

MARLINGTON LOCAL SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Varney, Fink & Associates, Inc.
Certified Public Accountants



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Marlington Local School District, Stark County, prepared by Varney, Fink & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 14, 2009

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**MARLINGTON LOCAL SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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INDEPENDENT AUDITOR'S REPORT

Marlington Local School District
10320 Moulin Avenue, NE
Alliance, OH 44601

To the Board of Education:

We have audited the accompanying 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, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Marlington Local School 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 the 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, 2008, 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 March 18, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

INDEPENDENT AUDITOR'S REPORT (continued)

The management's discussion and analysis 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of District. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of 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.

Varney, Fink & Associates

Varney, Fink & Associates, Inc.
Wadsworth, Ohio

March 18, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The management's discussion and analysis of the Marlinton 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, 2008. 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 2008 are as follows:

- In total, net assets of governmental activities increased \$423,439 which represents a 4.16% increase from fiscal year 2007.
- General revenues accounted for \$20,781,445 in revenue or 84.20% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,898,982 or 15.80% of total revenues of \$24,680,427.
- The District had \$24,256,988 in expenses related to governmental activities; only \$3,898,982 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$20,781,445 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$21,783,398 in revenues and other financing sources and \$21,113,645 in expenditures and other financing uses. During fiscal year 2008, the general fund's fund balance increased \$664,068 from \$2,816,071 to \$3,480,139.

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 2008?" 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, 2008**

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 13-14 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* than can readily be 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 15-19 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 20 and 21. 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 22-49 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 for fiscal years 2008 and 2007.

	Net Assets	
	Governmental Activities	Governmental Activities
	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Current and other assets	\$ 17,255,183	\$ 15,912,055
Capital assets, net	<u>7,992,965</u>	<u>7,869,463</u>
Total assets	<u>25,248,148</u>	<u>23,781,518</u>
<u>Liabilities</u>		
Current liabilities	12,582,711	11,759,002
Long-term liabilities	<u>2,055,935</u>	<u>1,836,453</u>
Total liabilities	<u>14,638,646</u>	<u>13,595,455</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	7,191,799	7,072,212
Restricted	1,087,436	1,366,599
Unrestricted	<u>2,330,267</u>	<u>1,747,252</u>
Total net assets	<u>\$ 10,609,502</u>	<u>\$ 10,186,063</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$10,609,502. At year-end, unrestricted net assets were \$2,330,267.

At year-end, capital assets represented 31.66% 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, 2008, were \$7,191,799. 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.

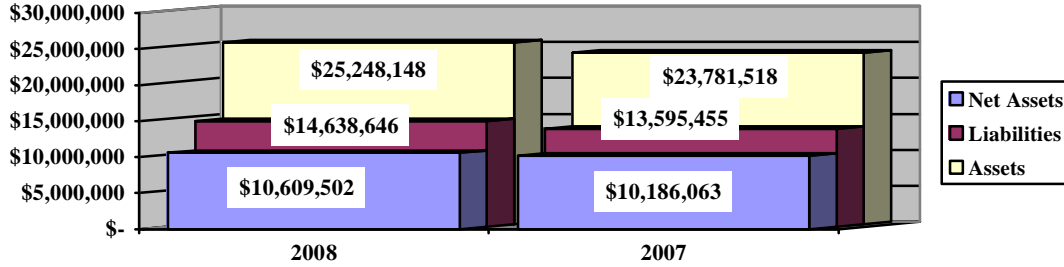
A portion of the District's net assets, \$1,087,436, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,330,267 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The graph below presents the District's assets, liabilities and net assets for fiscal years 2008 and 2007.

Governmental Activities



The table below shows the change in net assets for fiscal years 2008 and 2007.

Change in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,348,861	\$ 1,324,289
Operating grants and contributions	2,530,491	2,331,846
Capital grants and contributions	19,630	70,363
General revenues:		
Property taxes	9,325,121	9,096,347
Grants and entitlements	11,128,527	10,707,766
Investment earnings	250,993	347,993
Other	76,804	93,792
Total revenues	<u>24,680,427</u>	<u>23,972,396</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Change in Net Assets

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 9,192,976	\$ 9,569,038
Special	2,761,091	2,885,822
Vocational	948,575	1,103,729
Other	1,430,075	1,417,925
Support services:		
Pupil	745,243	904,914
Instructional staff	885,845	851,779
Board of education	-	30,513
Administration	1,878,703	1,857,172
Fiscal	402,430	384,560
Business	173,577	114,273
Operations and maintenance	2,200,646	2,398,169
Pupil transportation	1,563,902	1,449,875
Central	50,738	40,082
Operations of non-instructional services		
Other non-instructional services	29,138	28,412
Food service operations	1,001,792	979,748
Extracurricular activities	939,191	937,828
Interest and fiscal charges	<u>53,066</u>	<u>44,206</u>
Total expenses	<u>24,256,988</u>	<u>24,998,045</u>
Change in net assets	423,439	(1,025,649)
Net assets at beginning of year	<u>10,186,063</u>	<u>11,211,712</u>
Net assets at end of year	<u>\$ 10,609,502</u>	<u>\$ 10,186,063</u>

Governmental Activities

Net assets of the District's governmental activities increased \$423,439. Total governmental expenses of \$24,256,988 were offset by program revenues of \$3,898,982 and general revenues of \$20,781,445. Program revenues supported 16.07% 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 82.87% of total governmental revenue. Real estate property is reappraised every six years.

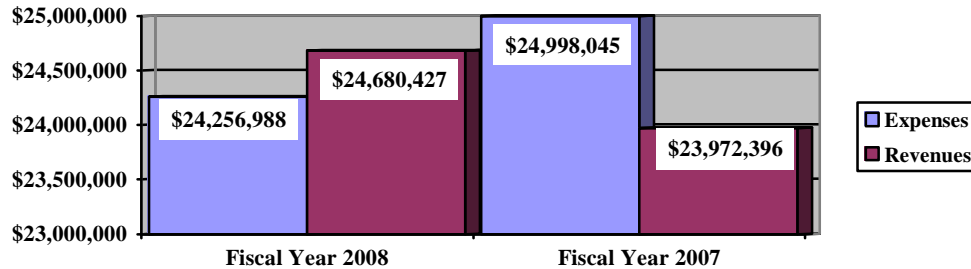
The District's financial condition has remained static in recent years, primarily due to the lack of growth in financial support from the State.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.

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 <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
Program expenses				
Instruction:				
Regular	\$ 9,192,976	\$ 8,776,203	\$ 9,569,038	\$ 9,051,705
Special	2,761,091	1,278,499	2,885,822	1,705,226
Vocational	948,575	794,455	1,103,729	886,287
Other	1,430,075	1,401,232	1,417,925	1,417,925
Support services:				
Pupil	745,243	593,988	904,914	575,449
Instructional staff	885,845	849,807	851,779	793,581
Board of education	-	-	30,513	30,513
Administration	1,878,703	1,872,596	1,857,172	1,850,121
Fiscal	402,430	402,430	384,560	384,560
Business	173,577	30,180	114,273	108,808
Operations and maintenance	2,200,646	2,181,056	2,398,169	2,395,436
Pupil transportation	1,563,902	1,425,051	1,449,875	1,273,537
Central	50,738	50,738	40,082	40,082
Operations of non-instructional services				
Other non-instructional services	29,138	29,138	28,412	26,847
Food service operations	1,001,792	63,772	979,748	102,159
Extracurricular activities	939,191	555,795	937,828	585,105
Interest and fiscal charges	53,066	53,066	44,206	44,206
Total	<u>\$ 24,256,988</u>	<u>\$ 20,358,006</u>	<u>\$ 24,998,045</u>	<u>\$ 21,271,547</u>

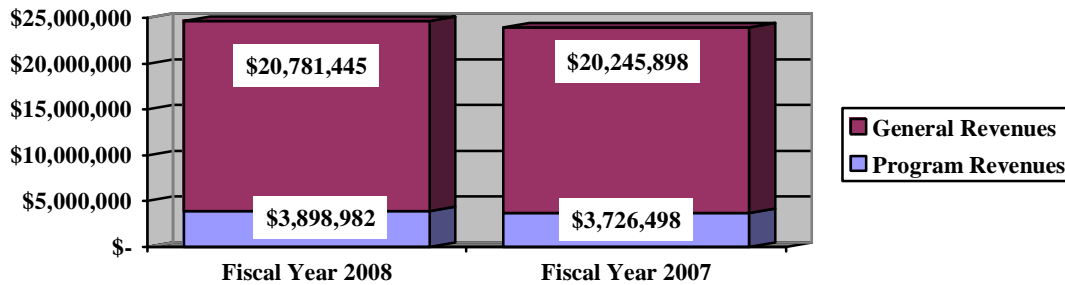
**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The dependence upon tax and other general revenues for governmental activities is apparent, 85.47% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.93%. The District's taxpayers and 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 revenue for fiscal years 2008 and 2007.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$3,822,352, which is more than last year's total of \$3,299,189. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance <u>June 30, 2008</u>	Fund Balance <u>June 30, 2007</u>	<u>(Decrease)</u>
General	\$ 3,480,139	\$ 2,816,071	\$ 664,068
Other Governmental	<u>342,213</u>	<u>483,118</u>	<u>(140,905)</u>
Total	<u>3,822,352</u>	<u>3,299,189</u>	<u>523,163</u>

General Fund

The District's general fund, fund balance increased by \$664,068. Tax revenue decreased 0.15% from fiscal year 2007 due to House Bill 66 eliminating the tax on tangible personal property. This State is providing a reimbursement for the loss of this tax revenue, which is a reason why intergovernmental revenue increased 4.55%. Tuition revenue decreased 4.13% due to declining enrollment. Interest revenue decreased 27.14% due to lower interest rates when compared to the prior fiscal year. Instructional expenditures decreased 4.13% due to decreases in wage and benefit costs for the District's teaching staff. The capital outlay expenditure is due to the purchase of a new capital lease during the fiscal year which resulted in the debt service expenditure increasing from additional principal payments. 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, 2008

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 8,804,310	\$ 8,817,245	(0.15) %
Tuition	175,965	183,542	(4.13) %
Earnings on investments	252,479	346,507	(27.14) %
Intergovernmental	12,077,864	11,552,199	4.55 %
Other revenues	<u>264,765</u>	<u>246,919</u>	7.23 %
Total	<u>\$ 21,575,383</u>	<u>\$ 21,146,412</u>	2.03 %
<u>Expenditures</u>			
Instruction	\$ 13,195,541	\$ 13,764,703	(4.13) %
Support services	6,984,467	7,267,583	(3.90) %
Operation of non-instructional services	29,138	27,291	6.77 %
Extracurricular activities	564,746	521,007	8.40 %
Capital outlay	204,759	-	100.00 %
Debt service	<u>132,060</u>	<u>91,737</u>	43.96 %
Total	<u>\$ 21,110,711</u>	<u>\$ 21,672,321</u>	(2.59) %

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 2008, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$22,220,555, which was higher than the original budgeted revenues estimate of \$21,632,758. Actual revenues and other financing sources for fiscal 2008 was \$22,220,555, which is unchanged from final budgeted revenues.

General fund final appropriations (appropriated expenditures plus other financing uses) of \$21,600,806 were lower than the original budgeted appropriations estimate of \$22,612,510. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$21,600,806, which is unchanged from final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the District had \$7,992,965 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**

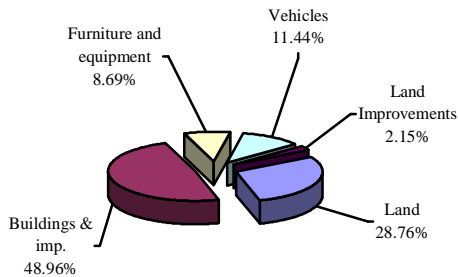
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The following table shows fiscal year 2008 balances compared to fiscal year 2007:

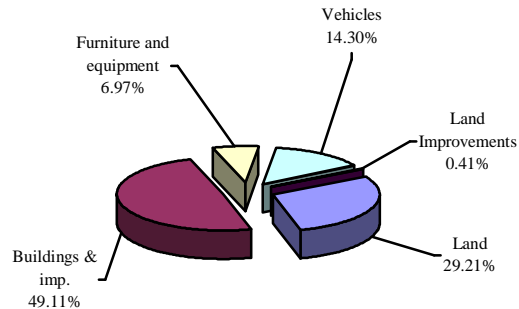
Capital Assets at June 30 (Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2008</u>	<u>2007</u>
Land	\$ 2,298,712	\$ 2,298,712
Land improvements	172,115	32,237
Building and improvements	3,913,308	3,865,195
Furniture and equipment	694,444	548,305
Vehicles	<u>914,386</u>	<u>1,125,014</u>
Total	<u>\$ 7,992,965</u>	<u>\$ 7,869,463</u>

The overall increase in capital assets of \$123,502 is primarily due to capital outlays of \$608,454 exceeding depreciation expense of \$484,952 in the fiscal year.

Capital Assets - Governmental Activities 2008



Capital Assets - Governmental Activities 2007



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

Debt Administration

At June 30, 2008, the District had a capital lease obligation of \$461,166 outstanding, of this total \$110,705 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, 2008**

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. Previous to the passage of the 8.5 mill renewal levy in November 2007, the community failed to approve new operating levies that included a 4.9 mill levy in November 2006 and a 5.9 mill levy in May 2007. The most recent new operating levy passed by the community was an 8.5 mil operating levy in May 2003. In November 2004, the community renewed a 2 mil permanent improvement levy, which has been decreased to an effective 1.36 mils due to increases in local property valuations since 1999 when it replaced the previous 2.5 mil permanent improvement levy. The Marlinton community also voted to renew an 8.5 mil levy (3.61 effective mils) passed in November of 2004, which generates approximately \$1.4 million per year for the District. Due to its reliance on limited levies, the District must under its current levy renewal schedule go before the voters 4 out of 5 years 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 and 2,589 in 2006, 2007, and 2008, respectively.

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.

In response to increased costs for the 2006-07 school year, the District, through attrition and a reduction in force, eliminated 14 positions for savings of approximately \$757,000 in wages and benefits. Further budget reductions were made in the areas of purchased services, supplies, and equipment totaling approximately \$650,000. In 2008, the District continued cost effective measures, lowering the budget \$1.2 million from 2007.

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.

Over the past three 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 "Effective" with Marlinton High School and Marlboro Elementary achieving "Excellent" ratings.

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, Ohio, 44601-9797.

BASIC
FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 6,630,582
Receivables:	
Taxes	10,137,965
Accounts	5,878
Intergovernmental	325,219
Accrued interest	3,007
Loans	3,824
Prepayments.	19,822
Materials and supplies inventory	128,886
Capital assets:	
Nondepreciable capital assets.	2,298,712
Depreciable capital assets, net	5,694,253
Total capital assets, net.	7,992,965
 Total assets	 25,248,148
 Liabilities:	
Accounts payable	75,414
Accrued wages and benefits	2,337,120
Pension obligation payable.	604,447
Intergovernmental payable	83,471
Notes payable	340,000
Accrued interest payable	17,094
Unearned revenue.	9,125,165
Long-term liabilities:	
Due within one year.	519,212
Due in more than one year	1,536,723
Total long-term liabilities.	2,055,935
Total liabilities	14,638,646
 Net Assets:	
Invested in capital assets, net of related debt.	7,191,799
Restricted for:	
Capital projects	557,713
State funded programs	11,822
Federally funded programs	25,796
Other purposes	492,105
Unrestricted	2,330,267
Total net assets	\$ 10,609,502

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, 2008

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 9,192,976	\$ 293,339	\$ 123,434	\$ -	\$ (8,776,203)
Special	2,761,091	-	1,482,592	-	(1,278,499)
Vocational	948,575	12,168	141,952	-	(794,455)
Other	1,430,075	-	28,843	-	(1,401,232)
Support services:					
Pupil	745,243	1,570	149,685	-	(593,988)
Instructional staff	885,845	12,918	23,120	-	(849,807)
Administration	1,878,703	-	6,107	-	(1,872,596)
Fiscal	402,430	-	-	-	(402,430)
Business	173,577	-	143,397	-	(30,180)
Operations and maintenance	2,200,646	19,590	-	-	(2,181,056)
Pupil transportation	1,563,902	48,865	70,356	19,630	(1,425,051)
Central	50,738	-	-	-	(50,738)
Operation of non-instructional services:					
Other non-instructional services	29,138	-	-	-	(29,138)
Food service operations	1,001,792	599,450	338,570	-	(63,772)
Extracurricular activities	939,191	360,961	22,435	-	(555,795)
Interest and fiscal charges	53,066	-	-	-	(53,066)
Total governmental activities	\$ 24,256,988	\$ 1,348,861	\$ 2,530,491	\$ 19,630	(20,358,006)

General Revenues:

Property taxes levied for:	
General purposes	8,869,620
Capital projects	455,501
Grants and entitlements not restricted to specific programs	
Investment earnings	250,993
Miscellaneous	76,804
Total general revenues	20,781,445
Change in net assets	423,439
Net assets at beginning of year	10,186,063
Net assets at end of year	\$ 10,609,502

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 5,052,734	\$ 1,222,460	\$ 6,275,194
Receivables:			
Taxes	9,674,942	463,023	10,137,965
Accounts	4,696	1,182	5,878
Intergovernmental	129,441	195,778	325,219
Accrued interest	3,007	-	3,007
Loans	3,824	-	3,824
Interfund loan	123,284	-	123,284
Prepayments	19,822	-	19,822
Materials and supplies inventory	105,392	23,494	128,886
Due from other funds	241,326	-	241,326
Restricted assets:			
Equity in pooled cash and cash equivalents	355,388	-	355,388
Total assets.	<u>\$ 15,713,856</u>	<u>\$ 1,905,937</u>	<u>\$ 17,619,793</u>
Liabilities:			
Accounts payable.	\$ 46,640	\$ 28,774	\$ 75,414
Accrued wages and benefits	2,174,652	162,468	2,337,120
Compensated absences payable	148,479	-	148,479
Interfund loan payable	-	123,284	123,284
Pension obligation payable.	551,424	53,023	604,447
Intergovernmental payable.	75,890	7,581	83,471
Due to other funds.	-	241,326	241,326
Accrued interest payable	-	17,094	17,094
Notes payable	-	340,000	340,000
Deferred revenue.	522,890	178,751	701,641
Unearned revenue	8,713,742	411,423	9,125,165
Total liabilities.	<u>12,233,717</u>	<u>1,563,724</u>	<u>13,797,441</u>
Fund Balances:			
Reserved for encumbrances	228,842	127,175	356,017
Reserved for due from other funds.	241,326	-	241,326
Reserved for materials and supplies inventory	105,392	23,494	128,886
Reserved for prepayments	19,822	-	19,822
Reserved for interfund loan	123,284	-	123,284
Reserved for loans	3,824	-	3,824
Reserved for property tax unavailable for appropriation	488,310	27,140	515,450
Reserved for textbooks.	355,388	-	355,388
Unreserved:			
Designated for budget stabilization.	476,349	-	476,349
Undesignated, reported in:			
General fund	1,437,602	-	1,437,602
Special revenue funds.	-	81,654	81,654
Capital projects funds.	-	82,750	82,750
Total fund balances	<u>3,480,139</u>	<u>342,213</u>	<u>3,822,352</u>
Total liabilities and fund balances.	<u>\$ 15,713,856</u>	<u>\$ 1,905,937</u>	<u>\$ 17,619,793</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, 2008

Total governmental fund balances		\$	3,822,352
<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.			7,992,965
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	547,350	
Intergovernmental receivable		154,291	
Total			701,641
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 payable		1,446,290	
Capital lease obligations payable		461,166	
Total			<u>(1,907,456)</u>
Net assets of governmental activities		\$	<u>10,609,502</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, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 8,804,310	\$ 452,161	\$ 9,256,471
Tuition	175,965	-	175,965
Earnings on investments	252,479	-	252,479
Charges for services.	-	600,645	600,645
Extracurricular	59,722	381,050	440,772
Classroom materials and fees.	108,649	47	108,696
Other local revenues	96,394	26,584	122,978
Intergovernmental - intermediate	3,870	-	3,870
Intergovernmental - state.	12,073,994	154,159	12,228,153
Intergovernmental - federal	-	1,553,192	1,553,192
Total revenue.	<u>21,575,383</u>	<u>3,167,838</u>	<u>24,743,221</u>
Expenditures:			
Current:			
Instruction:			
Regular.	8,869,437	203,030	9,072,467
Special	1,973,079	789,706	2,762,785
Vocational	945,800	-	945,800
Other	1,407,225	22,788	1,430,013
Support Services:			
Pupil	567,959	163,208	731,167
Instructional staff	860,602	21,756	882,358
Administration	1,864,767	8,325	1,873,092
Fiscal	393,023	-	393,023
Business.	6,528	239,627	246,155
Operations and maintenance	1,902,448	475,917	2,378,365
Pupil transportation.	1,338,712	794	1,339,506
Central	50,428	-	50,428
Operation of non-instructional services:			
Other non-instructional services	29,138	-	29,138
Food service operations	-	998,612	998,612
Extracurricular activities	564,746	367,714	932,460
Facilities acquisition and construction	-	3,500	3,500
Capital outlay.	204,759	-	204,759
Debt service:			
Principal retirement	98,410	2,434	100,844
Interest and fiscal charges	33,650	19,416	53,066
Total expenditures	<u>21,110,711</u>	<u>3,316,827</u>	<u>24,427,538</u>
Excess (deficiency) of revenues over (under) expenditures	<u>464,672</u>	<u>(148,989)</u>	<u>315,683</u>
Other financing sources (uses):			
Transfers in.	-	3,456	3,456
Transfers out	(2,934)	(522)	(3,456)
Capital lease transaction	204,759	-	204,759
Sale of assets	3,256	1,595	4,851
Total other financing sources (uses).	<u>205,081</u>	<u>4,529</u>	<u>209,610</u>
Net change in fund balances.	669,753	(144,460)	525,293
Fund balances at beginning of year.	2,816,071	483,118	3,299,189
Increase (decrease) in reserve for inventory	(5,685)	3,555	(2,130)
Fund balances at end of year	\$ 3,480,139	\$ 342,213	\$ 3,822,352

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, 2008

Net change in fund balances - total governmental funds \$ 525,293

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

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 outlays in the current period.

Capital asset additions	\$ 608,454	
Current year depreciation	(484,952)	
Total	123,502	123,502

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

Taxes	68,650	
Intergovernmental revenue	(129,958)	
Accrued interest	(1,486)	
Total	(62,794)	(62,794)

Governmental funds report expenditures for inventory when purchased, however, in the statement of activities, they are reported as expenses when consumed.

(2,130)

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.

100,844

Capital lease transactions are recorded as an other financing source in the funds however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.

(204,759)

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.

(56,517)

Change in net assets of governmental activities **\$ 423,439**

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes.	\$ 8,512,782	\$ 8,744,090	\$ 8,744,090	\$ -
Tuition.	171,260	175,913	175,913	-
Earnings on investments.	245,986	252,670	252,670	-
Extracurricular activities	54,777	56,265	56,265	-
Classroom materials and fees	105,775	108,649	108,649	-
Other local revenues.	93,817	96,366	96,366	-
Intergovernmental - intermediate	847	870	870	-
Intergovernmental - state	11,680,184	11,997,553	11,997,553	-
Total revenue	<u>20,865,428</u>	<u>21,432,376</u>	<u>21,432,376</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,989,475	8,587,277	8,587,277	-
Special.	2,087,027	1,993,652	1,993,652	-
Vocational.	1,018,072	972,523	972,523	-
Other	1,538,062	1,469,248	1,469,248	-
Support Services:				
Pupil.	581,563	555,543	555,543	-
Instructional staff	901,841	861,492	861,492	-
Board of education	9,694	9,260	9,260	-
Administration.	1,931,167	1,844,765	1,844,765	-
Fiscal	423,407	404,463	404,463	-
Business	15,415	14,725	14,725	-
Operations and maintenance.	2,074,405	1,981,594	1,981,594	-
Pupil transportation	1,422,650	1,358,999	1,358,999	-
Central.	61,583	58,828	58,828	-
Operation of non-instructional services	36,318	34,693	34,693	-
Extracurricular activities.	680,303	649,866	649,866	-
Total expenditures	<u>21,770,982</u>	<u>20,796,928</u>	<u>20,796,928</u>	<u>-</u>
Deficiency of revenues over (under) expenditures.	<u>(905,554)</u>	<u>635,448</u>	<u>635,448</u>	<u>-</u>
Other financing sources (uses):				
Sale of assets.	3,170	3,256	3,256	-
Transfers out	(3,071)	(2,934)	(2,934)	-
Advances in	764,160	784,923	784,923	-
Advances out	(838,457)	(800,944)	(800,944)	-
Total other financing sources (uses)	<u>(74,198)</u>	<u>(15,699)</u>	<u>(15,699)</u>	<u>-</u>
Net change in fund balance	(979,752)	619,749	619,749	-
Fund balance at beginning of year	3,976,296	3,976,296	3,976,296	-
Prior year encumbrances appropriated	532,588	532,588	532,588	-
Fund balance at end of year	<u>\$ 3,529,132</u>	<u>\$ 5,128,633</u>	<u>\$ 5,128,633</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 628,081	\$ 63,388
Total assets.	<u>628,081</u>	<u>63,388</u>
Liabilities:		
Accounts payable.	-	\$ 150
Loans payable	-	3,824
Due to students.	<u>-</u>	<u>59,414</u>
Total liabilities	<u>-</u>	<u>\$ 63,388</u>
Net Assets:		
Held in trust for scholarships.	<u>628,081</u>	
Total net assets	<u>\$ 628,081</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 20,772
Gifts and contributions	850
	21,622
Total additions	21,622
Deductions:	
Scholarships awarded	22,977
Change in net assets	(1,355)
Net assets at beginning of year	629,436
Net assets at end of year	\$ 628,081

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, 2008

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 201st largest by total enrollment among the 896 public school districts and community schools in the State. The District employs 147 non-certified and 187 certified employees to provide services to approximately 2,398 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) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. 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" and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. 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, foods 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; (4) or 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. 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, 2008

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 38th 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, 2008

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; (c) debt service requirements on District debt issues; and (d) 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, 2008

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, 2008

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 Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the 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, 2008, but which were levied to finance fiscal year 2009 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, 2008 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, 2008**

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:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased tax rates). By no later than January 20, the Board-adopted budget is filed with the Stark County Budget Commission for rate determination.

Estimated Resources:

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 June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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.

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 cash equivalents" on the basic financial statements.

During fiscal year 2008, investments were limited to overnight repurchase agreements, nonnegotiable certificates of deposit 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 and nonnegotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2008. 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, 2008.

**MARLINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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 2008 amounted to \$252,479, which includes \$58,649 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.

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:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loan receivables/payables” and long-term advances subject to repayment are reported 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.

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, 2008, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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, due from other funds, prepayments, loans, interfund loans, 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.

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 represent amounts restricted by State statute for textbooks, CAFS reimbursement and an underground storage tank.

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.

**MARLINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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.

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 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 14) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
District managed student activity	\$ 125,623
Data communication	921
Poverty aid	3,783
Migrant grant	5,831
Title VI-B	124,589
Title III-limited english	15,593
Title I	26,201
Title VI	64
Drug free school grant	50
Improving teacher quality	36,326

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;

**MARLINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct 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,
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, 2008, the carrying amount of all District deposits was \$1,548,740, exclusive of the \$5,031,156 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, 2008, \$1,470,087 of the District's bank balance of \$1,670,087 was exposed to custodial risk as discussed below, while \$200,000 was covered by the Federal Deposit Insurance Corporation.

**MARLINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

B. Investments

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase agreement	\$ 5,031,156	\$ 5,031,156
STAR Ohio	<u>742,155</u>	<u>742,155</u>
Total	<u>\$ 5,773,311</u>	<u>\$ 5,773,311</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: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

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. For the District's \$5,031,156 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
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 5,031,156	87.15
STAR Ohio	<u>742,155</u>	<u>12.85</u>
Total	<u>\$ 5,773,311</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, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,548,740
Investments	<u>5,773,311</u>
Total	<u>\$ 7,322,051</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 6,630,582
Private-purpose trust fund	628,081
Agency funds	<u>63,388</u>
Total	<u>\$ 7,322,051</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund loans receivable/payable consisted of the following at June 30, 2008, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$123,284

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.

**MARLINGTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2008 are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund statements:

Transfers from general fund to:	
Nonmajor governmental funds	\$ 2,934
Transfers from nonmajor governmental funds to:	
Nonmajor governmental funds	<u>522</u>
Total	<u><u>\$ 3,456</u></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.

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

- C.** Amounts “due from” and “due to” other funds for the year ended June 30, 2008, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Due to general fund from:	
Nonmajor governmental funds	\$ 241,326

\$221,288 of this amount represents monies borrowed by the district managed student activity nonmajor governmental fund from the general fund. The amount is being repaid over a number of years.

\$20,038 of this amount represents long-term interfund loans to nonmajor governmental funds from the general fund.

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

- D.** Loans between governmental funds and agency funds are reported as “loans receivable/payable” on the financial statements. The District had the following loans outstanding at fiscal year-end:

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General	Agency	\$ 3,824

This loan is expected to be repaid in the subsequent year as resources become available in the agency fund.

**MARLINGTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, 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 replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the 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, 2008, are available to finance fiscal year 2008 operations. The amount available as an advance at June 30, 2008 was \$488,310 in the general fund and \$27,140 in the permanent improvement fund, a nonmajor governmental fund. This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$428,090 in the general fund and \$23,810 in the permanent improvement fund, a nonmajor governmental fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 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 a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 313,334,630	93.00	\$ 317,286,110	95.34
Public utility personal	8,407,030	2.50	6,872,680	2.07
Tangible personal property	<u>15,144,071</u>	<u>4.50</u>	<u>8,627,426</u>	<u>2.59</u>
Total	<u>\$ 336,885,731</u>	<u>100.00</u>	<u>\$ 332,786,216</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$54.90		\$56.90	
Permanent improvements	2.00		2.00	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, intergovernmental grants and entitlements, and intergovernmental receipts for tax increment financing payments due to the District. 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	\$ 10,137,965
Accounts	5,878
Intergovernmental	325,219
Accrued interest	3,007
Loans	<u>3,824</u>
Total	<u>\$ 10,475,893</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 2008, the District entered into a lease agreement for copier equipment.

These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which 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.

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, 2008 was \$108,750, leaving a current book value of \$616,250. Accumulated depreciation for the copier equipment as of June 30, 2008 was \$20,476, leaving a current book value of \$184,283. A corresponding liability was recorded in the statement of net assets. Principal payments in fiscal year 2008 totaled \$100,844. 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, 2008.

<u>Fiscal Year</u> <u>Ending June 30.</u>	<u>Amount</u>
2009	\$ 139,628
2010	139,629
2011	139,629
2012	93,760
2013	<u>15,964</u>
Total minimum lease payment	528,610
Less: amount representing interest	<u>(67,444)</u>
Present value of minimum lease payments	<u>\$ 461,166</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance			Balance
	<u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2008</u>
Governmental activities:				
<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	1,308,779	148,980	-	1,457,759
Buildings and improvements	9,678,011	249,715	-	9,927,726
Furniture and equipment	1,632,423	209,759	-	1,842,182
Vehicles	<u>2,790,721</u>	<u>-</u>	<u>-</u>	<u>2,790,721</u>
Total capital assets, being depreciated	<u>15,409,934</u>	<u>608,454</u>	<u>-</u>	<u>16,018,388</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,276,542)	(9,102)	-	(1,285,644)
Buildings and improvements	(5,812,816)	(201,602)	-	(6,014,418)
Furniture and equipment	(1,084,118)	(63,620)	-	(1,147,738)
Vehicles	<u>(1,665,707)</u>	<u>(210,628)</u>	<u>-</u>	<u>(1,876,335)</u>
Total accumulated depreciation	<u>(9,839,183)</u>	<u>(484,952)</u>	<u>-</u>	<u>(10,324,135)</u>
Governmental activities capital assets, net	<u>\$ 7,869,463</u>	<u>\$ 123,502</u>	<u>\$ -</u>	<u>\$ 7,992,965</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 142,630
Special	752
Vocational	3,119
<u>Support services:</u>	
Instructional staff	1,908
Administration	5,359
Business	17,077
Operations and maintenance	83,166
Pupil transportation	208,854
Central	310
Extracurricular activities	11,814
Food service operations	<u>9,963</u>
Total depreciation expense	<u>\$ 484,952</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 10 - DEBT OBLIGATIONS

A. Short-Term Debt

Short-term note debt activity for the year ended June 30, 2008, consisted of the following:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2008</u>
Energy conservation note	\$ 440,000	\$ 340,000	\$ (440,000)	\$ 340,000

The above note is backed by the full faith and credit of the District and matures within one year. The note liability is reflected in the fund which received the proceeds. The note will be repaid from governmental fund revenues. These notes will mature July 31, 2008 and bear an interest rate of 5.5%.

B. Long-Term Obligations

During fiscal year 2008, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
Compensated absences	\$ 1,479,202	\$ 240,273	\$ (124,706)	\$ 1,594,769	\$ 408,507
Capital lease obligations	357,251	204,759	(100,844)	461,166	110,705
Total	<u>\$ 1,836,453</u>	<u>\$ 445,032</u>	<u>\$ (225,550)</u>	<u>\$ 2,055,935</u>	<u>\$ 519,212</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, 2008, are a voted debt margin of \$29,726,512 and an unvoted debt margin of \$330,295.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 \$25,000 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 2008, 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 an annual calculation process. 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
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 and disability 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, under *Forms and Publications*.

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 2008, 9.16 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, 2008, 2007 and 2006 were \$275,832, \$291,943 and \$275,288, respectively; 48.75 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 2008, 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, 2008, 2007 and 2006 were \$1,337,461, \$1,391,108 and \$1,354,789, respectively; 79.86 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$9,858 made by the District and \$23,092 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, 2008, 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
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the 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.

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 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$125,871, \$157,616 and \$140,025, respectively; 48.75 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$19,874, \$19,852 and \$21,911, respectively; 48.75 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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 or by calling (888) 227-7877.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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 2008, 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, 2008, 2007, and 2006 were \$102,882, \$107,008 and \$104,215, respectively; 79.86 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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 revenue, 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).

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	\$ 619,749
Net adjustment for revenue accruals	143,007
Net adjustment for expenditure accruals	(593,272)
Net adjustment for other sources/uses	220,780
Adjustment for encumbrances	279,489
GAAP basis	\$ 669,753

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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.

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2007	\$ 363,610	\$ -
Current year set-aside requirement	394,911	394,911
Current year offsets	-	(505,249)
Qualifying disbursements	<u>(403,133)</u>	<u>(211,927)</u>
Total	<u>\$ 355,388</u>	<u>\$ (322,265)</u>
Balance carried forward to FY 2009	<u>\$ 355,388</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, 2008 was \$476,349.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 17 - STATUTORY RESERVES - (Continued)

A schedule of the restricted assets at June 30, 2008 follows:

Amount restricted for textbooks/instructional materials	<u>\$ 355,388</u>
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NOTE 18 - SIGNIFICANT SUBSEQUENT EVENTS

On July 31, 2008, the District issued an Energy Conservation Note, Series 2008, in the amount of \$225,000 and will be repaid from governmental revenues. The note bears an interest rate of 4.29% and will mature on July 30, 2009 (see Note 10.A).

**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**

Marlington Local School District
10320 Moulin Avenue, NE
Alliance, OH 44601

To the Board of Education:

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, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 18, 2009. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2008-01 to be a significant deficiency in internal control over financial reporting.

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* (continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weaknesses.

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 the District in a separate letter dated March 18, 2009.

The District's response to the findings identified in our audit is described in the accompanying Schedule of Findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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

Varney, Fink & Associates

Varney, Fink & Associates, Inc.
Wadsworth, Ohio

March 18, 2009

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Marlington Local School District
10320 Moulin Avenue, NE
Alliance, OH 44601

To the Board of Education:

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 are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to 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 of 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 of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (continued)

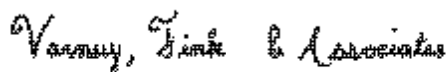
opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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



Varney, Fink & Associates, Inc.
Wadsworth, Ohio

March 18, 2009

Marlington Local School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Year	Receipts	Disbursements
U.S. Department of Agriculture				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Breakfast Program	10.553	2008	\$17,348	\$17,348
Total National School Breakfast Program			17,348	17,348
National School Lunch Program	10.555	2008	246,685	246,685
Total National School Lunch Program			246,685	246,685
Total Child Nutrition Cluster			264,033	264,033
Food Donation	10.550	----	102,623	102,623
Total U.S. Department of Agriculture			366,656	366,656
U.S. Department of Education				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Grants to States	84.027	2007	115,226	94,664
Special Education Grants to States	84.027	2008	576,344	608,347
Total Special Education - Grants to States			691,570	703,011
Title I Grants to Local Educational Agencies	84.010	2006	0	1,623
Title I Grants to Local Educational Agencies	84.010	2007	0	41
Title I Grants to Local Educational Agencies	84.010	2008	328,291	333,617
Total Title I			328,291	335,281
Migrant Education State Grant Program	84.011	2007	29,456	32,370
Migrant Education State Grant Program	84.011	2008	29,287	23,348
Total Migrant Education State Grant Program			58,743	55,718
Safe and Drug-Free Schools and Communities - State Grants	84.186	2007	8,360	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	2008	8,877	8,877
Total Safe and Drug-Free Schools and Communities - State Grants			17,237	8,877
Innovative Education Program Strategies	84.298	2007	3,415	108
Innovative Education Program Strategies	84.298	2008	5,864	5,864
Total Innovative Education Program Strategies			9,279	5,972
Educational Technology State Grants	84.318	2007	2,821	0
Educational Technology State Grants	84.318	2008	3,438	3,158
Total Educational Technology State Grants			6,259	3,158
Improving Teacher Quality State Grants	84.367	2007	25,175	17,990
Improving Teacher Quality State Grants	84.367	2008	85,373	94,732
Total Improving Teacher Quality State Grants			110,548	112,722
Total U.S. Department of Education			1,221,927	1,224,739
Total Federal Assistance			\$1,588,583	\$1,591,395

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

MARLINGTON LOCAL SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased foods and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

MARLINGTON LOCAL SCHOOL DISTRICT

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of auditor's report issued on the basic financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the basic financial statement level?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the basic financial statement level?	Yes
(d)(1)(iii)	Was there any material noncompliance reported at the basic financial statement level?	No
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Unqualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	No

MARLINGTON LOCAL SCHOOL DISTRICT

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)**

(d)(1)(vii)	Major Program:	Special Education – Grants to States (Idea, Part B) CFDA# 84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding 2008-01 Significant Deficiency

Sound financial reporting is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The District made an audit adjustment to capital assets for \$391,895 for capital assets not booked and related depreciation of \$12,307.

The Treasurer should review the adjustment above and ensure that similar errors are not reported on the financial statements in subsequent years.

Officials Response:

Future capital asset purchases will be monitored to ensure inclusion in the financial statements.

3. FINDINGS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
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
MAY 26, 2009