

# **Marlington Local School District**

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*Audit Report Letters*

*June 30, 2010*





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Marlington Local School District, Stark County, prepared by Rea & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

February 14, 2011

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**MARLINGTON LOCAL SCHOOL DISTRICT**

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December 24, 2010

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marlington Local School District (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 24, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Marlington Local School District  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards  
December 24, 2010  
Page 2

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Marlington Local School District, in a separate letter dated December 24, 2010.

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

*Hea & Associates, Inc.*



December 24, 2010

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

**Compliance**

We have audited the compliance of Marlington Local School District (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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.



### **Internal Control Over Compliance**

The District's management 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

### **Schedule of Expenditures of Federal Awards**

We have audited the governmental activities, each major fund and the aggregate remaining fund information of the District as of and for the year ended June 30, 2010 and have issued our report thereon dated December 24, 2010. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Rea & Associates, Inc.*

**MARLINGTON LOCAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS**  
**FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Program Year	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through the Ohio Department of Education:</i>						
<b>Child Nutrition Cluster:</b>						
School Breakfast Program	2010	10.553	\$ 56,131	\$ 0	\$ 56,426	\$ 0
National School Lunch Program (Food Distribution)	2010	10.555	0	55,081	0	55,081
National School Lunch Program	2010	10.555	<u>332,298</u>	<u>0</u>	<u>332,298</u>	<u>0</u>
Total Child Nutrition Cluster			388,429	55,081	388,724	55,081
<b>Total U.S. Department of Agriculture</b>			<u><b>388,429</b></u>	<u><b>55,081</b></u>	<u><b>388,724</b></u>	<u><b>55,081</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through the Ohio Department of Education:</i>						
<b>Special Education Cluster:</b>						
Special Education - Grants to States (IDEA Part B)	2009	84.027	130,111	0	72,989	0
Special Education - Grants to States (IDEA Part B)	2010	84.027	398,933	0	395,469	0
ARRA - Special Education Grants to States (IDEA Part B)	2010	84.391	<u>509,775</u>	<u>0</u>	<u>507,013</u>	<u>0</u>
Total Special Education Cluster			1,038,819	0	975,471	0
<b>Title I Grants Cluster:</b>						
Grants to Local Educational Agencies (Title I)	2009	84.010	54,497	0	58,832	0
Grants to Local Educational Agencies (Title I)	2010	84.010	242,277	0	235,263	0
ARRA - Grants to Local Educational Agencies (Title I)	2010	84.389	<u>130,023</u>	<u>0</u>	<u>109,319</u>	<u>0</u>
Total Title I Grants Cluster			426,797	0	403,414	0
Migrant Education (Title I-C)	2009	84.011	35,488	0	48,928	0
Migrant Education (Title I-C)	2010	84.011	<u>40,930</u>	<u>0</u>	<u>27,083</u>	<u>0</u>
Total Migrant Education (Title I-C)			76,418	0	76,011	0
Safe and Drug Free Schools (Title IV-A)	2009	84.186	31	0	0	0
Safe and Drug Free Schools (Title IV-A)	2010	84.186	<u>7,016</u>	<u>0</u>	<u>7,774</u>	<u>0</u>
Total Safe and Drug Free Schools (Title IV-A)			7,047	0	7,774	0
JAVITIS Gifted Grant	2010	84.206	1,000	0	1,000	0
Technology Literacy Quality State Grants (Title II-D)	2009	84.318	17	0	315	0
Technology Literacy Quality State Grants (Title II-D)	2010	84.318	<u>28,062</u>	<u>0</u>	<u>29,880</u>	<u>0</u>
Total Technology Literacy Quality State Grants (Title II-D)			28,079	0	30,195	0
Improving Teacher Quality State Grants (Title II-A)	2009	84.367	14,188	0	13,131	0
Improving Teacher Quality State Grants (Title II-A)	2010	84.367	<u>73,823</u>	<u>0</u>	<u>55,012</u>	<u>0</u>
Total Improving Teacher Quality State Grants (Title II-A)			88,011	0	68,143	0
ARRA - State Fiscal Stabilization	2010	84.394	643,124	0	538,291	0
<i>Passed Through the the Putnam County Educational Service Center:</i>						
Project MORE	2010	84.xxx	3,645	0	1,656	0
<b>Total U.S. Department of Education</b>			<u><b>2,312,940</b></u>	<u><b>0</b></u>	<u><b>2,101,955</b></u>	<u><b>0</b></u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>						
<i>Passed Through the Ohio Environmental Protection Agency:</i>						
ARRA - Clean Diesel Grant Program	2010	66.040	<u>68,018</u>	<u>0</u>	<u>68,018</u>	<u>0</u>
<b>Total U.S. Environmental Protection Agency</b>			<u><b>68,018</b></u>	<u><b>0</b></u>	<u><b>68,018</b></u>	<u><b>0</b></u>
<b>Totals</b>			<u><b>\$ 2,769,387</b></u>	<u><b>\$ 55,081</b></u>	<u><b>\$ 2,558,697</b></u>	<u><b>\$ 55,081</b></u>

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

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

*Notes to the Schedule of Expenditures Federal Awards – Cash Basis*  
*For the Fiscal Year Ended June 30, 2010*

**Note A - Child Nutrition Cluster**

Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

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

**Note B - Transfers**

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education's (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2010, the ODE authorized the following transfers:

<u>CFDA</u>		<u>Program</u>		
<u>Number</u>	<u>Program Title</u>	<u>Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.010	Title I	2009	\$ 181	
84.010	Title I	2010		\$ 181
84.011	Title I-C - Migrant Education	2009	5,314	
84.011	Title I-C - Migrant Education	2010		5,314
84.186	Title IV-A - Safe and Drug-Free Schools	2009	547	
84.186	Title IV-A - Safe and Drug-Free Schools	2010		547
84.318	Title II-D - Education Technology	2009	171	
84.318	Title II-D - Education Technology	2010		171
84.367	Title II-A - Improving Teacher Quality	2009	8,764	
84.367	Title II-A - Improving Teacher Quality	2010		8,764

**Note C – Subrecipients**

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the District provided federal awards of \$32,612 to the subrecipient Sandy Valley Local School District through the ARRA Clean Diesel Grant Program, CFDA 66.040.

**MARLINGTON LOCAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133, Section .505  
JUNE 30, 2010**

**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 significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Special Education #84.027, 84.391 State Fiscal Stabilization #84.394 Title I #84.010, 84.389
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

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

None noted

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None noted

**MARLINGTONLOCAL SCHOOL DISTRICT  
STARKCOUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<u>Finding Number</u>	<u>Finding Summary</u>	Fully <u>Corrected</u>	Not Corrected, Partially Corrected, Significantly Different Corrective Action <u>Taken, or Finding No Longer Valid; Explain</u>
2009-01	Misstated interfund balances	Yes	Finding Corrected
2009-02	Non-compliant transfers	Yes	Finding Corrected

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

**BASIC FINANCIAL STATEMENTS**

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010*



**Rea & Associates, Inc.**

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

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

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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December 24, 2010

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

### **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marlington Local School District (the District ) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The Management's Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Kea & Associates, Inc.*

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The management's discussion and analysis of the Marlington Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2010 are as follows:

- In total, net assets of governmental activities increased \$748,428 which represents a 6.18% increase from fiscal year 2009.
- General revenues accounted for \$20,472,298 in revenue or 83.76% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,968,776 or 16.24% of total revenues of \$24,441,074.
- The District had \$23,692,646 in expenses related to governmental activities; only \$3,968,776 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$20,472,298 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$20,576,932 in revenues and other financing sources and \$19,481,304 in expenditures and other financing uses. During fiscal year 2010, the general fund's fund balance increased \$1,086,761 from \$4,940,620 to \$6,027,381.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2010?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation of non-instructional services, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 14-15 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can be readily converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-50 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**The District as a Whole**

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2010 and June 30, 2009.

	<b>Net Assets</b>	
	Governmental Activities	Governmental Activities
	<u>2010</u>	<u>2009</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 18,127,907	\$ 17,610,418
Capital assets, net	<u>7,093,339</u>	<u>7,555,005</u>
Total assets	<u>25,221,246</u>	<u>25,165,423</u>
<b><u>Liabilities</u></b>		
Current liabilities	10,568,114	11,103,734
Long-term liabilities	<u>1,797,395</u>	<u>1,954,380</u>
Total liabilities	<u>12,365,509</u>	<u>13,058,114</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	6,861,353	6,979,544
Restricted	1,559,627	1,857,776
Unrestricted	<u>4,434,757</u>	<u>3,269,989</u>
Total net assets	<u>\$ 12,855,737</u>	<u>\$ 12,107,309</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$12,855,737. At year-end, unrestricted net assets were \$4,434,757.

At year-end, capital assets represented 28.12% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. The amount invested in capital assets, net of related debt to acquire the assets at June 30, 2010, was \$6,861,353. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

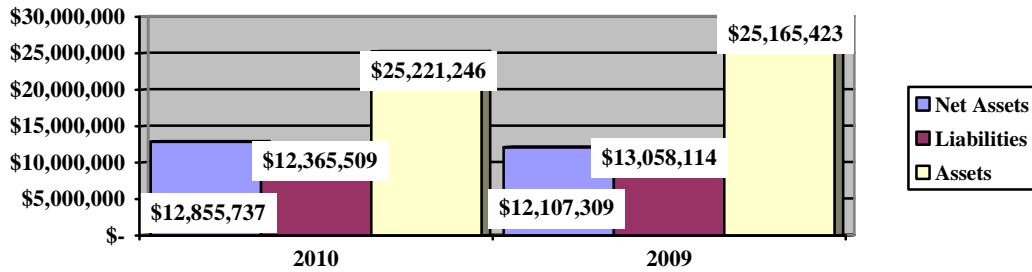
A portion of the District's net assets, \$1,559,627, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$4,434,757 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The graph below presents the District's assets, liabilities and net assets at June 30, 2009 and June 30, 2010.

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2010 and 2009.

	<b>Change in Net Assets</b>	
	Governmental Activities 2010	Governmental Activities 2009
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,171,533	\$ 1,263,475
Operating grants and contributions	2,797,243	2,694,669
Capital grants and contributions	-	53,919
General revenues:		
Property taxes	8,318,424	8,723,351
Grants and entitlements	11,976,671	11,386,933
Investment earnings	58,204	58,375
Other	118,999	75,329
<b>Total revenues</b>	<b>24,441,074</b>	<b>24,256,051</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<b>Change in Net Assets</b>	
	Governmental Activities	Governmental Activities
	<u>2010</u>	<u>2009</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 9,080,091	\$ 8,383,694
Special	2,737,373	2,946,282
Vocational	865,488	847,012
Other	649,029	999,169
Support services:		
Pupil	726,480	781,393
Instructional staff	1,331,233	886,457
Board of education	19,647	22,009
Administration	1,754,916	1,715,117
Fiscal	532,143	524,520
Business	495,767	289,372
Operations and maintenance	2,113,564	2,103,734
Pupil transportation	1,388,349	1,273,720
Central	94,038	69,910
Operations of non-instructional services		
Other non-instructional services	1,086	4,776
Food service operations	988,631	1,008,886
Extracurricular activities	892,853	858,880
Interest and fiscal charges	<u>21,958</u>	<u>43,313</u>
 Total expenses	 <u>23,692,646</u>	 <u>22,758,244</u>
 Change in net assets	 748,428	 1,497,807
 Net assets at beginning of year	 <u>12,107,309</u>	 <u>10,609,502</u>
 Net assets at end of year	 <u>\$ 12,855,737</u>	 <u>\$ 12,107,309</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$748,428. Total governmental expenses of \$23,692,646 were offset by program revenues of \$3,968,776 and general revenues of \$20,472,298. Program revenues supported 16.24% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 83.04% of total governmental revenue. Real estate property is reappraised every six years.

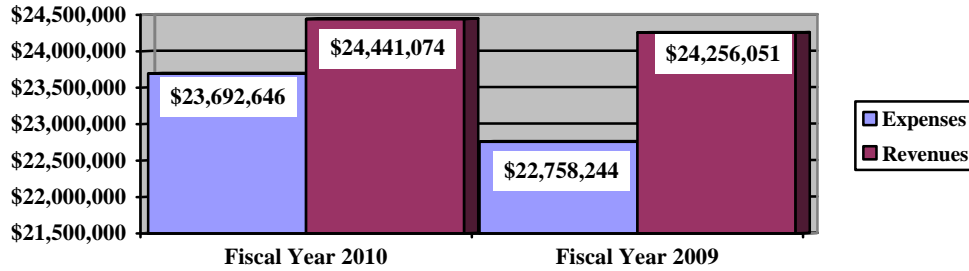
The District's financial condition has remained static in recent years, primarily due to the lack of growth in financial support from the State.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2010 and 2009.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
<b>Program expenses</b>				
Instruction:				
Regular	\$ 9,080,091	\$ 8,047,837	\$ 8,383,694	\$ 8,023,028
Special	2,737,373	2,364,196	2,946,282	1,439,680
Vocational	865,488	727,123	847,012	687,693
Other	649,029	631,291	999,169	999,169
Support services:				
Pupil	726,480	543,159	781,393	573,017
Instructional staff	1,331,233	1,074,042	886,457	841,513
Board of education	19,647	19,647	22,009	22,009
Administration	1,754,916	1,754,916	1,715,117	1,711,877
Fiscal	532,143	532,143	524,520	524,520
Business	495,767	279,080	289,372	169,971
Operations and maintenance	2,113,564	2,091,877	2,103,734	2,051,326
Pupil transportation	1,388,349	1,220,697	1,273,720	1,125,340
Central	94,038	33,852	69,910	68,639
Operations of non-instructional services				
Other non-instructional services	1,086	1,086	4,776	4,776
Food service operations	988,631	(56,223)	1,008,886	46,747
Extracurricular activities	892,853	437,189	858,880	413,563
Interest and fiscal charges	21,958	21,958	43,313	43,313
<b>Total</b>	<u>\$ 23,692,646</u>	<u>\$ 19,723,870</u>	<u>\$ 22,758,244</u>	<u>\$ 18,746,181</u>

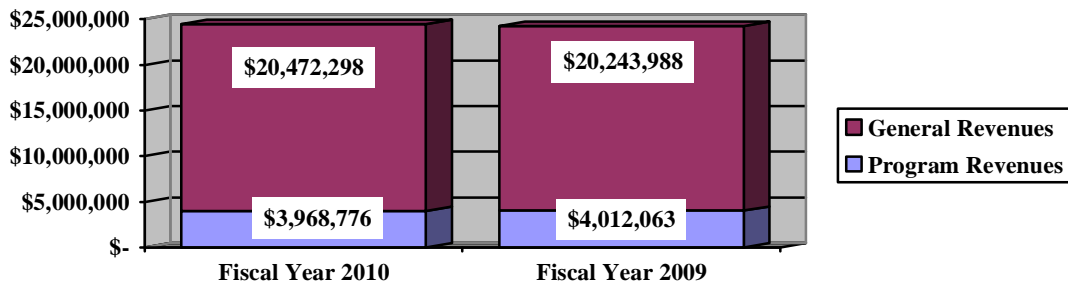
**MARLINGTON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The dependence upon tax and other general revenues for governmental activities is apparent, 88.29% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.76%. The District's taxpayers and unrestricted grants and entitlements, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenues for fiscal years 2010 and 2009.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$6,873,684, which is more than last year's total of \$5,615,583. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance <u>June 30, 2010</u>	Fund Balance <u>June 30, 2009</u>	<u>Increase</u>
General	\$ 6,027,381	\$ 4,940,620	\$ 1,086,761
Other Governmental	<u>846,303</u>	<u>674,963</u>	<u>171,340</u>
Total	<u>\$ 6,873,684</u>	<u>\$ 5,615,583</u>	<u>\$ 1,258,101</u>

**General Fund**

The District's general fund, fund balance increased by \$1,086,761. Tax revenue decreased 3.98% from fiscal year 2009 due to House Bill 66 eliminating the tax on tangible personal property. The State is providing a reimbursement for the loss of this tax revenue. Tuition revenue increased 16.68% due to an increase in open enrollment. Interest revenue decreased 9.35% due to lower interest rates compared to the prior fiscal year. Instructional expenditures decreased 6.20% due to decreases in wage and benefit costs for the District's teaching staff. Overall expenditures decreased 1.87% due to the District's careful and prudent budgeting. The table that follows assists in illustrating the financial activities and fund balance of the general fund.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 7,921,921	\$ 8,250,542	(3.98) %
Tuition	92,115	78,948	16.68 %
Earnings on investments	52,919	58,375	(9.35) %
Intergovernmental	12,285,534	12,358,568	(0.59) %
Other revenues	<u>217,010</u>	<u>260,714</u>	(16.76) %
Total	<u>\$ 20,569,499</u>	<u>\$ 21,007,147</u>	(2.08) %
<b><u>Expenditures</u></b>			
Instruction	\$ 11,542,698	\$ 12,306,279	(6.20) %
Support services	7,087,996	6,705,976	5.70 %
Operation of non-instructional services	715	655	9.16 %
Extracurricular activities	428,290	412,491	3.83 %
Debt service	<u>135,726</u>	<u>135,725</u>	0.00 %
Total	<u>\$ 19,195,425</u>	<u>\$ 19,561,126</u>	(1.87) %

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2010, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$21,442,841, which was lower than the original budgeted revenues estimate of \$22,622,543. Actual revenues and other financing sources for fiscal year 2010 were \$20,859,661, which is \$583,180 lower than final budgeted revenues.

General fund final appropriations (appropriated expenditures plus other financing uses) of \$21,585,042 were higher than the original budgeted appropriations estimate of \$21,455,423. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$19,827,104, which is \$1,757,938 lower than final budgeted appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2010, the District had \$7,093,339 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

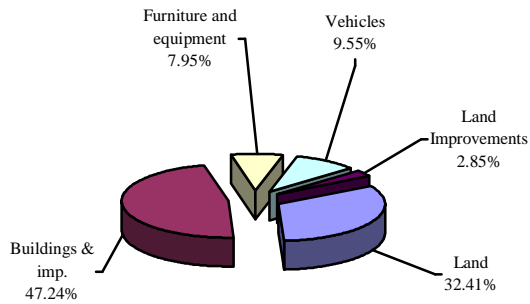
The following table shows June 30, 2010 balances compared to June 30, 2009:

**Capital Assets at June 30  
(Net of Depreciation)**

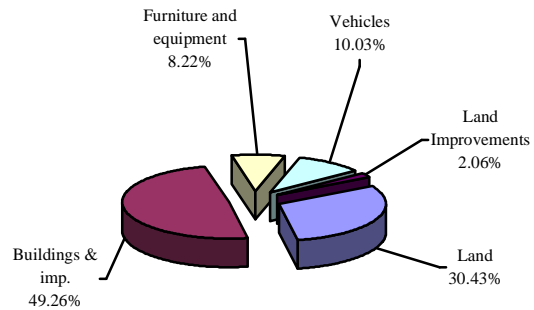
	Governmental Activities	
	2010	2009
Land	\$ 2,298,712	\$ 2,298,712
Land improvements	202,189	155,564
Building and improvements	3,350,552	3,721,651
Furniture and equipment	564,202	621,315
Vehicles	677,684	757,763
<b>Total</b>	<b>\$ 7,093,339</b>	<b>\$ 7,555,005</b>

The overall decrease in capital assets of \$461,666 is primarily due to depreciation expense of \$476,616 and disposals of \$186,443 (net of accumulated depreciation) exceeding capital outlay of \$201,393 in the fiscal year.

**Capital Assets - Governmental Activities 2010**



**Capital Assets - Governmental Activities 2009**



See Note 9 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2010, the District had a capital lease obligation of \$231,986 outstanding, of this total \$126,798 is due within one year.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Current Financial Related Activities**

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

In November 2007, the community passed an 8.5 mill renewal levy that generates approximately \$2.3 million per year in revenue to the District. Passage of the levy was reflective of consistent community support in regards to passage of this and previous renewal levies. In November 2008, the community renewed a 2 mill permanent improvement levy, which has been decreased to an effective 1.36 mills due to increases in local property valuations since 1999 when it replaced the previous 2.5 mill permanent improvement levy. The 8.5 mill levy renewed in November 2004, which generates approximately \$1.4 million per year will expire in December, 2009 with collection ending in 2010. Due to its reliance on limited levies, the District must continue to ask voters 4 out of 5 years to renew current levies in order to maintain existing revenue levels.

Enrollment figures, which are the primary component for determining State funding, have decreased in recent years. Average Daily Membership (ADM) figures were 2,667, 2,600, 2,589 and 2,577 in 2006, 2007, 2008, and 2009, respectively. In an effort to encourage students to attend Marlinton Local Schools, the Board passed a resolution accepting open enrollment students at the middle school and high school levels, thus bringing in an additional 14 students for a total of \$80,948 in 2009; and then expanded open enrollment to include all grades which increased our enrollment to 2,657 in 2010.

Other concerns for the District include increases in the cost of health insurance benefits, increases in fuel costs for buses and increases in utilities expense. The District continues to utilize appropriate bidding, negotiation, and cooperative purchasing procedures to procure such commodities in the most economical manner.

Over the past two years, the District has reduced expenditures through attrition and a reduction in force in 2006-07 which eliminated 14 positions saving approximately \$757,000 in wages and benefits alone. Further budget reductions were made in the areas of purchased services, supplies, and equipment totaling approximately \$650,000. In 2008, the budget was lowered an additional \$1.2 million and in 2009 another \$1 million. The budget was reduced again in 2010 by another \$600,000.

In 2008, the Board adopted a Strategic Plan which outlines the goals of the District into four areas: Community Engagement, Curriculum, Finance and Facilities. The Administration reviews expenditures to ensure that they are aligned with the Strategic Plan and continues to move the District forward in the 21<sup>st</sup> Century.

In 2006, the District made some significant contributions to the maintenance and improvement of school buildings and grounds. Improvements included repaving with a combination of asphalt and chip-and-seal at Lexington Elementary and Marlinton Middle School. Air conditioning roof units were replaced at Marlboro Elementary. In 2006, the District replaced a sewage treatment plant at Washington Elementary at a cost of approximately \$200,000. In 2007, repairs were made to several parking lots, the front wall of Washington Elementary was repaired and the roof at Lexington Elementary was replaced. In 2008, the District expended over \$200,000 in roof repair. In 2009, the District maintained the facilities with no major projects preparing for paving, roofing and possible sewage treatment replacement at the Middle School in the upcoming years. The economy and defeat of two replacement levies has forced the District to do only emergency repairs to the buildings in 2010. However, putting these repairs off could prove to be very costly in the next several years.

Over the past four fiscal years, as a result of the district's efforts for continuous educational improvement, the District was awarded by the Ohio Department of Education a rating of "Excellent".

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 9,554,772
Receivables:	
Taxes . . . . .	8,162,650
Accounts . . . . .	2,062
Intergovernmental . . . . .	244,235
Accrued interest . . . . .	6,378
Prepayments . . . . .	20,922
Materials and supplies inventory . . . . .	136,888
Capital assets:	
Land . . . . .	2,298,712
Depreciable capital assets, net . . . . .	4,794,627
Capital assets, net . . . . .	7,093,339
 Total assets . . . . .	 25,221,246
 <b>Liabilities:</b>	
Accounts payable . . . . .	119,286
Accrued wages and benefits . . . . .	2,130,857
Pension obligation payable . . . . .	587,150
Intergovernmental payable . . . . .	215,400
Unearned revenue . . . . .	7,515,421
Long-term liabilities:	
Due within one year . . . . .	447,417
Due in more than one year . . . . .	1,349,978
 Total liabilities . . . . .	 12,365,509
 <b>Net assets:</b>	
Invested in capital assets, net of related debt . . . . .	6,861,353
Restricted for:	
Capital projects . . . . .	620,317
State funded programs . . . . .	4,311
Federally funded programs . . . . .	47,176
Public school support . . . . .	62,139
Student activities . . . . .	136,530
Other purposes . . . . .	689,154
Unrestricted . . . . .	4,434,757
 Total net assets . . . . .	 \$ 12,855,737

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 9,080,091	\$ 172,335	\$ 859,919	\$ (8,047,837)
Special . . . . .	2,737,373	19,953	353,224	(2,364,196)
Vocational . . . . .	865,488	-	138,365	(727,123)
Other . . . . .	649,029	-	17,738	(631,291)
Support services:				
Pupil . . . . .	726,480	-	183,321	(543,159)
Instructional staff . . . . .	1,331,233	18,509	238,682	(1,074,042)
Board of education . . . . .	19,647	-	-	(19,647)
Administration . . . . .	1,754,916	-	-	(1,754,916)
Fiscal . . . . .	532,143	-	-	(532,143)
Business . . . . .	495,767	-	216,687	(279,080)
Operations and maintenance . . . . .	2,113,564	18,900	2,787	(2,091,877)
Pupil transportation . . . . .	1,388,349	1,874	165,778	(1,220,697)
Central . . . . .	94,038	-	60,186	(33,852)
Operation of non-instructional services:				
Other non-instructional services . . . . .	1,086	-	-	(1,086)
Food service operations . . . . .	988,631	513,569	531,285	56,223
Extracurricular activities . . . . .	892,853	426,393	29,271	(437,189)
Interest and fiscal charges . . . . .	21,958	-	-	(21,958)
<b>Total governmental activities . . . . .</b>	<b>\$ 23,692,646</b>	<b>\$ 1,171,533</b>	<b>\$ 2,797,243</b>	<b>(19,723,870)</b>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	7,893,361
Capital projects . . . . .	425,063
Grants and entitlements not restricted	
to specific programs . . . . .	11,976,671
Investment earnings . . . . .	58,204
Miscellaneous . . . . .	118,999
<b>Total general revenues . . . . .</b>	<b>20,472,298</b>
Change in net assets . . . . .	748,428
<b>Net assets at beginning of year . . . . .</b>	<b>12,107,309</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 12,855,737</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 7,854,207	\$ 1,303,507	\$ 9,157,714
Receivables:			
Taxes. . . . .	7,701,762	460,888	8,162,650
Accounts. . . . .	1,026	1,036	2,062
Intergovernmental . . . . .	100	244,135	244,235
Accrued interest . . . . .	6,378	-	6,378
Interfund loans. . . . .	906	-	906
Prepayments. . . . .	20,922	-	20,922
Materials and supplies inventory. . . . .	118,771	18,117	136,888
Due from other funds . . . . .	2,577	-	2,577
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	397,058	-	397,058
Total assets . . . . .	<u>\$ 16,103,707</u>	<u>\$ 2,027,683</u>	<u>\$ 18,131,390</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 84,906	\$ 34,380	\$ 119,286
Accrued wages and benefits. . . . .	1,862,863	267,994	2,130,857
Compensated absences payable . . . . .	68,206	-	68,206
Interfund loans payable. . . . .	-	906	906
Pension obligation payable . . . . .	484,628	102,522	587,150
Intergovernmental payable . . . . .	205,876	9,524	215,400
Due to other funds . . . . .	-	2,577	2,577
Unearned revenue. . . . .	6,838,502	676,919	7,515,421
Deferred revenue . . . . .	531,345	86,558	617,903
Total liabilities. . . . .	<u>10,076,326</u>	<u>1,181,380</u>	<u>11,257,706</u>
<b>Fund balances:</b>			
Reserved for encumbrances . . . . .	383,580	192,321	575,901
Reserved for materials and supplies inventory . . . . .	118,771	18,117	136,888
Reserved for prepayments. . . . .	20,922	-	20,922
Reserved for tax revenue unavailable for appropriation . . . . .	337,200	18,910	356,110
Reserved for textbooks . . . . .	397,058	-	397,058
Unreserved:			
Designated for budget stabilization. . . . .	476,349	-	476,349
Undesignated, reported in:			
General fund. . . . .	4,293,501	-	4,293,501
Special revenue funds . . . . .	-	184,563	184,563
Capital projects funds . . . . .	-	432,392	432,392
Total fund balances . . . . .	<u>6,027,381</u>	<u>846,303</u>	<u>6,873,684</u>
Total liabilities and fund balances . . . . .	<u>\$ 16,103,707</u>	<u>\$ 2,027,683</u>	<u>\$ 18,131,390</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2010

<b>Total governmental fund balances</b>		\$	6,873,684
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			7,093,339
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	555,140	
Accrued interest receivable		5,285	
Intergovernmental receivable		57,478	
Total		<u>617,903</u>	617,903
Long-term liabilities, including capital lease obligations, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(1,497,203)	
Capital lease obligations payable		(231,986)	
Total		<u>(1,729,189)</u>	(1,729,189)
<b>Net assets of governmental activities</b>		\$	<u><u>12,855,737</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 7,921,921	\$ 426,683	\$ 8,348,604
Tuition . . . . .	92,115	6,400	98,515
Earnings on investments . . . . .	52,919	1,368	54,287
Charges for services . . . . .	-	515,668	515,668
Extracurricular . . . . .	3,835	417,894	421,729
Classroom materials and fees . . . . .	116,721	-	116,721
Rental income . . . . .	18,900	-	18,900
Contributions and donations . . . . .	110	29,271	29,381
Other local revenues . . . . .	77,444	41,445	118,889
Intergovernmental - intermediate . . . . .	270	-	270
Intergovernmental - state . . . . .	12,167,309	93,966	12,261,275
Intergovernmental - federal . . . . .	117,955	2,464,910	2,582,865
Total revenues . . . . .	<u>20,569,499</u>	<u>3,997,605</u>	<u>24,567,104</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	7,781,685	942,504	8,724,189
Special . . . . .	2,293,446	440,796	2,734,242
Vocational . . . . .	836,361	522	836,883
Other . . . . .	631,206	17,409	648,615
Support services:			
Pupil . . . . .	502,047	230,882	732,929
Instructional staff . . . . .	1,053,642	266,974	1,320,616
Board of education . . . . .	19,647	-	19,647
Administration . . . . .	1,754,984	3,231	1,758,215
Fiscal . . . . .	535,967	-	535,967
Business . . . . .	120,138	374,148	494,286
Operations and maintenance . . . . .	1,846,416	237,505	2,083,921
Pupil transportation . . . . .	1,220,497	83,380	1,303,877
Central . . . . .	34,658	59,070	93,728
Operation of non-instructional:			
Other non-instructional services . . . . .	715	-	715
Food service operations . . . . .	-	1,002,066	1,002,066
Extracurricular activities . . . . .	428,290	446,992	875,282
Facilities acquisition and construction . . . . .	-	4,000	4,000
Debt service:			
Principal retirement . . . . .	115,371	3,104	118,475
Interest and fiscal charges . . . . .	20,355	1,603	21,958
Total expenditures . . . . .	<u>19,195,425</u>	<u>4,114,186</u>	<u>23,309,611</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>1,374,074</u>	<u>(116,581)</u>	<u>1,257,493</u>
<b>Other financing sources (uses):</b>			
Sale of assets . . . . .	7,433	-	7,433
Transfers in . . . . .	-	285,879	285,879
Transfers (out) . . . . .	<u>(285,879)</u>	<u>-</u>	<u>(285,879)</u>
Total other financing sources (uses) . . . . .	<u>(278,446)</u>	<u>285,879</u>	<u>7,433</u>
Net change in fund balances . . . . .	1,095,628	169,298	1,264,926
<b>Fund balances at beginning of year . . . . .</b>	4,940,620	674,963	5,615,583
<b>Increase (decrease) in reserve for inventory . . . . .</b>	(8,867)	2,042	(6,825)
<b>Fund balances at end of year . . . . .</b>	<u>\$ 6,027,381</u>	<u>\$ 846,303</u>	<u>\$ 6,873,684</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<b>Net change in fund balances - total governmental funds</b>	\$	1,264,926
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlay in the current period.		
Capital asset additions	\$ 201,393	
Current year depreciation	<u>(476,616)</u>	
Total		(275,223)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(186,443)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(30,180)	
Intergovernmental	(101,135)	
Earnings on investments	<u>5,285</u>	
Total		(126,030)
Governmental funds report expenditures for inventory when purchased, however, in the statement of activities, they are reported as expenses when consumed.		
		(6,825)
Principal payments on capital leases are reported as expenditures in governmental funds but the repayment reduces long-term liabilities on the statement of net assets.		
		118,475
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(40,452)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u><u>748,428</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 8,793,664	\$ 8,395,421	\$ 8,116,531	\$ (278,890)
Tuition. . . . .	80,766	86,783	92,115	5,332
Earnings on investments . . . . .	64,399	34,945	37,635	2,690
Extracurricular. . . . .	16,408	6,409	6,061	(348)
Classroom materials and fees . . . . .	133,699	105,466	115,840	10,374
Rental income . . . . .	37,209	18,370	18,900	530
Contributions and donations . . . . .	158	52	110	58
Other local revenues . . . . .	81,799	70,042	77,851	7,809
Intergovernmental - intermediate . . . . .	760	712	345	(367)
Intergovernmental - state . . . . .	13,393,144	12,526,357	12,261,623	(264,734)
Intergovernmental - federal . . . . .	13,787	178,697	117,955	(60,742)
Total revenues . . . . .	<u>22,615,793</u>	<u>21,423,254</u>	<u>20,844,966</u>	<u>(578,288)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,577,218	8,396,738	8,077,327	319,411
Special. . . . .	2,384,303	2,473,362	2,232,137	241,225
Vocational. . . . .	910,012	924,359	889,437	34,922
Other. . . . .	1,019,432	919,813	648,877	270,936
Support services:				
Pupil. . . . .	594,526	651,792	556,751	95,041
Instructional staff . . . . .	947,745	1,168,845	1,062,079	106,766
Board of education . . . . .	25,566	25,736	19,085	6,651
Administration. . . . .	1,884,087	1,966,925	1,831,016	135,909
Fiscal . . . . .	548,905	555,977	541,975	14,002
Business . . . . .	129,993	159,503	117,328	42,175
Operations and maintenance. . . . .	2,060,584	2,060,632	1,972,791	87,841
Pupil transportation . . . . .	1,575,171	1,592,006	1,318,614	273,392
Central. . . . .	72,506	56,811	44,305	12,506
Operation of non-instructional services . . . . .	2,203	2,200	703	1,497
Extracurricular activities. . . . .	613,172	607,843	513,773	94,070
Total expenditures . . . . .	<u>21,345,423</u>	<u>21,562,542</u>	<u>19,826,198</u>	<u>1,736,344</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>1,270,370</u>	<u>(139,288)</u>	<u>1,018,768</u>	<u>1,158,056</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	6,750	-	-	-
Transfers (out). . . . .	(10,000)	(7,500)	-	7,500
Advances in. . . . .	-	5,000	-	(5,000)
Advances (out) . . . . .	(100,000)	(15,000)	(906)	14,094
Refund of prior year's expenditures . . . . .	-	7,154	7,262	108
Sale of capital assets . . . . .	-	7,433	7,433	-
Total other financing sources (uses) . . . . .	<u>(103,250)</u>	<u>(2,913)</u>	<u>13,789</u>	<u>16,702</u>
Net change in fund balance . . . . .	1,167,120	(142,201)	1,032,557	1,174,758
<b>Fund balance at beginning of year . . . . .</b>	<b>6,368,218</b>	<b>6,368,218</b>	<b>6,368,218</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>250,925</b>	<b>250,925</b>	<b>250,925</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 7,786,263</b>	<b>\$ 6,476,942</b>	<b>\$ 7,651,700</b>	<b>\$ 1,174,758</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 615,211	\$ 45,311
Total assets. . . . .	<u>615,211</u>	<u>\$ 45,311</u>
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 645
Due to students. . . . .	-	44,666
Total liabilities . . . . .	<u>-</u>	<u>\$ 45,311</u>
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	<u>615,211</u>	
Total net assets . . . . .	<u>\$ 615,211</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 5,442
Gifts and contributions . . . . .	200
Total additions . . . . .	5,642
 <b>Deductions:</b>	
Scholarships awarded . . . . .	8,850
Change in net assets . . . . .	(3,208)
<b>Net assets at beginning of year . . . . .</b>	<b>618,419</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 615,211</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District ranks as the 192<sup>nd</sup> largest by total enrollment among the 905 public school districts and community schools in the State. The District employs 130 non-certified and 183 certified employees to provide services to approximately 2,584 students in grades K through 12 and various community groups.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The FASB has codified its standard and the standards issued prior to November 30, 1989 are included in the codification. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Stark/Portage Area Computer Consortium (SPARCC)

SPARCC is a jointly governed organization created as a regional council of governments pursuant to State Statutes 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. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 2100 38<sup>th</sup> Street NW, Canton, Ohio 44709.

Stark County Tax Incentive Review Council (SCTIRC)

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

Alliance Tax Incentive Review Council (ATIRC)

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

*PUBLIC ENTITY RISK POOLS*

Risk Sharing Pool

The Stark County Schools Council of Governments Health Benefit Plan is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services.

Insurance Purchasing Pool

The Stark County Schools Council of Governments Workers' Compensation Group Rating Plan has created a group insurance pool for the purpose of creating a group rating plan for workers' compensation. The group is comprised of the treasurers of the members who have been appointed by the respective governing body of each member.

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

Other governmental funds of the District are used to account for (a) food service operations, (b) grants and other resources whose use is restricted to a particular purpose; and (c) the acquisition, construction, or improvement of capital facilities.

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

*Unearned Revenue and Deferred Revenue* - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2010 are recorded as deferred revenue on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as expenditure with a like amount reported as intergovernmental revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

**E. Budgets**

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 has been established at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the general fund's budgetary statement comparison at the fund and function level of expenditures.

Tax Budget:

On October 25, 2005, the Stark County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15<sup>th</sup> and the filing by January 20<sup>th</sup>. The Budget Commission now requires an alternate tax budget be submitted by January 20<sup>th</sup>, which no longer requires specific Board approval.

Estimated Resources:

By 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 July 1, 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 resolution. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts from the certificate of estimated resources that was in effect at the time the original and final appropriations were passed by the Board of Education.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation resolution, the Board may pass a temporary appropriation resolution to meet the ordinary expenses of the District. The appropriation resolution, at the fund level for all funds, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the level of budgetary control must be approved by the Board of Education.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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, all supplemental appropriations were legally enacted.

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

Lapsing of Appropriations:

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

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2010, investments were limited to overnight repurchase agreements, negotiable certificates of deposit, federal agency securities and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2010.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$52,919, which includes \$6,852 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments that are not part of the cash management pool with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at fiscal year end is provided in Note 4.

**MARLINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**G. Inventory**

On government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. On the fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when purchased. Inventories are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide financial statements.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets are assets that result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities <u>Estimated Lives</u>
Land improvements	10 - 20 years
Buildings and improvements	50 years
Furniture and equipment	5 - 20 years
Vehicles	10 years

**I. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loan receivable/payable" and short-term interfund loans to account for negative cash balances are classified as "due to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net assets.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

**MARLINGTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with 15 years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2010, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

In the governmental fund financial statements, compensated absences are reported to the extent that a known liability for an employee’s retirement/resignation has been incurred by fiscal year end. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees are paid.

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

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

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

**L. Fund Balance Reserves/Designations**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, prepayments, materials and supplies inventory, property taxes unavailable for appropriation and textbooks. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. A portion of fund balance has been designated for budget stabilization.

**MARLINGTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amounts restricted for other purposes includes amounts restricted by State statute for textbooks, food service, adult education and special education.

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved on the fund financial statements by an amount equal to the carrying value of the asset.

**O. Estimates**

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

**P. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set-aside for textbooks/instruction materials. See Note 17 for additional information regarding set-asides.

**Q. Interfund Activity**

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

**MARLINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Poverty aid	\$ 53
IDEA, Part B	262,103
Stimulus Title II-D	4,112
Title III - limited english proficiency	64
Title I - disadvantaged children	58,573



**MARLINGTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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 money market deposit accounts.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above 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);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

**MARLINGTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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 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. 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.

**A. Deposits with Financial Institutions**

At June 30, 2010, the carrying amount of all District deposits was \$2,183,423, exclusive of the \$6,019,589 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, the District's entire bank balance of \$2,262,436 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**MARLINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Investments**

As of June 30, 2010, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 Months	13 to 18 Months	19 to 24 Months	Greater Than 24 Months
FNMA	\$ 251,015	\$ -	\$ -	\$ -	\$ -	\$ 251,015
FHLM	753,600	-	-	-	-	753,600
Negotiable cd's	821,033	-	418,290	201,382	201,361	-
STAR Ohio	186,634	186,634	-	-	-	-
Repurchase agreement	<u>6,019,589</u>	<u>6,019,589</u>	-	-	-	-
Total	<u>\$ 8,031,871</u>	<u>\$ 6,206,223</u>	<u>\$ 418,290</u>	<u>\$ 201,382</u>	<u>\$ 201,361</u>	<u>\$ 1,004,615</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standards & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard ratings service. The District's investments in federal agency securities, federal agency securities that underlie the repurchase agreement and negotiable CDs were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and negotiable CDs are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. For the District's \$6,019,589 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**MARLINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$ 251,015	3.13
FHLMC	753,600	9.38
Negotiable cd's	821,033	10.22
STAR Ohio	186,634	2.32
Repurchase agreement	<u>6,019,589</u>	<u>74.95</u>
Total	<u>\$ 8,031,871</u>	<u>100.00</u>

**C. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,183,423
Investments	<u>8,031,871</u>
Total	<u>\$10,215,294</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 9,554,772
Private-purpose trust fund	615,211
Agency funds	<u>45,311</u>
Total	<u>\$ 10,215,294</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 285,879</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfers from the general fund to the nonmajor governmental funds were to reclassify interfund loans to transfers from prior years on GAAP-Basis.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

**MARLINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

- B.** Interfund balances at June 30, 2010 consisted of the following amounts due from and to other funds, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 2,577</u>

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were requested, but were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. The District met the exception requirements of Ohio Revised Code Section 3315.20, allowing a negative cash balance in these funds.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- C.** Interfund balances at June 30, 2010 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 906</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2010 are reported on the statement of net assets.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 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. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**MARLINGTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone, and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Stark County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$337,200 in the general fund and \$18,910 in permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$531,810 in the general fund and \$29,570 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

**MARLINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 326,426,520	97.76	\$ 316,651,800	97.75
Public utility personal	6,928,550	2.07	6,998,910	2.16
Tangible personal property	<u>562,647</u>	<u>0.17</u>	<u>281,323</u>	<u>0.09</u>
<b>Total</b>	<b><u>\$ 333,917,717</u></b>	<b><u>100.00</u></b>	<b><u>\$ 323,932,033</u></b>	<b><u>100.00</u></b>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$54.90		\$54.90	
Permanent improvements	2.00		2.00	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2010 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 8,162,650
Accounts	2,062
Intergovernmental	244,235
Accrued interest	<u>6,378</u>
<b>Total</b>	<b><u>\$ 8,415,325</u></b>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

On October 12, 2000, the District entered into a lease-purchase agreement for financing the constructing, improving, furnishing, equipping and eventual acquisition of the Athletic Complex on October 12, 2011. In fiscal year 2009, the District entered into a lease agreement for copier equipment.

These leases meet the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. At inception, the leases were accounted for as a capital outlay expenditure and other financing source in the general fund. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements and as a reduction of the lease liability in the government-wide financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

**MARLINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)**

Capital assets acquired by lease have been capitalized in the statement of net assets for the Athletic Complex and copier equipment in the amounts of \$725,000 and \$204,759 respectively, which is equal to the present value of the future minimum lease payments as of the dates of inception. Accumulated depreciation for the Athletic Complex as of June 30, 2010 was \$137,750 leaving a current book value of \$587,250. Accumulated depreciation for the copier equipment as of June 30, 2010 was \$99,380, leaving a current book value of \$105,379. A corresponding liability was recorded in the statement of net assets. Principal payments in fiscal year 2010 totaled \$118,475. The principal and interest payments for the Athletic Complex are reflected as debt service principal retirement in the general fund. The principal and interest payments for the copier equipment are reflected as debt service principal retirement in both the general fund and the Title VI-B fund (a nonmajor governmental fund).

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2010.

Fiscal Year <u>Ending June 30,</u>	<u>Amount</u>
2011	\$ 139,629
2012	93,760
2013	<u>15,964</u>
Total minimum lease payment	249,353
Less: amount representing interest	<u>(17,367)</u>
Present value of minimum lease payments	<u>\$ 231,986</u>



**MARLINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance			Balance
	<u>June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2010</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,298,712	\$ -	\$ -	\$ 2,298,712
Total capital assets, not being depreciated	<u>2,298,712</u>	<u>-</u>	<u>-</u>	<u>2,298,712</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,457,759	65,893	-	1,523,652
Buildings and improvements	9,934,332	5,378	(1,395,805)	8,543,905
Furniture and equipment	1,852,579	26,183	-	1,878,762
Vehicles	<u>2,810,871</u>	<u>103,939</u>	<u>(285,435)</u>	<u>2,629,375</u>
Total capital assets, being depreciated	<u>16,055,541</u>	<u>201,393</u>	<u>(1,681,240)</u>	<u>14,575,694</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,302,195)	(19,268)	-	(1,321,463)
Buildings and improvements	(6,212,681)	(190,034)	1,209,362	(5,193,353)
Furniture and equipment	(1,231,264)	(83,296)	-	(1,314,560)
Vehicles	<u>(2,053,108)</u>	<u>(184,018)</u>	<u>285,435</u>	<u>(1,951,691)</u>
Total accumulated depreciation	<u>(10,799,248)</u>	<u>(476,616)</u>	<u>1,494,797</u>	<u>(9,781,067)</u>
Governmental activities capital assets, net	<u>\$ 7,555,005</u>	<u>\$ (275,223)</u>	<u>\$ (186,443)</u>	<u>\$ 7,093,339</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 147,740
Special	887
Vocational	2,991
<u>Support services:</u>	
Instructional staff	2,482
Administration	9,088
Business	19,455
Operations and maintenance	83,344
Pupil transportation	181,176
Central	310
Extracurricular activities	19,523
Food service operations	<u>9,620</u>
Total depreciation expense	<u>\$ 476,616</u>

**MARLINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 10 - DEBT OBLIGATIONS**

**A. Short-Term Debt Expected to be Refinanced**

Short-term note debt activity for the year ended June 30, 2010, consisted of the following:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2010</u>
Energy conservation note	\$ 225,000	\$ -	\$ (225,000)	\$ -

The above note is backed by the full faith and credit of the District and matured July 31, 2009.

**B. Long-Term Obligations**

During fiscal year 2010, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
Compensated absences	\$ 1,603,919	\$ 151,531	\$ (190,041)	\$ 1,565,409	\$ 320,619
Capital lease obligations	350,461	-	(118,475)	231,986	126,798
<b>Total</b>	<u>\$ 1,954,380</u>	<u>\$ 151,531</u>	<u>\$ (308,516)</u>	<u>\$ 1,797,395</u>	<u>\$ 447,417</u>

The capital lease obligation for the Athletic Complex is paid entirely from the general fund. The capital lease obligation for the copier equipment is paid from both the general fund and the Title VI-B fund (a nonmajor governmental fund). See Note 8 for additional disclosure.

Compensated absences will be paid from the fund from which the employee is paid, which is primarily the general fund.

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$29,153,883 and an unvoted debt margin of \$323,932.

**MARLINGTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 11 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made to certified and classified employees for one-fourth of accrued, but unused sick leave credit up to a maximum 66 and 65 days, respectively.

**B. Insurance Benefits**

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

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions; injuries to employees and natural disasters. During fiscal year 2010, the District contracted 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.

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

**B. Employee Health Benefits**

The District has contracted with Stark County Schools Council of Governments (a shared risk pool) (Note 2) to provide employee medical/surgical benefits. Rates are set through a calculation process which resulted in a 10% increase this year. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The District's Board of Education pays a portion of the monthly premium.

Claims are paid for all participants regardless of claims flow. Upon termination, all District claims would be paid without regard to the District's account balance. The Directors have the right to hold monies for an exiting district subsequent to the settlement of all expenses and claims.

**C. Workers' Compensation**

The District participates in the Stark County Schools Council of Governments Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2). 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 workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the GRP.

**MARLINGTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$355,667, \$248,018 and \$275,832, respectively; 35.67 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System of Ohio**

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

**MARLINGTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 13 - PENSION PLANS - (Continued)**

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

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

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,271,201, \$1,255,948 and \$1,337,461, respectively; 80.93 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$29,472 made by the District and \$21,052 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**MARLINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$56,450, \$113,504 and \$125,871, respectively; 35.67 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$21,151, \$20,464 and \$19,874, respectively; 35.67 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**MARLINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$97,785, \$96,611 and \$102,882, respectively; 80.93 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advance-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

**MARLINGTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 1,032,557
Net adjustment for revenue accruals	(275,467)
Net adjustment for expenditure accruals	39,163
Net adjustment for other sources/uses	(292,235)
Adjustment for encumbrances	591,610
GAAP basis	\$ 1,095,628

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**NOTE 17 - STATUTORY RESERVES**

The Districts is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years.

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 17 - STATUTORY RESERVES - (Continued)**

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2009	\$ 444,194	\$ -
Current year set-aside requirement	423,028	423,028
Current year offsets	-	(437,343)
Qualifying disbursements	<u>(470,164)</u>	<u>(296,176)</u>
Total	<u>\$ 397,058</u>	<u>\$ (310,491)</u>
Balance carried forward to fiscal year 2011	<u>\$ 397,058</u>	<u>\$ -</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts 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.

Monies set-aside by the School Board for budget stabilization are reported as a designation of fund balance in the general fund. The balance in the budget stabilization designation at June 30, 2010 was \$476,349.

A schedule of the restricted assets at June 30, 2010 follows:

Amount restricted for textbooks/instructional materials	<u>\$ 397,058</u>
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# Dave Yost • Auditor of State

MARLINGTON LOCAL SCHOOL DISTRICT

STARK COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 24, 2011