures | - | - | - |
| Total Other Financing Sources (Uses) | <u>917,204</u> | <u>917,204</u> | <u>-</u> |
| Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | <u>(75,523)</u> | <u>(92,392)</u> | <u>(16,869)</u> |
| Fund Balances at Beginning of Year | 291,258 | 291,258 | - |
| Prior Year Encumbrances | 512,221 | 512,221 | - |
| Fund Balance at End of Year | <u>\$ 727,956</u> | <u>\$ 711,087</u> | <u>\$ (16,869)</u> |

The accompanying notes are an integral part of these statements.

| Expendable Trust Funds | | | Totals (Memorandum Only) | | |
|------------------------|-------------------|----------------------------------|--------------------------|---------------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$ - | \$ - | \$ - | \$ 6,692,392 | \$ 6,692,392 | \$ - |
| - | - | - | 9,986,570 | 9,779,354 | (207,216) |
| 29,900 | 29,900 | - | 336,219 | 336,219 | - |
| - | - | - | 775 | 775 | - |
| - | - | - | 359,507 | 359,507 | - |
| - | - | - | 77,956 | 77,956 | - |
| 1,420 | 1,420 | - | 107,976 | 107,976 | - |
| <u>31,320</u> | <u>31,320</u> | <u>-</u> | <u>17,561,395</u> | <u>17,354,179</u> | <u>(207,216)</u> |
| - | - | - | 7,676,810 | 7,676,810 | - |
| - | - | - | 1,625,193 | 1,625,193 | - |
| - | - | - | 906,767 | 906,767 | - |
| - | - | - | 717,630 | 717,630 | - |
| - | - | - | 746,416 | 746,416 | - |
| - | - | - | 540,796 | 540,796 | - |
| - | - | - | 28,906 | 28,906 | - |
| - | - | - | 1,480,671 | 1,480,671 | - |
| - | - | - | 327,517 | 327,517 | - |
| - | - | - | 1,103,060 | 1,103,060 | - |
| - | - | - | 2,615,673 | 2,615,673 | - |
| - | - | - | 1,235,554 | 1,235,554 | - |
| - | - | - | 107,262 | 107,262 | - |
| - | - | - | 16,292 | 16,292 | - |
| 1,300 | 1,300 | - | 1,300 | 1,300 | - |
| 18,532 | 18,532 | - | 965,246 | 965,246 | - |
| - | - | - | 21,376 | 21,376 | - |
| - | - | - | 64,401 | 64,401 | - |
| <u>19,832</u> | <u>19,832</u> | <u>-</u> | <u>20,180,870</u> | <u>20,180,870</u> | <u>-</u> |
| <u>11,488</u> | <u>11,488</u> | <u>-</u> | <u>(2,619,475)</u> | <u>(2,826,691)</u> | <u>(207,216)</u> |
| - | - | - | 1,721 | 1,721 | - |
| - | - | - | 400,000 | 400,000 | - |
| - | - | - | 2,448,202 | 2,448,202 | - |
| - | - | - | (2,447,793) | (2,447,793) | - |
| - | - | - | 216,810 | 216,810 | - |
| - | - | - | (216,810) | (216,810) | - |
| - | - | - | 395,000 | 395,000 | - |
| - | - | - | 1,902 | 1,902 | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>799,032</u> | <u>799,032</u> | <u>-</u> |
| 11,488 | 11,488 | - | (1,820,443) | (2,027,659) | (207,216) |
| 571,649 | 571,649 | - | 2,165,223 | 2,165,223 | - |
| 17,000 | 17,000 | - | 2,258,840 | 2,258,840 | - |
| <u>\$ 600,137</u> | <u>\$ 600,137</u> | <u>\$ -</u> | <u>\$ 2,603,620</u> | <u>\$ 2,396,404</u> | <u>\$ (207,216)</u> |

Marlington Local School District
Combined Statement of Revenues, Expenses, and Changes in
Retained Earnings - Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001

| | <u>Enterprise</u> |
|---|-------------------|
| OPERATING REVENUES: | |
| Sales | \$456,795 |
| Charges for Services | 19,547 |
| Total Operating Revenues | 476,342 |
| OPERATING EXPENSES: | |
| Salaries and Wages | 234,166 |
| Fringe Benefits | 84,926 |
| Purchased Services | 37,029 |
| Cost of Sales | 264,349 |
| Depreciation | 4,037 |
| Materials and Supplies Expense | 29,962 |
| Total Operating Expenses | 654,469 |
| Operating Loss | (178,127) |
| NON-OPERATING REVENUES: | |
| Donated Commodities | 40,882 |
| Federal and State Subsidies | 205,500 |
| Interest | 1,718 |
| Total Non-Operating Revenues | 248,100 |
| Net Income | 69,973 |
| Retained Earnings at Beginning of Year | 399,837 |
| Retained Earnings at End of Year | \$469,810 |

The accompanying notes are an integral part of these statements.

Marlington Local School District
Combined Statement of Revenues, Expenditures, and Changes
in Fund Equity - Budget Basis and Actual
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001

| | Enterprise Funds | | |
|---|-------------------|-------------------|--|
| | Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | |
| Tuition and Fees | \$ 18,870 | \$ 18,870 | \$ - |
| Sales | 456,678 | 456,678 | - |
| Operating Grants | 156,795 | 156,795 | - |
| Interest | 45,293 | 45,293 | - |
| Extracurricular Activities | 676 | 676 | - |
| Total Revenues | 678,312 | 678,312 | - |
| EXPENSES: | | | |
| Salaries and Wages | 244,348 | 244,348 | - |
| Fringe Benefits | 86,543 | 86,543 | - |
| Contract Services | 13,447 | 13,447 | - |
| Supplies | 256,626 | 256,626 | - |
| Capital Outlay | 14,128 | 14,128 | - |
| Total Expenses | 615,092 | 615,092 | - |
| Revenues Over Expenditures | 63,220 | 63,220 | - |
| Fund Balances at Beginning of Year | 525,425 | 525,425 | - |
| Pior Year Encumbrances | 8,182 | 8,182 | - |
| Fund Balance at End of Year | \$ 596,827 | \$ 596,827 | \$ - |

The accompanying Notes are an integral part of these financial statements

**Marlington Local School District
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2001**

| | <u>Enterprise Funds</u> |
|---|-----------------------------|
| Cash flows from operating activities: | |
| Operating loss | \$ (178,127) |
| Adjustments to reconcile operating loss to net cash (used in) operating activities | |
| Depreciation | 4,037 |
| Donated commodities in cost of sales | 40,882 |
| Changes in assets and liabilities that increase (decrease) cash flow from operations | |
| Accounts receivable | (117) |
| Intergovernmental receivable | (5,131) |
| Material and supplies inventory | (2,422) |
| Prepaid expenses | (227) |
| Accounts payable | (1,940) |
| Accrued wages and benefits | (502) |
| Compensated absences | (9,680) |
| Intergovernmental payable | 27,899 |
| Net cash used in operating activities | <u>(125,328)</u> |
| Cash flows from capital and related financing activities | |
| Operating grants received | 205,500 |
| Other non-operating revenue | 1,718 |
| Acquisition of equipment | <u>(2,652)</u> |
| Net cash provided by capital and related financing activities | <u>204,566</u> |
| Net increase in cash and cash equivalents | 79,238 |
| Cash and cash equivalents - beginning of year | <u>533,604</u> |
| Cash and cash equivalents - end of year | <u><u>\$ 612,842</u></u> |
| Non-cash financing activities: | |
| Donated commodities received | <u><u>\$ 40,882</u></u> |

The accompanying notes are an integral part of these statements.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. DESCRIPTION OF THE ENTITY

The Marlington Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 2000 was 2,704. The District employed 204 certified employees and 131 non-certified employees.

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

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

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1. DESCRIPTION OF THE ENTITY - Continued

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

2. BASIS OF PRESENTATION - FUND ACCOUNTING

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

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

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

Governmental Fund Types:

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

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. BASIS OF PRESENTATION - FUND ACCOUNTING - Continued

Governmental Fund Types: - Continued

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

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

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

Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary Fund Type:

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

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

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. BASIS OF PRESENTATION - FUND ACCOUNTING - Continued

Fiduciary Fund Types:

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds. These include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

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

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

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

3. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined balance

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after year-end. In applying the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants and entitlements.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise in the governmental funds when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2001 and delinquent property taxes that are intended to finance fiscal year 2002 operations have been recorded as deferred revenue as more fully described in Note D.

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

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. There were no unbilled service charges at fiscal year-end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities nonoperating revenue. Unused donated commodities as of June 30, 2001 were insignificant to the general purpose financial statements.

4. BUDGETARY DATA

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund/function level within each fund. Any budgetary modification at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Stark County Budget Commission for rate determination.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. BUDGETARY DATA - Continued

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year.

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District's Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 2001.

Appropriations:

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

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. BUDGETARY DATA - Continued

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balances for subsequent year expenditures for governmental funds and reported in the notes to the financial statements for proprietary fund. At year-end, the District's advances in/out did not agree by \$409 on a non-GAAP budgetary basis. This difference relates to Agency fund activity which is not disclosed in the financial statements.

Lapsing of Appropriations:

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

Budgetary Basis of Accounting:

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

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

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. BUDGETARY DATA - Continued

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

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

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

| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Expendable Trust</u> |
|--|----------------------|----------------------------|---------------------|-----------------------------|-----------------------------|
| GAAP Basis | \$(1,145,340) | \$ (49,015) | \$ -0- | \$193,900 | \$11,888 |
| Net Adjustment for Revenue Accruals | 118,019 | 286,321 | -0- | 16,141 | -0- |
| Net Adjustment for Expenditure Accruals | 191,889 | (16,007) | -0- | 33,430 | -0- |
| Year-end Encumbrances | (1,087,652) | (121,454) | -0- | (458,067) | (400) |
| Sales of Fixed Assets | (1,721) | -0- | -0- | -0- | -0- |
| Advances - In (Out) - Net | <u>22,625</u> | <u>(144,420)</u> | <u>-0-</u> | <u>122,204</u> | <u>-0-</u> |
| Budget Basis | <u>\$(1,902,180)</u> | <u>\$ (44,575)</u> | <u>\$ -0-</u> | <u>\$ (92,392)</u> | <u>\$11,488</u> |

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

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. BUDGETARY DATA - Continued

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

| | <u>Enterprise</u> |
|-------------------------------------|-------------------------|
| GAAP Basis | \$ 69,973 |
| Net Adjustment for Revenue Accruals | (46,130) |
| Net Adjustment for Expense Accruals | 21,975 |
| Year End Encumbrances | 16,017 |
| Capital Acquisition | (2,652) |
| Depreciation | 4,037 |
| Budget Basis | <u><u>\$ 63,220</u></u> |

5. POOLED CASH AND INVESTMENTS

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

During fiscal year 2001, investments were limited to STAROhio, repurchase agreements, treasury bills, and mutual funds.

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

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. POOLED CASH AND INVESTMENTS - Continued

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2001. 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 Rule2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2001.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the auxiliary services fund, public schools support fund, permanent improvement fund and certain trust funds individually authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$207,610 which includes \$72,155 assigned from other District funds.

For the purpose of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with the original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

6. INVENTORY

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

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. FIXED ASSETS AND DEPRECIATION - Continued

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. The District has established a capitalization threshold for fixed assets at \$500. Books, records, movies, and other learning aids kept at the District Library are also included for reporting purposes. The District does not possess any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

8. INTERGOVERNMENTAL REVENUES

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

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Non-Reimbursable Grants

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

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. INTERGOVERNMENTAL REVENUES - Continued

Special Revenue Funds

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

Reimbursable Grants

General Fund

Driver Education
School Bus Purchase Reimbursement

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 56% of the District's operating revenue during the 2001 fiscal year.

9. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2001 are recorded as prepaid items.

10. SHORT-TERM, INTERFUND ASSETS/LIABILITIES

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

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. COMPENSATED ABSENCES

The District follows the provision of Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

Employees earn vacation at rates specified by Union Contractual Agreement based on credited service. Administrative and 260-day employees are entitled to vacation ranging from 5 to 20 days. Employees with less than one year of service hired prior to February 1st earn 5 days of vacation. At June 30, 2001, a liability of \$158,358 has been provided for earned but unused vacation.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one fourth of the value of the first 120 days of sick leave. In addition, employees who have accrued more than 120 days sick leave receive one additional day for each fifteen days accrued sick leave to a maximum of an additional 10 days. The total maximum is 40 days. At June 30, 2001, a current liability and long-term liability, of \$211,211 and \$894,334, respectively, has been provided for earned but unused sick leave severance.

Teachers with at least twenty-five years of teaching service accepted by the State Teachers Retirement System, but less than thirty-one years of accumulated service credit accepted by STRS and who are accepted by STRS for retirement benefits at the time they terminate employment with the District, shall receive an additional settlement as payment in the amount of \$5,000 provided the amount of the total severance pay to such a teacher shall not exceed the value of the teacher's accrued sick leave. In order to be eligible for the additional payment, the teacher must submit a resignation to the Board of Education no later than January 15th of the teacher's last school year of employment.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. COMPENSATED ABSENCES - Continued

Classified staff members with at least twenty-five years of service but less than thirty-one years of service and/or accepted by SERS for retirement benefits at the time they terminate employment with the District shall receive an additional settlement as payment in the amount of 13% of their salary at retirement provided that the total severance payment to such staff member shall not exceed the value of the staff member's accrued sick leave. In order to be eligible for the additional payment, the staff member must submit a resignation to the Board of Education not later than six months prior to the employee's retirement date.

12. CONTRIBUTED CAPITAL

Contributed capital represents resources from other funds, other governments and private sources provided to enterprise funds and is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. There was no change in contributed capital during the year.

13. LONG-TERM DEBT

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

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

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

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

13. LONG-TERM DEBT - Continued

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

14. INTERFUND TRANSACTIONS

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

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

15. FUND BALANCE RESERVES/DESIGNATIONS

Reserved fund balances indicate that portions of fund equity which are not available for current appropriation or are legally segregated for a specific use. Designated fund balance indicates that portion of fund equity for which management has an intended use of the resources. Fund balances are reserved for property taxes, encumbrances, inventory, school bus purchase, prepaid items and textbooks. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute. The amount set-aside by the School Board for budget stabilization is reported as a designation of fund balance in the general fund.

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

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

15. FUND BALANCE RESERVES/DESIGNATIONS - Continued

The District is also required by State law to set aside certain General Fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

| | Textbook Reserve | Capital Maintenance Reserve | Budget Stabilization Reserve | Total |
|---|---------------------|-----------------------------------|------------------------------------|---------------------|
| Balance at June 30, 2000 | \$ 37,678 | \$ -0- | \$ 363,861 | \$ 401,539 |
| Required set aside | 348,947 | 348,947 | -0- | 697,894 |
| Offset Credits | -0- | (439,084) | -0- | (439,084) |
| Elimination of Budget Stabilization Reserve | -0- | -0- | (363,861) | (363,861) |
| Qualifying Expenditures | (347,720) | (173,905) | -0- | (521,625) |
| Total | <u>\$ 38,905</u> | <u>\$ (264,042)</u> | <u>\$ -0-</u> | <u>\$ (225,137)</u> |
| Balance Carried Forward To FY2002 | <u>\$ 38,905</u> | <u>\$ -0-</u> | <u>-0-</u> | <u>\$ 38,905</u> |
| Amount Restricted For School Bus Replacement | | | | 160,906 |
| Total Restricted Assets | | | | <u>\$ 199,811</u> |

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. As permitted by law monies representing BWC refunds that were received prior to April 10, 2001, were transferred to the account designated for school bus purchase (Resolution No. 170) totaling \$141,431. All remaining monies previously reported in the budget stabilization reserve are now reported as designated fund balance in the general fund since the School Board reestablished a budget stabilization reserve in accordance with ORC Section 5705.13 by June 30, 2001. The balance in the budget stabilization designation at June 30, 2001, was \$203,861. The District is still required by State law to maintain the textbook reserve and the capital acquisition reserve.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

15. FUND BALANCE RESERVES/DESIGNATIONS - Continued

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

16. PROPRIETARY FUND ACCOUNTING

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

17. ESTIMATES

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

18. RESTRICTED ASSETS

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

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

19. TOTAL COLUMNS ON GENERAL PURPOSE FINANCIAL STATEMENTS

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

NOTE B – CASH AND CASH EQUIVALENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE B – CASH AND CASH EQUIVALENTS - Continued

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuance of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE B – CASH AND CASH EQUIVALENTS - Continued

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits - At fiscal year end, the carrying amount of the District's deposits was \$3,162,190 and the bank balance was \$2,984,341. \$300,000 of the bank balance was covered by federal depository insurance. \$2,684,314 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

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

Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the District's name.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE B – CASH AND CASH EQUIVALENTS - Continued

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio is unclassified because it is not evidenced by securities that exist in physical or book entry form.

| | Category 3 | Carrying Value | Fair Value |
|----------------------|------------|-------------------|---------------|
| U.S. Treasury Bills | \$ 500,000 | \$ 500,000 | \$ 500,000 |
| Repurchase Agreement | 572,339 | 572,339 | 572,339 |
| | 1,072,339 | 1,072,339 | 1,072,339 |
| STAR Ohio | | 511,733 | 511,733 |
| Totals | | \$1,584,072 | \$1,584,072 |

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

| | Cash and Cash Equivalents/ Deposits | Investments |
|----------------------|---|--------------|
| GASB Statement 9 | \$ 4,746,262 | \$ 0 |
| Investments: | | |
| U.S. Treasury Bills | (500,000) | 500,000 |
| Repurchase Agreement | (572,339) | 572,339 |
| STAR Ohio | (511,733) | 511,733 |
| GASB Statement 3 | \$ 3,162,190 | \$ 1,584,072 |

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE C - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES - FUND DEFICITS

Fund balances at June 30, 2001 included the following individual fund deficits:

Special Revenue Funds

| | |
|----------------------|-----------|
| Athletic Fund | \$ 53,214 |
| Disadvantaged Pupil | 5,056 |
| Title I | 30,416 |
| Title VI | 8,216 |
| Other Federal Grants | 39,258 |

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

NOTE D - PROPERTY TAX

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The County Auditor reappraise all real property every six years with a triennial update. The last update was completed for tax year 2000.

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

The full tax rate applied to real property for tax (calendar) year 2000 was \$48.40 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$22.52 per \$1,000 of assessed valuation for real property classified as residential or agricultural and \$26.48 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE D - PROPERTY TAX - Continued

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for tax (calendar) year 2000 was \$48.90 per \$1,000 of assessed valuation.

| | |
|---|----------------|
| Real Property - 2000 Valuation | |
| Residential/Agricultural | \$ 183,451,120 |
| Commercial/Industrial | 52,858,780 |
| Public Utilities | 80,040 |
| Minerals | 1,786,360 |
| Tangible Personal Property - 2000 Valuation | |
| General | 30,979,794 |
| Public Utilities | 11,800,350 |
| | <hr/> |
| Total Valuation | \$ 280,956,444 |
| | <hr/> |

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

Accrued property taxes receivable represent delinquent taxes outstanding on real property, personal property and public utility taxes, which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30, 2001 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available and received as an advance at June 30, 2001 was \$127,710 in the General Fund and \$10,530 in the Capital Projects Fund.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE E - RISK MANAGEMENT

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

For fiscal year 2001, the District participated in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool (Note O). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The worker's compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the GRP. Each participant pays its worker's compensation premium to the State based on the rate for GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant share equally in the overall performance of the GRP.

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

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

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

June 30, 2001

NOTE F - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001 follows:

| | |
|-------------------------------|------------|
| Furniture and Equipment | \$ 158,475 |
| Less Accumulated Depreciation | (117,238) |
| Net Fixed Assets | \$ 41,237 |

The general fixed asset account group has been restated as of July 1, 2000 due to certain errors and omissions:

| | Balance June 30, 2000 | Adjustment | Restated Balance July 1, 2000 |
|--------------------------------------|--------------------------|----------------|----------------------------------|
| Land and Buildings | \$ 20,933,295 | \$(10,496,534) | \$ 10,436,761 |
| Furniture, fixtures and equipment | 2,952,149 | 1,602,479 | 4,554,628 |
| Vehicles | 1,583,454 | (18,942) | 1,564,512 |
| Total | \$ 25,468,898 | \$ (8,912,997) | \$ 16,555,901 |

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

| | Restated Balance July 1, 2000 | Increase | (Decrease) | Balance June 30, 2001 |
|--------------------------------------|-------------------------------------|------------|-------------|-----------------------------|
| Land and Buildings | \$10,436,761 | \$ 64,165 | \$ 0 | \$10,500,926 |
| Furniture, fixtures and equipment | 4,554,628 | 50,340 | 0 | 4,604,968 |
| Vehicles | 1,564,512 | 257,740 | (66,247) | 1,756,005 |
| Construction in Progress | 0 | 504,549 | 0 | 504,549 |
| Total | \$16,555,901 | \$ 876,794 | \$ (66,247) | \$17,366,448 |

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

June 30, 2001

NOTE G - LONG-TERM DEBT

Long-term obligations of the District as of June 30, 2001 were as follows:

| | <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> |
|--|---------------------|---------------------|-------------------|---------------------|
| SERS Payable Capitalized | \$ 113,528 | \$ 132,352 | \$ 113,528 | \$ 132,352 |
| Lease Payable 6.24% Energy Conservation Bond, 2000, 5.38% Compensated Absences | 0 | 725,000 | 23,312 | 701,688 |
| | 0 | 400,000 | 0 | 400,000 |
| | <u>993,103</u> | <u>59,588</u> | <u>0</u> | <u>1,052,691</u> |
| Total | <u>\$ 1,106,631</u> | <u>\$ 1,316,940</u> | <u>\$ 136,840</u> | <u>\$ 2,286,731</u> |

During July 2000, the District issued \$400,000 in energy conservation bonds for the purpose of installations, modifications, and remodeling of school buildings to conserve energy. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. Intergovernmental payables and the compensated absences will be paid from the fund from which the employees' salaries are paid.

NOTE G - LONG-TERM DEBT - Continued

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

| | <u>Interest</u> | <u>Principal</u> | <u>Total</u> |
|---------------|-----------------|------------------|---------------|
| June 30, 2002 | \$19,368 | \$80,000 | \$99,368 |
| June 30, 2003 | 15,064 | 80,000 | 95,064 |
| June 30, 2004 | 10,760 | 80,000 | 90,760 |
| June 30, 2005 | 6,456 | 80,000 | 86,456 |
| June 30, 2006 | <u>2,152</u> | <u>80,000</u> | <u>82,152</u> |
| | \$53,800 | \$400,000 | \$453,800 |

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE H – CAPITAL LEASE – LESSEE DISCLOSURE

On October 12, 2000, the District has entered into a lease-purchase agreement for financing the constructing, improving, furnishing, equipping and eventual acquisition of the Project Facilities on October 12, 2001. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease principal payments amounted to \$23,312 for the fiscal year ended June 30, 2001. The carrying cost of capital lease assets is \$725,000.

A liability in the amount of the present value of minimum lease payments has been recorded in the general long-term obligations account group. General fixed assets consisting of construction in progress have been capitalized in the general fixed assets account group in the amount of \$504,549. This amount represents the costs of the construction and improvements of the Moulin Center funded by the lease-purchase agreement that were incurred prior to June 30, 2001.

In conjunction with the lease-purchase agreement, the District entered into an escrow agreement with Fifth Third Bank whereby Fifth Third Bank acts as escrow agent for the funds received under the lease-purchase agreement. Under the escrow agreement, Fifth Third Bank is required to deposit lease-purchase proceeds in an amount not to exceed \$725,000 into a separate fund in the District's name to pay for the project costs. The District shall prepare and submit "Disbursement Request Forms" to Fifth Third Bank for an amount necessary to cover submitted contractors invoices. The District subsequently remits payment to each respective contractor based on the submitted invoices. At June 30, 2001, the District had requested and subsequently received \$395,000 of lease-proceeds. In addition, funds remaining with the escrow agent that were not drawn down as of the balance sheet date have been reflected as "Cash with Escrow Agent" totaling \$330,000.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE H – CAPITAL LEASE – LESSEE DISCLOSURE - Continued

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

| | | |
|---|------------------------------------|------------------|
| | Fiscal Year Ending June 30, 2002 | \$ 48,858 |
| | 2003 | 51,995 |
| | 2004 | 55,334 |
| | 2005 | 58,887 |
| | 2006 | 62,669 |
| | Thereafter | <u>685,493</u> |
| Total | | 963,236 |
| | Less: Amount Representing Interest | <u>(261,548)</u> |
| Present Value of Net Minimum Lease Payments | | <u>\$701,688</u> |

NOTE I - RETIREMENT PLANS

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

1. STATE TEACHERS' RETIREMENT SYSTEM (STRS)

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30,

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE I - RETIREMENT PLANS – Continued

1. STATE TEACHERS' RETIREMENT SYSTEM (STRS) – Continued

2001, 2000 and 1999 were \$1,148,112, \$1,073,722 and \$1,057,898, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2001 and 2000. \$185,485, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

2. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent; 4.2 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$368,820, \$323,784, and \$312,378, respectively; 46 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2001 and 2000. \$198,528, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term debt account group.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE J - POST-EMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in form of monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. However, for the fiscal year ended June 30, 2001, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was 3.419 billion on June 30, 2000. As of July 1, 2000 (latest information available), eligible benefit recipients statewide totaled 99,011. For the fiscal year ended June 30, 2000, net health care costs paid by STRS statewide were \$283,137,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. The number of participants currently receiving health care benefits is 50,000.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 (latest information available) were \$140.7 million. At June 30, 2000 (latest information available), SERS had net assets available for payment of health care benefits of \$252.3 million.

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE K - CONTINGENCIES

GRANTS

During the year ended June 30, 2001, the District received grants-in-aid from federal and state sources amounting to \$946,343 and \$9,079,393, respectively, for specific purposes that are subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the District's management believes such disallowances, if any, would be insignificant.

STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 20, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and re-determine any issue upon such reconsideration.

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

June 30, 2001

NOTE K – CONTINGENCIES – Continued

STATE SCHOOL FUNDING DECISION - Continued

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

NOTE L - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains three enterprise funds; adult education, food service and uniform school supplies, which are operated on a sales basis. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District for the fiscal year ended June 30, 2001:

| | <u>Food Service</u> | <u>Uniform School Supplies</u> | <u>Adult Education</u> | <u>Total</u> |
|--|-------------------------|--|----------------------------|--------------|
| Operating Revenues | \$456,795 | \$ 18,871 | \$ 676 | \$ 476,342 |
| Operating Expenses Before Depreciation | 633,690 | 16,397 | 345 | 650,432 |
| Depreciation | 4,037 | -0- | -0- | 4,037 |
| Operating Income/(Loss) | (180,932) | 2,474 | 331 | (178,127) |
| Operating Grants | 205,500 | -0- | -0- | 205,500 |
| Net Non-Operating Revenue/Expenses | 246,382 | 1,396 | 322 | 248,100 |
| Net Income/(Loss) | 65,450 | 3,870 | 653 | 69,973 |
| Net Working Capital | 555,042 | 21,437 | 4,176 | 580,655 |
| TOTAL ASSETS | 674,663 | 21,437 | 4,176 | 700,276 |
| TOTAL EQUITY | 568,264 | 21,437 | 4,176 | 593,877 |
| Reserve for Encumbrances | 9,957 | 6,060 | -0- | 16,017 |

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE M – OPERATING LEASING ARRANGEMENTS

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

The following is a schedule of future minimum rental payments required under the above operating lease as of June 30, 2001:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|------------------|
| 2002 | \$ 44,760 |
| 2003 | 3,750 |
| | <u>\$ 48,510</u> |

NOTE N - JOINTLY GOVERNED ORGANIZATION

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

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

June 30, 2001

NOTE O - PUBLIC ENTITY RISK POOLS

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

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

NOTE P - RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accounts, and interfund loans. Taxes receivable are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

A summary of the principal items of receivables follows:

| | <u>Amount</u> |
|------------------------------|---------------|
| <u>General Fund</u> | |
| Taxes | \$ 6,855,661 |
| Interfund | 548,001 |
| <u>Debt Service Fund</u> | |
| Taxes | 18,531 |
| <u>Capital Projects Fund</u> | |
| Taxes | 469,734 |
| <u>Enterprise Funds</u> | |
| Intergovernmental | 17,264 |

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

June 30, 2001

NOTE Q - CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," was implemented during fiscal 2001. This statement pertains to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had the following effect on fund balances as previously reported by the District at June 30, 2000:

| | <u>Special Revenue Funds</u> |
|--|------------------------------|
| Fund balance as previously reported | \$ (4,432) |
| GASB Statement No. 33 implementation | 246,113 |
| Restated fund balance as of July 1, 2000 | \$ 241,681 |

The effect on revenues (under) expenditures as reported June 30, 2000 was as follows:

| | <u>Special Revenue Funds</u> |
|---------------------------------------|------------------------------|
| Revenue (Under) Expenditures | \$ (40,809) |
| GASB Statement No. 33 Implementations | 246,113 |
| Restated Revenue Over Expenditures | \$ 205,304 |

NOTE R – CONTRACTUAL COMMITMENTS

As of June 30, 2001, the Marlinton Local School District had the following contractual commitments outstanding:

| <u>Project</u> | <u>Contract Amount</u> | <u>Amount Paid as of June 30,2001</u> | <u>Amount Remaining on Contract</u> |
|--------------------|------------------------|---------------------------------------|-------------------------------------|
| Moulin Center | | | |
| Plumbing | \$ 12,793 | \$ 7,933 | \$ 4,860 |
| General Contractor | 486,774 | 434,288 | 52,486 |
| Heating | 35,000 | 0 | 35,000 |
| Electrical | 38,129 | 10,730 | 27,399 |
| | \$ 572,696 | \$ 452,951 | \$ 119,745 |

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**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001

| Federal Grantor/ Pass Through Grantor/ Program Title | Pass Through Entity Number | Grant Year | Federal CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|--|----------------------------------|---------------|---------------------------|------------------|----------------------|------------------|--------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | | |
| Child Nutrition Cluster: | | | | | | | |
| Food Distribution Program | N/A | | 10.550 | \$0 | \$57,970 | \$0 | \$56,135 |
| School Breakfast Program | 049882-05-PU-00 | 00 | 10.553 | 2,458 | | 2,458 | |
| | 049882-05-PU-01 | 01 | | 3,368 | | 3,368 | |
| National School Lunch Program | 049882-LL-P1-00 | 00 | 10.555 | 87,802 | | 87,802 | |
| | 049882-LL-P4-00 | 00 | | 54,714 | | 54,714 | |
| Total U.S. Department of Agriculture - Child Nutrition Cluster | | | | 148,342 | 57,970 | 148,342 | 56,135 |
| U.S. DEPARTMENT OF EDUCATION | | | | | | | |
| <i>(Passed Through Ohio Department of Education)</i> | | | | | | | |
| Special Education Cluster: | | | | | | | |
| Special Education Grants to States | 049882-6B-SF-01 | 01 | 84.027 | 195,446 | | 134,497 | |
| | 049882-6B-SF-00 | 00 | | 132,269 | | 6,962 | |
| Total Special Education Cluster | | | | 327,715 | | 141,459 | |
| Title I - Grants to Local Educational Agencies | 049882-C1-S1-00 | 00 | 84.010 | 105,255 | | 57,361 | |
| | 049882-C1-S1-00C | 00C | | 20,126 | | 20,126 | |
| | 049822-C1-S1-01 | 01 | | 83,439 | | 98,281 | |
| Total Title I - Grants to Local Educational Activities | | | | 208,820 | | 175,768 | |
| Migrant Education - Basic Grant Program | 049882-MG-S1-00 | 00 | 84.011 | 35,581 | | 38,339 | |
| | 049882-MG-S1-00C | 00C | | 3,419 | | 2,875 | |
| | 049882-MG-S1-01 | 01 | | 40,890 | | 571 | |
| Total Migrant Education - Basic Grant Program | | | | 79,890 | | 41,785 | |
| Eisenhower Professional Development State Grants | 049882-MS-S1-00 | 00 | 84.281 | 0 | | 7,469 | |
| | 049882-MS-S1-01 | 01 | | 11,580 | | 2,593 | |
| Total Eisenhower Professional Development State Grants | | | | 11,580 | | 10,062 | |
| Eisenhower Saturn Grant (Elementary Sciences - SEEDS) | 049882-MS-S1-01 | 01 | 84.291 | 10,300 | | 2,194 | |
| Total Eisenhower Saturn Grant | | | | 10,300 | | 2,194 | |
| Title VI-R - Class Size Reduction | 049882-CR-S1-00 | 00 | 84.340 | 36,514 | | 27,263 | |
| | 049882-CR-S1-01 | 01 | | 16,763 | | 55,871 | |
| Total Title VI-R - Class Size Reduction | | | | 53,277 | | 83,134 | |
| Innovative Education Program Strategies | 049882-C2-S1-99 | 99 | 84.298 | 0 | | 230 | |
| | 049882-C2-S1-00 | 00 | | 10,033 | | 3,716 | |
| | 049882-C2-S1-01 | 01 | | 2,448 | | 10,664 | |
| Total Innovative Education Program Strategies | | | | 12,481 | | 14,610 | |
| Safe and Drug-Free Schools and Communities - State Grants | 049882-MS-S1-01 | 01 | 84.186 | 3,419 | | 11,392 | |
| Total Safe and Drug-Free Schools and Comm. - State Grants | | | | 3,419 | | 11,392 | |
| Total U.S. Department of Education | | | | 707,482 | | 480,404 | |
| OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES | | | | | | | |
| <i>(Passed Through Ohio Department of Mental Retardation and Developmental Disabilities)</i> | | | | | | | |
| Title XIX - Community Alternative Funding System (CAFS) | 7600555 | 01 | 93.778 | 32,549 | | 32,549 | |
| Total Title XIX - Community Alternative Funding System | | | | 32,549 | | 32,549 | |
| Total | | | | \$888,373 | \$57,970 | \$661,295 | \$56,135 |

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

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District's food commodities in inventory totaled \$16,249.

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

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

To the Board of Education:

We have audited the financial statements of the Marlington Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 20, 2001, in which we noted the District changes its method of accounting and reporting for Governmental Accounting Standards Board Statement No. 33. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

However, we noted immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 20, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 20, 2001.

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

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

Jim Petro
Auditor of State

December 20, 2001



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

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

To the Board of Education:

Compliance

We have audited the compliance of the Marlington Local School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

December 20, 2001

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

| |
|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
|--|

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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MARLINGTON LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 24, 2002**