

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1-2
General Purpose Financial Statements	
<i>Combined Balance Sheet - All Fund Types and Account Groups</i>	4-5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Similar Trust Fund	6-7
<i>Combined Statement of Revenues, Expenditures, and Changes in in Fund Balance - Budget Basis and Actual - All Governmental Fund Types and Similar Trust Fund</i>	8-11
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - All Proprietary Fund Types	12
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget Basis and Actual - All Proprietary Fund Types	13
Combined Statement of Cash Flows - All Proprietary Fund Types	14
Notes to the General Purpose Financial Statements	15-36
Schedule of Federal Awards Receipts and Expenditures	37
Notes to the Schedule of Federal Awards Receipts and Expenditures	38
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	39-40
Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	41-42
Schedule of Findings	43-45



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 2nd Street, NW, 4th Floor
Canton, Ohio 44702

Telephone 330-438-0617
800-443-9272

Facsimile 330-471-0001

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of Marlington Local School District, Stark County, (the District) as of and for the year ended June 30, 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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



Jim Petro
Auditor of State

December 9, 1999

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Marlington Local School District
 Combined Balance Sheet - All Fund Types and Account Groups
 June 30, 1999

	Governmental Fund Types			Proprietary Fund Types			Fiduciary Fund Types			Account Groups			Totals
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Expendable Trust and Agency	General Fixed Assets	General Long-Term Obligations	General	Fixed	Assets	Only	
ASSETS AND OTHER DEBITS:													
Assets:													
Equity in Pooled Cash and Investments	\$2,430,365	\$436,994	\$0	\$503,830	\$452,225	\$641,343	\$0	\$0	\$0	\$0	\$0	\$0	\$4,464,757
Receivables													
Taxes	5,552,473	0	98,068	196,217	0	0	0	0	0	0	0	0	6,836,758
Accounts	10,760	3,031	0	0	477	1,570	0	0	0	0	0	0	15,838
Intergovernmental	0	0	0	0	42,617	0	0	0	0	0	0	0	42,617
Interfund	352,260	0	0	0	0	0	0	0	0	0	0	0	352,260
Materials and Supplies													
Inventory	123,480	0	0	0	0	0	0	0	0	0	0	0	123,480
Prepaid Items	44,623	1,020	0	0	0	0	0	0	0	0	0	0	45,643
Restricted Assets:													
Equity in Pooled Cash and Investments	381,856	0	0	0	0	0	0	0	0	0	0	0	381,856
Fixed Assets (Net where applicable, of Accumulated Depreciation)	0	0	0	0	29,394	0	25,268,195	0	0	0	0	0	25,297,589
Other Debits:													
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0	0	0	0	0	0	0	0	0	1,064,718
Total Assets and Other Debits	<u>59,895,817</u>	<u>5441,045</u>	<u>988,068</u>	<u>5700,047</u>	<u>5554,007</u>	<u>5642,913</u>	<u>525,268,195</u>	<u>51,064,718</u>	<u>51,064,718</u>	<u>538,656,810</u>	<u>538,656,810</u>	<u>538,656,810</u>	

(Continued)

The accompanying notes are an integral part of these statements.

**Marlington Local School District
Combined Balance Sheet - All Fund Types and Account Groups
June 30, 1999**

	Governmental Fund Types		Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
LIABILITIES, FUND EQUITY AND OTHER CREDITS:									
Liabilities:									
Accounts Payable	\$160,544	\$17,884	\$0	\$14,552	\$600	\$18,222	\$0	\$0	\$211,802
Accrued Wages and Benefits	1,511,717	37,190	0	1,893	43,740	0	0	0	1,594,540
Compensated Absences	32,789	0	0	0	42,247	0	0	0	951,446
Intergovernmental Payable	245,397	609	0	26	6,227	0	0	0	354,587
Interfund Payable	0	348,985	0	0	0	3,275	0	0	352,260
Due to Others	0	0	0	0	0	46,527	0	0	46,527
Deferred Revenue	6,268,873	0	88,068	184,717	0	0	0	0	6,541,658
Bond Payable	0	0	0	0	0	0	0	86,000	86,000
Total Liabilities	8,219,320	404,668	88,068	201,188	92,814	68,024	0	1,064,738	10,138,820
Fund Equity and Other Credits:									
Investment in General Fixed Assets	0	0	0	0	0	0	25,268,195	0	25,268,195
Contributed Capital	0	0	0	0	124,067	0	0	0	124,067
Retained Earnings - Unreserved	0	0	0	0	337,126	0	0	0	337,126
Fund Balances	283,600	0	0	11,500	0	0	0	0	295,100
Reserved for Property Taxes	1,818,447	124,078	0	34,089	0	2,450	0	0	1,979,064
Reserved for Encumbrances	123,480	0	0	0	0	0	0	0	123,480
Reserved for Inventory	194,561	0	0	0	0	0	0	0	194,561
Reserved for Budget Stabilization	187,295	0	0	0	0	0	0	0	187,295
Reserved for School Bus Purchase	44,623	1,070	0	0	0	0	0	0	45,693
Reserved for Prepaid Items	(975,509)	(88,721)	0	453,270	0	572,438	0	0	(38,521)
Unreserved - Undesignated (Deficit)	1,616,497	36,377	0	488,858	461,193	574,889	25,268,195	0	28,516,010
Total Fund Equity and Other Credits	59,895,817	544,045	88,068	870,047	555,007	562,914	25,268,195	51,064,738	83,854,830
Total Liabilities, Fund Equity and Other Credits									

The accompanying notes are an integral part of these statements.

**Marlington Local School District
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 All Governmental Fund Types and Similar Trust Funds
 For the Fiscal Year Ended June 30, 1999**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)	
	Special	Debt	Capital	Fund Type		
	General	Revenue	Service	Expendable		
			Projects	Trust		
REVENUE:						
Taxes	\$6,037,239	\$0	\$92,182	\$175,496	\$0	\$6,304,917
Tuition and Fees	82,379	0	0	0	0	82,379
Intergovernmental	8,473,062	366,377	0	45,440	0	8,884,879
Interest	103,143	11,432	0	15,244	22,203	152,022
Extracurricular Activities	44,978	289,749	0	2,912	0	337,639
Other	75,556	38,729	0	190,527	1,300	306,112
Classroom Materials & Fees	92,608	294	0	0	0	92,902
Total Revenues	14,399,365	706,581	92,182	429,619	23,503	16,150,850
EXPENDITURES:						
Current						
Instruction						
Regular	6,267,390	71,014	0	249,582	0	6,587,986
Special	989,544	174,598	0	0	0	1,164,142
Vocational	829,656	31,163	0	0	0	860,819
Other	626,503	0	0	0	0	626,503
Support Services						
Pupil	509,739	128,993	0	0	0	638,732
Instructional Staff	324,785	14,982	0	0	0	339,767
Board of Education	26,671	0	0	0	0	26,671
Administration	1,211,629	16,701	0	0	0	1,228,330
Fiscal	287,038	701	0	0	0	287,739
Business	138,600	7,738	0	17,364	0	163,702
Operation and Maintenance of Plant	1,392,899	3,477	0	216,883	0	1,613,259
Pupil Transportation	849,159	2,675	0	0	0	851,834
Central	23,618	0	0	0	0	23,618
Community Services	39,986	3,128	0	0	1,136	44,250
Extracurricular Activities	350,409	370,525	0	0	16,500	737,434
Capital Outlay	3,066	0	0	1,320	0	9,386
Debt Service						
Principal and Interest Retirement	0	0	92,205	0	0	92,205
Total Expenditures	12,373,682	825,695	92,205	485,149	17,636	15,296,377
Revenues Over (Under):						
Expenditures	\$2,025,683	\$119,114	\$1,731	\$155,530	\$5,867	\$854,473

(Continued)

The accompanying notes are an integral part of these statements.

Marlington Local School District
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 All Governmental Fund Types and Similar Trust Funds
 For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	
OTHER FINANCING SOURCES (USES):						
Sale of Assets	\$5,863	\$0	\$0	\$0	\$0	\$5,863
Operating Transfers - In	224,003	0	0	0	0	224,003
Operating Transfers - Out	(224,003)	0	0	0	0	(224,003)
Refund of Prior Year's Expense	2,755	0	0	0	0	2,755
Total Other Financing Sources	8,618	0	0	0	0	8,618
Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,031,891	(119,214)	(23)	(55,530)	5,867	863,091
Fund Balances at Beginning of Year	601,708	155,491	23	354,389	569,022	1,880,633
Increase in Reserve for Inventory	42,898	0	0	0	0	42,898
Fund Balances at End of Year	\$1,676,497	\$26,277	\$0	\$498,859	\$574,889	\$2,786,522

The accompanying notes are an integral part of these statements.

Marlington Local School District
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget Basis and Actual
All Governmental Fund Types and Similar Trust Funds
For the Fiscal Year Ended June 30, 1999

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
REVENUES			
Taxes	\$ 5,983,609	\$ 5,983,609	\$ 0
Tuition and Fees	164,693	164,693	0
Charges for Services	0	0	0
Intergovernmental	8,474,493	8,474,493	0
Interest	124,048	124,048	0
Extracurricular Activities	36,508	36,508	0
Other	75,106	75,106	0
Total Revenues	14,858,457	14,858,457	0
EXPENDITURES:			
Current			
Instruction			
Regular	6,865,842	6,865,842	0
Special	1,161,419	1,161,419	0
Vocational	850,518	850,518	0
Other	789,110	789,110	0
Support Services			
Pupil	489,325	489,325	0
Instructional Staff	373,695	373,695	0
Board of Education	55,397	55,397	0
Administration	1,258,910	1,258,910	0
Fiscal	304,566	304,566	0
Business	163,064	163,064	0
Operation and Maintenance of Plant	1,880,414	1,880,414	0
Pupil Transportation	1,082,568	1,082,568	0
Central	33,939	33,939	0
Food Service Operations	38,430	38,430	0
Community Services	0	0	0
Extracurricular Activities	352,182	352,182	0
Architecture and Engineering	17,815	17,815	0
Debt Service			
Principal Retirement and Interest	0	0	0
Total Expenditures	15,717,194	15,717,194	0
Revenues Over (Under) Expenditures	(858,737)	(858,737)	0
OTHER FINANCING SOURCES (USES):			
Sale of Fixed Assets	5,863	5,863	0
Advances - In	514,407	514,407	0
Advances - Out	(644,205)	(644,205)	0
Transfers - In	224,003	224,003	0
Transfers - Out	(224,003)	(224,003)	0
Refund of Prior Year Expenditures	2,885	2,885	0
Total Other Financing Sources (Uses)	(121,050)	(121,050)	0
Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(979,787)	(979,787)	0
Fund Balances at Beginning of Year	477,614	477,614	0
Prior Year Encumbrances	1,337,966	1,337,966	0
Fund Balance at End of Year	\$ 835,793	\$ 835,793	\$ 0

The accompanying notes are an integral part of these statements.

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 92,182	\$ 92,182	\$ 0
0	0	0	0	0	0
293	293	0	0	0	0
367,577	367,577	0	0	0	0
11,434	11,434	0	0	0	0
288,743	288,743	0	0	0	0
37,297	37,297	0	0	0	0
<u>705,344</u>	<u>705,344</u>	<u>0</u>	<u>92,182</u>	<u>92,182</u>	<u>0</u>
55,035	55,035	0	0	0	0
215,739	215,739	0	0	0	0
28,336	28,336	0	0	0	0
0	0	0	0	0	0
169,059	169,059	0	0	0	0
29,704	29,704	0	0	0	0
0	0	0	0	0	0
21,296	21,296	0	0	0	0
1,001	1,001	0	0	0	0
7,738	7,738	0	0	0	0
4,977	4,977	0	0	0	0
3,925	3,925	0	0	0	0
0	0	0	0	0	0
4,128	4,128	0	0	0	0
0	0	0	0	0	0
421,057	421,057	0	0	0	0
0	0	0	0	0	0
0	0	0	92,205	92,205	0
<u>961,995</u>	<u>961,995</u>	<u>0</u>	<u>92,205</u>	<u>92,205</u>	<u>0</u>
<u>(256,651)</u>	<u>(256,651)</u>	<u>0</u>	<u>(23)</u>	<u>(23)</u>	<u>0</u>
0	0	0	0	0	0
471,870	471,870	0	137,594	137,594	0
(324,572)	(324,572)	0	(137,594)	(137,594)	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>147,298</u>	<u>147,298</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(109,353)	(109,353)	0	(23)	(23)	0
301,308	301,308	0	23	23	0
105,690	105,690	0	0	0	0
<u>\$ 297,645</u>	<u>\$ 297,645</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Marlington Local School District
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget Basis and Actual
All Governmental Fund Types and Similar Trust Funds - Continued
For the Fiscal Year Ended June 30, 1999

	Capital Projects Funds		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
REVENUES			
Taxes	\$ 173,366	\$ 173,366	\$ 0
Tuition and Fees	0	0	0
Charges for Services	0	0	0
Intergovernmental	45,439	45,439	0
Interest	15,244	15,244	0
Extracurricular Activities	2,912	2,912	0
Other	190,527	190,527	0
Total Revenues	427,488	427,488	0
EXPENDITURES:			
Current			
Instruction			
Regular	252,313	252,313	0
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
Support Services			
Pupil	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	17,714	17,714	0
Operation and Maintenance of Plant	267,609	267,609	0
Pupil Transportation	0	0	0
Central	0	0	0
Food Service Operations	0	0	0
Community Services	0	0	0
Extracurricular Activities	0	0	0
Architecture and Engineering	1,320	1,320	0
Debt Service			
Principal Retirement and Interest	0	0	0
Total Expenditures	538,956	538,956	0
Revenues Over (Under) Expenditures	(111,468)	(111,468)	0
OTHER FINANCING SOURCES (USES):			
Sale of Fixed Assets	0	0	0
Advances - In	19,400	19,400	0
Advances - Out	(19,400)	(19,400)	0
Transfers - In	0	0	0
Transfers - Out	0	0	0
Refund of Prior Year Expenditures	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(111,468)	(111,468)	0
Fund Balances at Beginning of Year	335,517	335,517	0
Prior Year Encumbrances	231,139	231,139	0
Fund Balance at End of Year	\$ 455,188	\$ 455,188	\$ 0

The accompanying notes are an integral part of these statements.

Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 6,249,157	\$ 6,249,157	\$ 0
0	0	0	164,693	164,693	0
0	0	0	293	293	0
0	0	0	8,887,509	8,887,509	0
22,203	22,203	0	172,929	172,929	0
0	0	0	328,163	328,163	0
100	100	0	303,030	303,030	0
<u>22,303</u>	<u>22,303</u>	<u>0</u>	<u>16,105,774</u>	<u>16,105,774</u>	<u>0</u>
0	0	0	7,173,190	7,173,190	0
0	0	0	1,377,158	1,377,158	0
0	0	0	878,854	878,854	0
0	0	0	789,110	789,110	0
0	0	0	658,384	658,384	0
0	0	0	403,399	403,399	0
0	0	0	55,397	55,397	0
0	0	0	1,280,206	1,280,206	0
0	0	0	305,567	305,567	0
0	0	0	188,516	188,516	0
0	0	0	2,153,000	2,153,000	0
0	0	0	1,086,493	1,086,493	0
0	0	0	33,939	33,939	0
0	0	0	42,558	42,558	0
1,136	1,136	0	1,136	1,136	0
18,950	18,950	0	792,189	792,189	0
0	0	0	19,135	19,135	0
0	0	0	92,205	92,205	0
<u>20,086</u>	<u>20,086</u>	<u>0</u>	<u>17,330,436</u>	<u>17,330,436</u>	<u>0</u>
<u>2,217</u>	<u>2,217</u>	<u>0</u>	<u>(1,224,662)</u>	<u>(1,224,662)</u>	<u>0</u>
0	0	0	5,863	5,863	0
0	0	0	1,143,271	1,143,271	0
0	0	0	(1,125,771)	(1,125,771)	0
0	0	0	224,003	224,003	0
0	0	0	(224,003)	(224,003)	0
0	0	0	2,885	2,885	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>26,248</u>	<u>26,248</u>	<u>0</u>
2,217	2,217	0	(1,198,414)	(1,198,414)	0
569,047	569,047	0	1,683,509	1,683,509	0
0	0	0	1,674,795	1,674,795	0
<u>\$ 571,264</u>	<u>\$ 571,264</u>	<u>\$ 0</u>	<u>\$ 2,159,890</u>	<u>\$ 2,159,890</u>	<u>\$ 0</u>

Marlington Local School District
 . Combined Statement of Revenues, Expenses, and Changes in
 Retained Earnings.- All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 1999

	<u>Enterprise</u>
OPERATING REVENUES:	
Sales	\$415,622
Charges for Services	<u>18,694</u>
Total Operating Revenues	<u>434,316</u>
OPERATING EXPENSES:	
Salaries and Wages	252,051
Fringe Benefits	86,210
Cost of Sales	242,938
Depreciation	3,247
Capital Outlay	447
Materials and Supplies Expense	<u>16,671</u>
Total Operating Expenses	<u>601,564</u>
Operating Loss	<u>(167,248)</u>
NON-OPERATING REVENUES:	
Donated Commodities	31,777
Federal and State Subsidies	163,662
Interest	<u>20,727</u>
Total Non-Operating Revenues	<u>216,166</u>
Net Income	48,918
Retained Earnings at Beginning of Year	<u>299,209</u>
Retained Earnings at End of Year	<u>348,127</u>

The accompanying notes are an integral part of these statements.

Marlington Local School District
 Combined Statement of Revenues, Expenses, and Changes
 in Fund Equity - Budget Basis and Actual
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 1999

	Enterprise Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Tuition and Fees	\$ 18,351	\$ 18,351	\$ 0
Sales	415,644	415,644	0
Operating Grants	163,415	163,415	0
Interest	20,727	20,727	0
Extracurricular Activities	162	162	0
Total Revenues	618,299	618,299	0
EXPENSES:			
Salaries and Wages	229,585	229,585	
Fringe Benefits	86,135	86,135	
Contract Services	7,450	7,450	0
Supplies	243,071	243,071	0
Capital Outlay	17,449	17,449	0
Total Expenses	583,690	583,690	0
Revenues Over Expenditures	34,609	34,609	0
Fund Balances at Beginning of Year	347,039	347,039	0
Prior Year Encumbrances	35,924	35,924	0
Fund Balance at End of Year	\$ 417,572	\$ 417,572	\$ 0

The accompanying notes are an integral part of these statements.

Marlington Local School District
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 1999

	Enterprise Funds
Cash flows from Operating Activities:	
Operating Loss	\$ (167,248)
Adjustments to reconcile Operating Loss to net cash provided by (used in) Operating Activities	
Depreciation	3,247
Donated Commodities	31,777
Changes in Assets and Liabilities that increase (decrease)	
Cash Flow from Operations	
Accounts Receivable	(159)
Intergovernmental Receivable	(247)
Material and Supplies Inventory	9,931
Prepaid Expenses	468
Accounts Payable	(6,983)
Accrued Wages and Benefits	104
Compensated Absences	22,362
Intergovernmental Payable	(1,065)
	(107,813)
Net cash used in Operating Activities	
Cash Flows from Capital and Related Financing Activities	
Operating Grants Received	163,662
Other Non-Operating Revenue	20,727
Acquisition of Equipment	(7,312)
	177,077
Net cash provided by Capital and Related Financing Activities	
Net increase in Cash and Cash Equivalents	69,264
Cash and Cash Equivalents at Beginning of Year	382,961
Cash and Cash Equivalents at End of Year	\$ 452,225
Non-Cash Financing Activities:	
Donated Commodities Received	\$ 31,777

The accompanying notes are an integral part of these statements.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. DESCRIPTION OF THE ENTITY

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

Average daily membership (ADM) as of October 1, 1998 was 2,725. The District employed 186 certified employees and 109 non-certified employees.

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

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

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

2. BASIS OF PRESENTATION - FUND ACCOUNTING

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. BASIS OF PRESENTATION - FUND ACCOUNTING - Continued

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

Governmental Fund Types:

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

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

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

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

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

Proprietary Fund Type:

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

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

Fiduciary Fund Types:

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. BASIS OF PRESENTATION - FUND ACCOUNTING - Continued

Account Groups:

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

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

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

3. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise in the governmental funds when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999 and delinquent property taxes that are intended to finance fiscal year 2000 operations have been recorded as deferred revenue as more fully described in Note D.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - 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 fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. There were no unbilled service charges at fiscal year end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities nonoperating revenue. Unused donated commodities as of June 30, 1999 were insignificant to the general purpose financial statements.

4. BUDGETARY DATA

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

Tax Budget:

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

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

Estimated Resources:

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. BUDGETARY DATA - Continued

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District's Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 1999.

Appropriations:

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

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balances for subsequent year expenditures for governmental funds and reported in the notes to the financial statements for proprietary fund. At year end, the District's advances in/out did not agree by \$17,500 on a non-GAAP budgetary basis. This is a result of a \$17,500 repayment of a prior year advance from the Agency Fund Type to the General Fund. Agency fund activity is not disclosed in the financial statements.

Lapsing of Appropriations:

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

Budgetary Basis of Accounting:

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. BUDGETARY DATA - Continued

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

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendabl Trust
GAAP Basis	\$1,031,891	\$ (119,114)	\$ (23)	\$ (55,530)	\$ 5,867
Net Adjustment for Revenue Accruals	(40,508)	(1,237)	-0-	(2,131)	(1,200)
Net Adjustment for Expenditure Accruals	(1,841,243)	(136,300)	-0-	(53,807)	(2,450)
Advances - In (Out) - Net	(129,798)	147,298	-0-	-0-	-0-
Other	(129)	-0-	-0-	-0-	-0-
Budget Basis	<u>\$ (979,787)</u>	<u>\$(109,353)</u>	<u>\$ (23)</u>	<u>\$(111,468)</u>	<u>\$ 2,217</u>

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

	Enterprise
GAAP Basis	\$ 48,918
Net Adjustment for Revenue Accruals	(406)
Commodities Received	(31,777)
Net Adjustment for Expense Accruals	(23,647)
Commodities Used	38,274
Depreciation	3,247
Budget Basis	<u>\$ 34,609</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. BUDGETARY DATA - Continued

LEGAL COMPLIANCE

Contrary to Section 5705.41(B), Ohio Revised Code, the District had funds which expenditures which exceeded appropriations throughout the year. The following table documents the amounts by which expenditures exceeded appropriations as of May 31, 1999 at the fund type level:

FUND TYPE	APPROPRIATIONS AS OF MAY, 1999	CASH EXPENDITURES OF MAY 31, 1999	VARIANCE
Special Revenue Fund Type	\$661,300	\$1,036,471	\$(375,171)
Debt Service Fund Type	94,273	229,799	(135,526)
Capital Projects Fund Type	512,214	553,565	(41,351)

The District increased appropriations on June 8, 1999 in amounts sufficient to reduce the negative variances.

5. POOLED CASH AND INVESTMENTS

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

During fiscal year 1999, investments were limited to STAROhio, repurchase agreements and mutual funds.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 1999. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 1999.

For the purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 with an initial maturity of more than three months are reported as investments.

6. INVENTORY

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. INVENTORY - Continued

resources even though it is a component of net current assets. Inventory in the enterprise funds consists of purchased food, donated commodities and school supplies held for resale.

7. FIXED ASSETS AND DEPRECIATION

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

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

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

8. INTERGOVERNMENTAL REVENUES

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

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. INTERGOVERNMENTAL REVENUES- Continued

Reimbursable Grants

General Fund

Driver Education
School Bus Purchase Reimbursement

Proprietary Funds

National School Lunch and Breakfast Programs
Government Donated Commodities

Grants and entitlements amounted to approximately 54% of the District's operating revenue during the 1999 fiscal year.

9. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 1999 are recorded as prepaid items.

10. SHORT-TERM, INTERFUND ASSETS/LIABILITIES

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

11. COMPENSATED ABSENCES

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

Employees earn vacation at rates specified by Union Contractual Agreement based on credited service. Administrative and 260-day employees are entitled to vacation ranging from 5 to 20 days. Employees with less than one year of service hired prior to February 1st earn 5 days of vacation. At June 30, 1999, a liability of \$111,855 has been provided for earned but unused vacation.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one fourth of the value of the first 120 days of sick leave. In addition, employees who have accrued more than 120 days sick leave receive one additional day for each fifteen days accrued sick leave to a maximum of an additional 10 days. The total maximum is 40 days. At June 30, 1999, a current liability and long-term liability, of \$75,035 and \$764,555, respectively, has been provided for earned but unused sick leave severance

Teachers with at least 25 years of teaching service accepted by the State Teachers Retirement System but less than thirty-one years of accumulated service credit accepted by STRS and who are accepted by

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. COMPENSATED ABSENCES

STRS for retirement benefits at the time they terminate employment with the District, shall receive an additional settlement as payment in the amount of \$5,000 provided the amount of the total severance pay to such teacher shall not exceed the value of the teacher's accrued sick leave. In order to be eligible for the additional payment, the teacher must submit a resignation to the Board of Education no later than January 15th of the teacher's last school year of employment.

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

12. CONTRIBUTED CAPITAL

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

13. LONG-TERM DEBT

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

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

Under Ohio Law, a debt retirement fund must be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the debt service fund and the general long-term obligations account group, with principal and interest payments on matured general long-term debt reported in the debt service fund. To comply with GAAP reporting requirements, the District's debt retirement fund has been split among the appropriate funds and account group. Debt service fund resources used to pay both the principal and interest have also been allocated accordingly.

14. INTERFUND TRANSACTIONS

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

15. FUND BALANCE RESERVES

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for expenditure. Undesignated fund balance indicates that portion of fund equity, which is available for reappropriation, in future periods. Fund equity reserves are established for property taxes, encumbrances, inventory, budget stabilization, school bus stabilization and prepaid items. The reserve for property taxes represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

The District is also required by State law to set aside certain General Fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance as of 6/30/99	\$0	\$0	\$82,463	\$82,463
Required Set Aside	219,056	219,056	109,528	547,640
Offset Credits	(39,973)	(265,548)	0	(305,521)
Qualifying Expenditures	(305,990)	(67,070)	0	(373,060)
FY 1999 Additional Worker's Comp Refund	<u>0</u>	<u>0</u>	<u>2,570</u>	<u>2,570</u>
Total	<u>(\$126,907)</u>	<u>(\$113,562)</u>	<u>\$194,561</u>	<u>(\$45,908)</u>
Balance Carried Forward To FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$194,561</u>	<u>\$194,561</u>
Amount Restricted for School Bus Replacement				<u>187,295</u>
Total Restricted Assets				<u>\$381,856</u>

Although the District had offset and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to next fiscal year.

16. PROPRIETARY FUND ACCOUNTING

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

17. ESTIMATES

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

18. RESTRICTED ASSETS

Restricted assets in the general fund represents cash and cash equivalents set aside to establish a budget stabilization reserve and school bus replacement reserve. The budget stabilization reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1998 and 1999, the District received \$82,463 and \$2,570 in refunds, respectively, from the Bureau of Worker's Compensation which State Statute requires to be included in the budget stabilization reserve.

19. TOTAL COLUMNS ON GENERAL PURPOSE FINANCIAL STATEMENTS

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

NOTE B - CASH AND CASH EQUIVALENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuance of federal government

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999**

NOTE B - CASH AND CASH EQUIVALENTS -Continued

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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

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

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

Deposits - At fiscal year end, the carrying amount of the District's deposits was \$4,160,705 and the bank balance was \$4,307,256. \$200,000 of the bank balance was covered by federal depository insurance. \$4,107,256 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999**

NOTE B - CASH AND CASH EQUIVALENTS - Continued

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

	<u>Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Mutual Fund	\$25,824	\$25,824	\$25,824
Repurchase Agreement	251,002	251,002	251,002
Star Ohio		<u>409,082</u>	<u>409,082</u>
Totals		<u>\$685,908</u>	<u>\$685,908</u>

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

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$4,846,613	\$0
Investments:		
Mutual Fund	(25,824)	25,824
Repurchase Agreement	(251,002)	251,002
Star Ohio	<u>(409,082)</u>	<u>409,082</u>
GASB Statement No. 3	<u>\$4,160,705</u>	<u>\$685,908</u>

NOTE C - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES - FUND DEFICITS

Fund balances at June 30, 1999 included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
Special Revenue Funds	
Athletic Fund	\$34,275
Disadvantaged Pupil	8,291
Title VI-B- Handicapped Children	71,033
Title I	58,975

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999**

NOTE D - PROPERTY TAX

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The County Auditor reappraise all real property every six years with a triennial update. The last update was completed for tax year 1996.

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

The full tax rate applied to real property for tax (calendar) year 1998 was \$48.90 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$24.21 per \$1,000 of assessed valuation for real property classified as residential or agricultural and \$27.67 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for tax (calendar) year 1998 was \$48.90 per \$1,000 of assessed valuation.

Real Property - 1998 Valuation	
Residential/Agricultural	\$152,656,580
Commercial/Industrial	47,000,210
Public Utilities	62,480
Minerals	1,185,310
Tangible Personal Property - 1998 Valuation	
General	12,825,570
Public Utilities	26,372,491
	26,372,491
 Total Valuation	 \$240,102,641

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

Accrued property taxes receivable represent delinquent taxes outstanding on real property, personal property and public utility taxes, which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30, 1999 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available and received as an advance at June 30, 1999 was \$283,600 in the General Fund and \$11,500 in the Capital Projects Fund.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999**

NOTE E - RISK MANAGEMENT

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

For fiscal year 1999, the District participated in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool (Note N). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The worker's compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the GRP. Each participant pays its worker's compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant share equally in the overall performance of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc., provides administrative, cost control and actuarial services of the GRP.

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

NOTE F - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$ 138,703
Less Accumulated Depreciation	(109,309)
Net Fixed Assets	\$ 29,394

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Land and Buildings	\$ 20,933,295	\$	\$	\$ 20,933,295
Furniture and Equipment	2,469,954	0	0	2,938,414
Vehicles	1,365,064	81,276	49,854	1,396,486
Total	\$ 24,768,313	\$ 549,736	\$ 49,854	\$ 25,268,195

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999**

NOTE G - LONG-TERM DEBT

Long-term obligations of the District as of June 30, 1999 were as follows:

	Balance July 1, 1998	Additions	Reductions	Balance June 30, 1999
SERS Payable	\$ 105,924	\$ 102,328	\$ 105,924	\$ 102,328
Energy Conservation Bond, 1995, 4.81%	172,000	0	86,000	86,000
Compensated Absences	832,925	43,485	0	876,410
Total	\$ 1,110,849	\$ 145,813	\$ 191,924	\$ 1,064,738

During fiscal year 1995, the District issued \$430,000 in energy conservation bonds for the purpose of installations, modifications, and remodeling of school buildings to conserve energy. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The unmatured obligations at year end is accounted for in the general long-term debt account group. Bond debt principal and interest requirements for the next two years are as follows:

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

	Interest	Principal	Total
June 30, 2000	\$ 6,205	\$0	\$ 6,205
June 30, 2001	2,068	86,000	88,068
	\$ 8,273	\$ 86,000	\$94,273

Intergovernmental payables and the compensated absences will be paid from the fund from which the employees' salaries are paid.

NOTE H - RETIREMENT PLANS

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

1. STATE TEACHERS' RETIREMENT SYSTEM (STRS)

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 14 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$ 1,057,848, \$1,031,304 and \$868,680, respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$172,440 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE H - RETIREMENT PLANS -Continued

2. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent; 14 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$ 312,378, \$308,664, and \$287,970, respectively; 49 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$153,492 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term debt account group.

NOTE I - POST-EMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in form of monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$84,628 during the 1999 fiscal year. As of July 1, 1998, (latest data available) eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

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

For the fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. The surcharge added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 were \$111.9 million and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS had approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$15,556 during the 1999 fiscal year.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999**

NOTE J- CONTINGENCIES

GRANTS

During the year ended June 30, 1999, the District received grants-in-aid from federal and state sources amounting to \$431,683 and \$8,618,165 respectively, for specific purposes that are subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the District's management believes such disallowances, if any, would be insignificant.

STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$7,664,144 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient," clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) and on its financial operations.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE K - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains three enterprise funds; food service, uniform school supplies and adult education, which are operated on a sales basis. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District for the fiscal year ended June 30, 1999:

	Food Service	Uniform School Supplies	Adult Education	Total
Operating Revenues	\$ 415,622	\$ 18,532	\$ 162	\$ 434,316
Operating Expenses Before Depreciation	581,450	16,415	452	598,317
Depreciation	3,247	-0-	-0-	3,247
Operating Income/(Loss)	(169,075)	2,117	(290)	(167,248)
Operating Grants	195,439	-0-	-0-	195,439
Net Non-Operating Revenue/Expenses	215,205	786	175	216,166
Net Income/(Loss)	46,130	2,903	(115)	48,918
Net Working Capital	409,905	18,676	3,218	431,799
TOTAL ASSETS	532,102	18,686	3,219	554,007
TOTAL EQUITY	439,299	18,676	3,218	461,193
Encumbrances	28,470	4,136	2,050	34,656

NOTE L - LEASING ARRANGEMENTS

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

The following is a schedule of future minimum rental payments required under the above operating leases as of June 30, 1999:

Year Ending June 30,	Amount
2000	8,770
2001	4,980
2002	4,980
2003	1,660
	\$ 20,390

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999**

NOTE M - JOINTLY GOVERNED ORGANIZATION

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

NOTE N - PUBLIC ENTITY RISK POOLS

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

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

NOTE O - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts, and interfund loans. Taxes receivable are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

A summary of the principal items of receivables follows:

	Amount
<u>General Fund</u>	
Taxes	\$6,552,473
Interfund	352,260
<u>Debt Service Fund</u>	
Taxes	88,068
<u>Capital Projects Fund</u>	
Taxes	196,217
<u>Enterprise Funds</u>	
Intergovernmental	42,617

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999**

NOTE P - YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations as early as fiscal 2000.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information Systems (EMIS)).

The District uses the State of Ohio Uniform School Accounting Systems software for its financial reporting and the State of Ohio Uniform Staff Payroll Systems software for its payroll and employee benefits. The State is responsible for remediating these systems and costs associated with the remediation.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Stark County collects property taxes for distribution to the District. Stark County is responsible for remediating their tax collection systems and the costs associated with the remediation.

Vendors, including utility, telecommunication, and heating equipment vendors, whose systems have been identified as *mission critical* to the District have been contacted about Year 2000 issues. Vendors are responsible for remediating their systems and are solely responsible for any associated costs.

Assurances have been obtained that banking services provided to the District by United Bank have met the Year 2000 testing of appropriate applications and interface requirements.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

MARLINGTON LOCAL SCHOOL DISTRICT
 SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 1999

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
Passed through the Ohio Department of Education:						
Child Nutrition Cluster:						
Food Distribution	N/A	10.550	\$0	\$31,777	\$0	\$38,274
School Breakfast Program	049882-05-PU	10.553	6,084	0	6,084	0
National School Lunch Program	049882-03-PU 049882-04-PU	10.555	37,550 110,480	0 0	37,550 110,480	0 0
Total U.S. Department of Agriculture - Child Nutrition Cluster			154,114	31,777	154,114	38,274
U.S. DEPARTMENT OF EDUCATION						
Passed through the Ohio Department of Education:						
Special Education Grants to States	049882-6B-SF	84.027	29,984 49,207	0 0	27,979 110,529	0 0
Total Special Education Grants to States			79,191	0	138,508	0
Title I - Grants to Local Educational Agencies	049882-C1-S1-98 049882-C1-S1-98C 049882-C1-S1-99 049882-C1SD-98	84.010	38,550 22,200 45,451 (4,237)	0 0 0 0	26,962 22,200 85,391 0	0 0 0 0
Total Title I - Grants to Local Educational Agencies			101,964	0	134,553	0
Migrant Education - Basic Grant Program	049882-MG-S1-98 049882-MG-S1-98C 049882-MG-S1-99	84.011	33,087 6,671 7,111	0 0 0	42,292 4,826 1,429	0 0 0
Total Migrant Education - Basic Grant Program			46,869	0	48,547	0
Eisenhower Professional Development State Grants	N/A	84.281	0	0	2,730	0
Total Eisenhower Professional Development State Grants			12,555	0	3,030	0
Goals 2000 State and Local Education Systemic Improvement	049882-G2-A2-99	84.276	1,737	0	0	0
Innovative Education Program Strategies	049882-C2-S1-99	84.298	10,740	0	14,201	0
Continuous Improvement	049882-WK-BE	N/A	10,000	0	0	0
Safe and Drug Free Schools and Communities State Grants	049882-DR-S1-99	84.186	14,513	0	15,015	0
Total U.S. Department of Education			277,569	0	353,854	0
Total			\$431,683	\$31,777	\$507,968	\$38,274

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

**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
FISCAL YEAR ENDED JUNE 30, 1999**

NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

111 2nd Street, NW, 4th Floor,
Canton, Ohio 44702

Telephone 330-438-0617
800-443-9272

Facsimile 330-471-0001

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited the financial statements of Marlington Local School District, Stark County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 9, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 1999-11276-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 1999-11276-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 9, 1999.

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



Jim Petro
Auditor of State

December 9, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

111 2nd Street, NW, 4th Floor
Canton, Ohio 44702

Telephone 330-438-0617
800-443-9272

Facsimile 330-471-0001

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

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

To the Board of Education:

Compliance

We have audited the compliance of Marlington Local School District, Stark County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination 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 its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

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

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

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



Jim Petro
Auditor of State

December 9, 1999

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

FOR THE YEARED ENDED JUNE 30, 1999

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

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

Noncompliance

Finding Number	1999-11276-001
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Ohio Rev. Code Section 5705.41 (B), provides that no subdivision or taxing unit shall make any expenditure of money unless it has been properly appropriated.

For eleven of sixteen Special Revenue Funds, the Debt Service Fund and all Capital Project Funds, expenditures exceeded appropriations at the legal level of control during fiscal year 1999. The following table documents the amounts by which expenditures exceeded appropriations as of May 31, 1999 at the fund type level:

<u>Fund Type</u>	<u>Appropriations as of May ,1999</u>	<u>Budgetary expenditures as of May 30, 1999</u>	<u>Variance</u>
Special Revenue Fund Type	\$661,300	\$1,036,471	\$(375,171)
Debt Service Fund Type	94,273	229,799	(135,526)
Capital Projects Fund Type	512,214	553,565	(41,351)

Spending monies in excess of appropriations could result in negative fund balances.

The District increased appropriations on June 8, 1999 in amounts sufficient to reduce the negative variances.

The Treasurer should monitor budgetary activity to ensure expenditures do not exceed legally adopted appropriations throughout the fiscal year.

Reportable Condition

Finding Number	1999-11276-002
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Fixed Asset Records and Accountability

The following weaknesses were noted during testing fixed assets:

- The District's Fixed Asset Brief Listing Report (which reports all non-bus vehicles and equipment maintained by the District) does not document serial numbers, as an alternative means of asset identification.

- The District's Fixed Asset Brief Listing Report total did not originally reconcile with the amount of non-bus vehicle and equipment totals reported by the District at June 30, 1999. However, the Treasurer subsequently provided an updated Fixed Asset Brief Listing Report which reconciled to the financial statements at June 30, 1999.
- All thirty-five fixed assets observed by audit staff were not tagged.
- The District does not have a formal fixed asset policy which addresses procedures for disposing of assets as well as the transfer of items between buildings.
- Two out of thirty-five fixed assets tested on the Fixed Asset Brief Listing Report could not be located (a Panasonic copier for \$3,777 and an IBM PC 30 computer for \$2,500.)

These weaknesses do not provide for adequate accountability of fixed assets and could result in erroneous amounts reported on the District's financial statements.

We recommend:

- In the event a fixed asset tag is not utilized, the District's Fixed Asset Brief Listing Report should document serial numbers as an alternative identification method.
- The Fixed Asset Brief Listing Report should be updated with additions and deletions periodically. The Fixed Asset Brief Listing Report should be reconciled to the financial statements yearly.
- The District should ensure a fixed asset tag number is affixed to all fixed assets.
- The District should implement and use a fixed asset policy which includes procedures for disposing of assets as well as for the movement of assets between buildings. A policy would reduce the risk of unrecorded disposals or transfers and would reduce the time necessary to locate specific items within the District.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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MARLINGTON LOCAL SCHOOL DISTRICT, STARK COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*
Clerk of the Bureau

Date: JAN 17 2000