

MARLINGTON LOCAL SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Varney, Fink & Associates, Inc.
Certified Public Accountants



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Marlington Local School District, Stark County, prepared by Varney, Fink & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 3, 2010

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**MARLINGTON LOCAL SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

TABLE OF CONTENTS

<i>INDEPENDENT AUDITOR'S REPORT</i>	1
<i>Management's Discussion and Analysis</i>	3
 <i>BASIC FINANCIAL STATEMENTS</i>	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances –Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund	20
Statement of Fiduciary Net Assets – Fiduciary Funds	21
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	22
Notes to the Basic Financial Statements	23
 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	51
Schedule of Expenditures of Federal Awards	53
Schedule of Expenditures of Federal Awards	55
Notes to the Schedule of Expenditures of Federal Awards	56
Schedule of Findings and Responses.....	57
Prior Audit Findings.....	60

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marlington Local School District, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Marlington Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2009, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

Varney, Fink & Associates

Varney, Fink & Associates, Inc.
Certified Public Accountants

December 29, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

The management's discussion and analysis of the Marlington Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2009 are as follows:

- In total, net assets of governmental activities increased \$1,497,807 which represents a 14.12% increase from fiscal year 2008.
- General revenues accounted for \$20,243,988 in revenue or 83.46% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,012,063 or 16.54% of total revenues of \$24,256,051.
- The District had \$22,758,244 in expenses related to governmental activities; only \$4,012,063 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$20,243,988 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$21,008,223 in revenues and other financing sources and \$19,569,988 in expenditures and other financing uses. During fiscal year 2009, the general fund's fund balance increased \$1,460,481 from \$3,480,139 to \$4,940,620.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The District as a Whole

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

The table below provides a summary of the District's net assets for fiscal years 2009 and 2008.

	Net Assets	
	Governmental Activities 2009	Governmental Activities 2008
<u>Assets</u>		
Current and other assets	\$ 17,610,418	\$ 17,255,183
Capital assets, net	<u>7,555,005</u>	<u>7,992,965</u>
Total assets	<u>25,165,423</u>	<u>25,248,148</u>
<u>Liabilities</u>		
Current liabilities	11,103,734	12,582,711
Long-term liabilities	<u>1,954,380</u>	<u>2,055,935</u>
Total liabilities	<u>13,058,114</u>	<u>14,638,646</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	6,979,544	7,191,799
Restricted	1,857,776	1,087,436
Unrestricted	<u>3,269,989</u>	<u>2,330,267</u>
Total net assets	<u>\$ 12,107,309</u>	<u>\$ 10,609,502</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$12,107,309. At year-end, unrestricted net assets were \$3,269,989.

At year-end, capital assets represented 30.02% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. The amount invested in capital assets, net of related debt to acquire the assets at June 30, 2009, were \$6,979,544. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

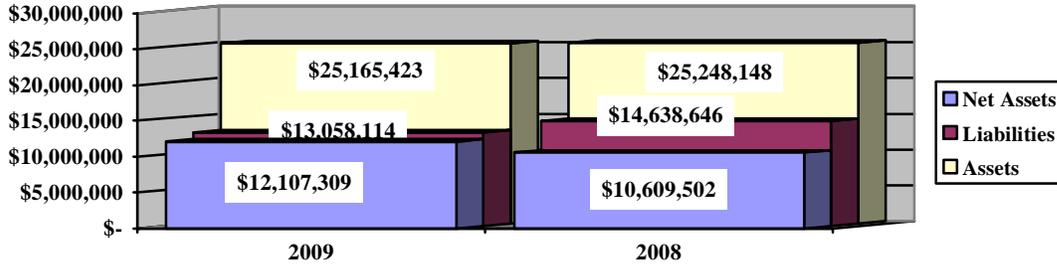
A portion of the District's net assets, \$1,857,776, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$3,269,989 may be used to meet the District's ongoing obligations to the students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The graph below presents the District's assets, liabilities and net assets for fiscal years 2009 and 2008.

Governmental Activities



The table below shows the change in net assets for fiscal years 2009 and 2008.

	Change in Net Assets	
	Governmental Activities	Governmental Activities
	<u>2009</u>	<u>2008</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,263,475	\$ 1,348,861
Operating grants and contributions	2,694,669	2,530,491
Capital grants and contributions	53,919	19,630
General revenues:		
Property taxes	8,723,351	9,325,121
Grants and entitlements	11,386,933	11,128,527
Investment earnings	58,375	250,993
Other	<u>75,329</u>	<u>76,804</u>
Total revenues	<u>24,256,051</u>	<u>24,680,427</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

	Change in Net Assets	
	Governmental	Governmental
	Activities	Activities
	<u>2009</u>	<u>2008</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 8,383,694	\$ 9,192,976
Special	2,946,282	2,761,091
Vocational	847,012	948,575
Other	999,169	1,430,075
Support services:		
Pupil	781,393	745,243
Instructional staff	886,457	885,845
Board of education	22,009	-
Administration	1,715,117	1,878,703
Fiscal	524,520	402,430
Business	289,372	173,577
Operations and maintenance	2,103,734	2,200,646
Pupil transportation	1,273,720	1,563,902
Central	69,910	50,738
Operations of non-instructional services		
Other non-instructional services	4,776	29,138
Food service operations	1,008,886	1,001,792
Extracurricular activities	858,880	939,191
Interest and fiscal charges	<u>43,313</u>	<u>53,066</u>
Total expenses	<u>22,758,244</u>	<u>24,256,988</u>
Change in net assets	1,497,807	423,439
Net assets at beginning of year	<u>10,609,502</u>	<u>10,186,063</u>
Net assets at end of year	<u>\$ 12,107,309</u>	<u>\$ 10,609,502</u>

Governmental Activities

Net assets of the District's governmental activities increased \$1,497,807. Total governmental expenses of \$22,758,244 were offset by program revenues of \$4,012,063 and general revenues of \$20,243,988. Program revenues supported 17.63% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 82.91% of total governmental revenue. Real estate property is reappraised every six years.

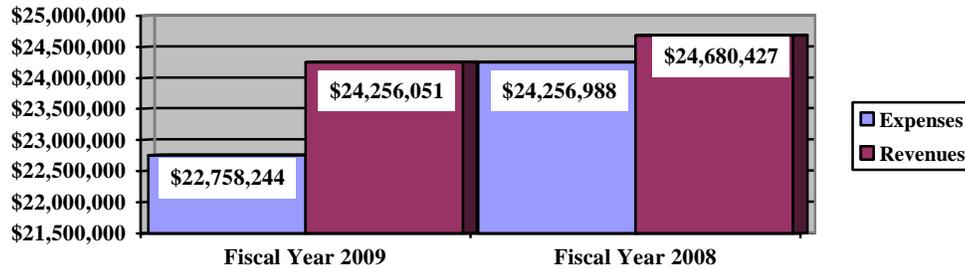
The District's financial condition has remained static in recent years, primarily due to the lack of growth in financial support from the State.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2009 and 2008.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program expenses				
Instruction:				
Regular	\$ 8,383,694	\$ 8,023,028	\$ 9,192,976	\$ 8,776,203
Special	2,946,282	1,439,680	2,761,091	1,278,499
Vocational	847,012	687,693	948,575	794,455
Other	999,169	999,169	1,430,075	1,401,232
Support services:				
Pupil	781,393	573,017	745,243	593,988
Instructional staff	886,457	841,513	885,845	849,807
Board of education	22,009	22,009	-	-
Administration	1,715,117	1,711,877	1,878,703	1,872,596
Fiscal	524,520	524,520	402,430	402,430
Business	289,372	169,971	173,577	30,180
Operations and maintenance	2,103,734	2,051,326	2,200,646	2,181,056
Pupil transportation	1,273,720	1,125,340	1,563,902	1,425,051
Central	69,910	68,639	50,738	50,738
Operations of non-instructional services				
Other non-instructional services	4,776	4,776	29,138	29,138
Food service operations	1,008,886	46,747	1,001,792	63,772
Extracurricular activities	858,880	413,563	939,191	555,795
Interest and fiscal charges	43,313	43,313	53,066	53,066
Total	\$ 22,758,244	\$ 18,746,181	\$ 24,256,988	\$ 20,358,006

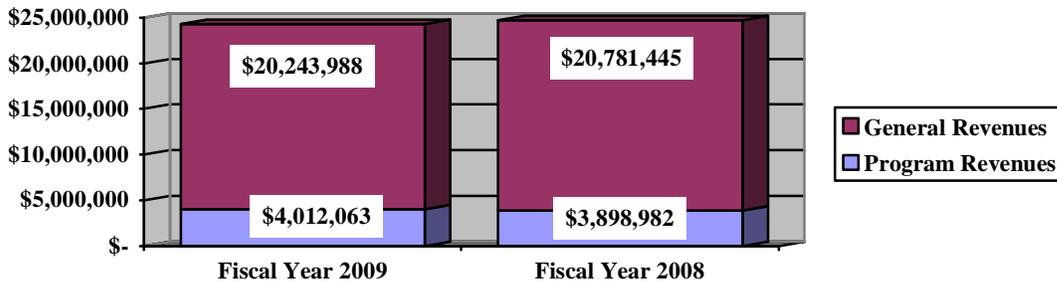
**MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 84.62% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.37%. The District's taxpayers and grants and entitlements, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2009 and 2008.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$5,615,583, which is more than last year's total of \$3,822,352. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance <u>June 30, 2009</u>	Fund Balance <u>June 30, 2008</u>	<u>Increase</u>
General	\$ 4,940,620	\$ 3,480,139	\$ 1,460,481
Other Governmental	674,963	342,213	332,750
Total	<u>\$ 5,615,583</u>	<u>\$ 3,822,352</u>	<u>\$ 1,793,231</u>

General Fund

The District's general fund, fund balance increased by \$1,460,481. Tax revenue decreased 6.29% from fiscal year 2008 due to House Bill 66 eliminating the tax on tangible personal property. The State is providing a reimbursement for the loss of this tax revenue, which is a reason why intergovernmental revenue increased 2.32%. Tuition revenue decreased 55.13% due to declining enrollment. Interest revenue decreased 76.88% due to lower interest rates and a change in investments when compared to the prior fiscal year. Instructional expenditures decreased 6.74% due to decreases in wage and benefit costs for the District's teaching staff. Extracurricular expenditures decreased 26.96% due to a reduction in sport oriented activities. The capital outlay decrease is due to a new capital lease during fiscal year 2008. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 8,250,542	\$ 8,804,310	(6.29) %
Tuition	78,948	175,965	(55.13) %
Earnings on investments	58,375	252,479	(76.88) %
Intergovernmental	12,358,568	12,077,864	2.32 %
Other revenues	<u>260,714</u>	<u>264,765</u>	(1.53) %
Total	<u>\$ 21,007,147</u>	<u>\$ 21,575,383</u>	(2.63) %
<u>Expenditures</u>			
Instruction	\$ 12,306,279	\$ 13,195,541	(6.74) %
Support services	6,705,976	6,984,467	(3.99) %
Operation of non-instructional services	655	29,138	(97.75) %
Extracurricular activities	412,491	564,746	(26.96) %
Capital outlay	-	204,759	(100.00) %
Debt service	<u>135,725</u>	<u>132,060</u>	2.78 %
Total	<u>\$ 19,561,126</u>	<u>\$ 21,110,711</u>	(7.34) %

General Fund Budgeting Highlights

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

During the course of fiscal 2009, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$22,182,727, which was higher than the original budgeted revenues estimate of \$21,961,481. Actual revenues and other financing sources for fiscal 2009 were \$21,216,129, which is \$966,598 lower than final budgeted revenues.

General fund final appropriations (appropriated expenditures plus other financing uses) of \$21,583,910 were higher than the original budgeted appropriations estimate of \$21,383,430. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$20,256,033, which is \$1,327,877 lower than final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2009, the District had \$7,555,005 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

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

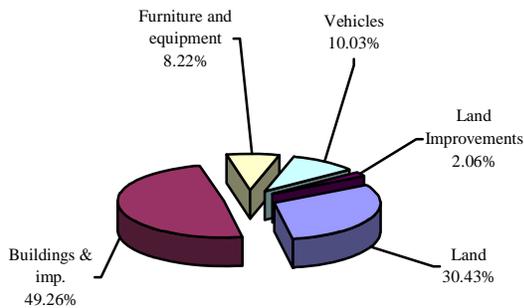
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

The following table shows fiscal year 2009 balances compared to fiscal year 2008:

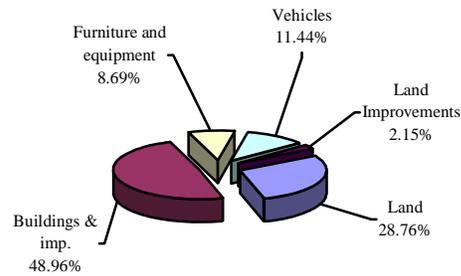
	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 2,298,712	\$ 2,298,712
Land improvements	155,564	172,115
Building and improvements	3,721,651	3,913,308
Furniture and equipment	621,315	694,444
Vehicles	<u>757,763</u>	<u>914,386</u>
Total	<u>\$ 7,555,005</u>	<u>\$ 7,992,965</u>

The overall decrease in capital assets of \$437,960 is primarily due to depreciation expense of \$475,113 exceeding capital outlay of \$37,153 in the fiscal year.

Capital Assets - Governmental Activities 2009



Capital Assets - Governmental Activities 2008



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

Debt Administration

At June 30, 2009, the District had a capital lease obligation of \$350,461 outstanding, of this total \$118,475 is due within one year.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Current Financial Related Activities

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

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

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

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

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

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

In 2006, the District made some significant contributions to the maintenance and improvement of school buildings and grounds. Improvements included repaving with a combination of asphalt and chip-and-seal at Lexington Elementary and Marlinton Middle School. Air conditioning roof units were replaced at Marlboro Elementary. In 2006, the District replaced a sewage treatment plant at Washington Elementary at a cost of approximately \$200,000. In 2007, repairs were made to several parking lots, the front wall of Washington Elementary was repaired and the roof at Lexington Elementary was replaced. In 2008, the District expended over \$200,000 in roof repair. In 2009, the District maintained the facilities with no major projects preparing for paving, roofing and possible sewage treatment replacement at the Middle School in the upcoming years.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Contacting the District's Financial Management

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

BASIC
FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 7,852,215
Receivables:	
Taxes	9,092,915
Accounts	3,161
Intergovernmental	496,166
Accrued interest	615
Loans	644
Prepayments	20,989
Materials and supplies inventory	143,713
Capital assets:	
Land	2,298,712
Depreciable capital assets, net	5,256,293
Total capital assets, net	7,555,005
 Total assets	 25,165,423
 Liabilities:	
Accounts payable	85,728
Accrued wages and benefits	2,322,940
Pension obligation payable	437,924
Intergovernmental payable	77,079
Notes payable	225,000
Accrued interest payable	8,848
Unearned revenue	7,946,215
Long-term liabilities:	
Due within one year	560,929
Due in more than one year	1,393,451
 Total liabilities	 13,058,114
 Net assets:	
Invested in capital assets, net of related debt	6,979,544
Restricted for:	
Capital projects	693,706
Locally funded programs	522
State funded programs	22,828
Federally funded programs	40,356
Other purposes	1,100,364
Unrestricted	3,269,989
 Total net assets	 \$ 12,107,309

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 8,383,694	\$ 206,411	\$ 154,255	\$ -	\$ (8,023,028)
Special	2,946,282	-	1,506,602	-	(1,439,680)
Vocational	847,012	21,994	137,325	-	(687,693)
Other	999,169	-	-	-	(999,169)
Support services:					
Pupil	781,393	-	208,376	-	(573,017)
Instructional staff	886,457	1,457	43,487	-	(841,513)
Board of education	22,009	-	-	-	(22,009)
Administration	1,715,117	-	3,240	-	(1,711,877)
Fiscal	524,520	-	-	-	(524,520)
Business	289,372	-	113,940	5,461	(169,971)
Operations and maintenance	2,103,734	37,820	5,724	8,864	(2,051,326)
Pupil transportation	1,273,720	13,372	95,414	39,594	(1,125,340)
Central	69,910	-	1,271	-	(68,639)
Operation of non-instructional services:					
Other non-instructional services	4,776	-	-	-	(4,776)
Food service operations	1,008,886	557,355	404,784	-	(46,747)
Extracurricular activities	858,880	425,066	20,251	-	(413,563)
Interest and fiscal charges	43,313	-	-	-	(43,313)
Total governmental activities	\$ 22,758,244	\$ 1,263,475	\$ 2,694,669	\$ 53,919	(18,746,181)

General revenues:

Property taxes levied for:	
General purposes	8,282,272
Capital projects	441,079
Grants and entitlements not restricted	
to specific programs	11,386,933
Investment earnings	58,375
Miscellaneous	75,329
Total general revenues	20,243,988
Change in net assets	1,497,807
Net assets at beginning of year	10,609,502
Net assets at end of year	\$ 12,107,309

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and investments	\$ 6,113,298	\$ 1,294,723	\$ 7,408,021
Receivables:			
Taxes	8,626,390	466,525	9,092,915
Accounts	2,835	326	3,161
Intergovernmental	240,914	255,252	496,166
Accrued interest	615	-	615
Loans	644	-	644
Interfund loans	93,321	-	93,321
Prepayments	20,989	-	20,989
Materials and supplies inventory	127,638	16,075	143,713
Due from other funds	249,655	-	249,655
Restricted assets:			
Equity in pooled cash and investments	444,194	-	444,194
Total assets	<u>\$ 15,920,493</u>	<u>\$ 2,032,901</u>	<u>\$ 17,953,394</u>
Liabilities:			
Accounts payable	\$ 50,375	\$ 35,353	\$ 85,728
Accrued wages and benefits	2,111,373	211,567	2,322,940
Compensated absences payable	147,168	-	147,168
Interfund loan payable	-	93,321	93,321
Pension obligation payable	381,102	56,822	437,924
Intergovernmental payable	69,523	7,556	77,079
Due to other funds	-	249,655	249,655
Accrued interest payable	-	8,848	8,848
Notes payable	-	225,000	225,000
Deferred revenue	680,372	63,561	743,933
Unearned revenue	7,539,960	406,255	7,946,215
Total liabilities	<u>10,979,873</u>	<u>1,357,938</u>	<u>12,337,811</u>
Fund balances:			
Reserved for encumbrances	202,358	147,704	350,062
Reserved for due from other funds	249,655	-	249,655
Reserved for materials and supplies inventory	127,638	16,075	143,713
Reserved for prepayments	20,989	-	20,989
Reserved for interfund loan	93,321	-	93,321
Reserved for loans	644	-	644
Reserved for property tax unavailable for appropriation	531,810	29,570	561,380
Reserved for textbooks	444,194	-	444,194
Unreserved:			
Designated for budget stabilization	476,349	-	476,349
Undesignated, reported in:			
General fund	2,793,662	-	2,793,662
Special revenue funds	-	199,111	199,111
Capital projects funds	-	282,503	282,503
Total fund balances	<u>4,940,620</u>	<u>674,963</u>	<u>5,615,583</u>
Total liabilities and fund balances	<u>\$ 15,920,493</u>	<u>\$ 2,032,901</u>	<u>\$ 17,953,394</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

Total governmental fund balances		\$ 5,615,583
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,555,005
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 585,320	
Intergovernmental receivable	<u>158,613</u>	
Total		743,933
Long-term liabilities, including capital lease obligations, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	1,456,751	
Capital lease obligations payable	<u>350,461</u>	
Total		<u>(1,807,212)</u>
Net assets of governmental activities		<u>\$ 12,107,309</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 8,250,542	\$ 434,839	\$ 8,685,381
Tuition	78,948	-	78,948
Earnings on investments	58,375	-	58,375
Charges for services.	-	560,685	560,685
Extracurricular	14,247	432,321	446,568
Classroom materials and fees.	128,187	-	128,187
Other local revenues	118,280	41,620	159,900
Intergovernmental - intermediate	795	-	795
Intergovernmental - state.	12,344,273	134,876	12,479,149
Intergovernmental - federal	13,500	1,602,271	1,615,771
Total revenue.	<u>21,007,147</u>	<u>3,206,612</u>	<u>24,213,759</u>
Expenditures:			
Current:			
Instruction:			
Regular.	8,081,324	156,362	8,237,686
Special	2,342,283	589,982	2,932,265
Vocational	886,419	-	886,419
Other	996,253	-	996,253
Support services:			
Pupil	565,530	202,904	768,434
Instructional staff.	776,049	106,079	882,128
Board of education	22,009	-	22,009
Administration	1,694,460	2,320	1,696,780
Fiscal	532,070	-	532,070
Business.	77,521	198,176	275,697
Operations and maintenance	1,856,433	174,118	2,030,551
Pupil transportation.	1,117,205	412	1,117,617
Central	64,699	4,900	69,599
Operation of non-instructional services:			
Other non-instructional services	655	-	655
Food service operations	-	987,679	987,679
Extracurricular activities	412,491	433,004	845,495
Debt service:			
Principal retirement	107,839	2,866	110,705
Interest and fiscal charges	27,886	15,427	43,313
Total expenditures	<u>19,561,126</u>	<u>2,874,229</u>	<u>22,435,355</u>
Excess of revenues over expenditures	<u>1,446,021</u>	<u>332,383</u>	<u>1,778,404</u>
Other financing sources (uses):			
Transfers in.	1,076	9,384	10,460
Transfers out	(8,862)	(1,598)	(10,460)
Total other financing sources (uses).	<u>(7,786)</u>	<u>7,786</u>	<u>-</u>
Net change in fund balances.	1,438,235	340,169	1,778,404
Fund balances at beginning of year.	3,480,139	342,213	3,822,352
Increase (decrease) in reserve for inventory . .	22,246	(7,419)	14,827
Fund balances at end of year	<u>\$ 4,940,620</u>	<u>\$ 674,963</u>	<u>\$ 5,615,583</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds \$ 1,778,404

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

Governmental funds report capital outlays as expenditures.

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

Capital asset additions	\$	37,153	
Current year depreciation		<u>(475,113)</u>	
Total			(437,960)

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

Taxes		87,970	
Intergovernmental		4,322	
TIF revenue		<u>(50,000)</u>	
Total			42,292

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

14,827

Principal payments on capital leases are reported as expenditures in governmental funds but the repayment reduces long-term liabilities on the statement of net assets.

110,705

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

(10,461)

Change in net assets of governmental activities **\$ 1,497,807**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
From local sources:				
Taxes	\$ 8,495,367	\$ 8,580,951	\$ 8,207,042	\$ (373,909)
Tuition	81,775	82,599	79,000	(3,599)
Earnings on investments	67,326	68,004	65,041	(2,963)
Extracurricular activities	16,022	16,183	15,478	(705)
Classroom materials and fees	132,540	133,876	128,042	(5,834)
Other local revenues	122,197	123,428	118,050	(5,378)
Intergovernmental - intermediate	3,851	3,890	3,720	(170)
Intergovernmental - state	12,759,444	12,887,986	12,326,400	(561,586)
Intergovernmental - federal	13,974	14,115	13,500	(615)
Total revenue	<u>21,692,496</u>	<u>21,911,032</u>	<u>20,956,273</u>	<u>(954,759)</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,828,366	8,911,136	8,355,108	556,028
Special	2,497,667	2,521,084	2,365,983	155,101
Vocational	935,896	944,671	886,553	58,118
Other	1,085,156	1,095,329	1,027,943	67,386
Support services:				
Pupil	617,346	623,134	584,798	38,336
Instructional staff	813,547	821,174	770,654	50,520
Board of education	23,214	23,432	21,990	1,442
Administration	1,839,810	1,857,059	1,742,810	114,249
Fiscal	541,044	546,117	512,519	33,598
Business	111,757	112,805	105,865	6,940
Operations and maintenance	2,029,361	2,048,387	1,922,367	126,020
Pupil transportation	1,261,760	1,273,589	1,195,236	78,353
Central	65,362	65,975	61,916	4,059
Operation of non-instructional services	762	769	722	47
Extracurricular activities	537,052	542,087	508,737	33,350
Total expenditures	<u>21,188,100</u>	<u>21,386,748</u>	<u>20,063,201</u>	<u>1,323,547</u>
Excess of revenues over expenditures	<u>504,396</u>	<u>524,284</u>	<u>893,072</u>	<u>368,788</u>
Other financing sources (uses):				
Transfers in	1,114	1,125	1,076	(49)
Transfers out	(1,121)	(1,132)	(8,862)	(7,730)
Advances in	267,276	269,969	258,205	(11,764)
Advances out	(194,209)	(196,030)	(183,970)	12,060
Refund of prior year expenditure	595	601	575	(26)
Total other financing sources (uses)	<u>73,655</u>	<u>74,533</u>	<u>67,024</u>	<u>(7,509)</u>
Net change in fund balance	578,051	598,817	960,096	361,279
Fund balance at beginning of year	5,128,633	5,128,633	5,128,633	-
Prior year encumbrances appropriated	279,489	279,489	279,489	-
Fund balance at end of year	<u>\$ 5,986,173</u>	<u>\$ 6,006,939</u>	<u>\$ 6,368,218</u>	<u>\$ 361,279</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and investments	\$ 618,419	\$ 68,517
Total assets.	<u>618,419</u>	<u>\$ 68,517</u>
Liabilities:		
Accounts payable.	-	\$ 168
Loans payable	-	644
Due to students.	<u>-</u>	<u>67,705</u>
Total liabilities	<u>-</u>	<u>\$ 68,517</u>
Net assets:		
Held in trust for scholarships.	<u>618,419</u>	
Total net assets	<u>\$ 618,419</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 3,388
Gifts and contributions	1,300
	4,688
Total additions	4,688
Deductions:	
Scholarships awarded	14,350
	(9,662)
Change in net assets	(9,662)
Net assets at beginning of year	628,081
Net assets at end of year	\$ 618,419

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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 is governed by a five-member Board of Education (the Board) elected by its citizens, which is responsible for the provision of public education to residents of the District.

The District ranks as the 197th largest by total enrollment among the 922 public school districts and community schools in the State. The District employs 151 non-certified and 185 certified employees to provide services to approximately 2,435 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

JOINTLY GOVERNED ORGANIZATIONS

Stark/Portage Area Computer Consortium (SPARCC)

SPARCC is a jointly governed organization created as a regional council of governments pursuant to State Statutes made up of public school districts and county boards of education from Stark, Portage, and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC.

SPARCC is governed by a Board of Directors comprised of each Superintendent within the Consortium. The Stark County Educational Service Center serves as the fiscal agent of the Consortium and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of SPARCC is limited to its voting authority and any representation it may have on the Board of Directors. The continued existence of SPARCC is not dependent on the District's continued participation and no equity interest exists. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 2100 38th Street NW, Canton, Ohio 44709.

Stark County Tax Incentive Review Council (SCTIRC)

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

Alliance Tax Incentive Review Council (ATIRC)

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

PUBLIC ENTITY RISK POOLS

Risk Sharing Pool

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

Insurance Purchasing Pool

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

PROPRIETARY FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

D. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2009 are recorded as deferred revenue on the governmental fund financial statements.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the general fund's budgetary statement comparison at the fund and function level of expenditures.

Tax Budget:

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

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation resolution. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts from the certificate of estimated resources that was in effect at the time the original and final appropriations were passed by the Board of Education.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Appropriations:

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

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

Lapsing of Appropriations:

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

F. Cash and Investments

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

During fiscal year 2009, investments were limited to overnight repurchase agreements, negotiable certificates of deposit, federal agency securities and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$58,375, which includes \$11,550 assigned from other District funds.

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

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

G. Inventory

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

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

H. Capital Assets

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

I. Interfund Balances

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

J. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2009, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

L. Fund Balance Reserves/Designations

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

M. Net Assets

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

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

N. Prepayments

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

O. Estimates

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

P. Restricted Assets

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Compliance

Contrary to Ohio Revised Code, Sections 5705.15 and 5705.16, the District made the following transfers without proper approval from the Tax Commissioner and the Court of Common Pleas: from the Washington public support fund (a nonmajor governmental fund) to the summer arts fund (a nonmajor governmental fund) and from the parking lot maintenance fund (a nonmajor governmental fund) to the high school public support fund (a nonmajor governmental fund).

B. Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

C. Deficit Fund Balances

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
District managed student activity	\$ 105,171
Poverty aid	3,923
Title VI-B	38,718
Title III	15,593
Title I	11,367
Title VI	6,706

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all District deposits was \$1,423,593, exclusive of the \$5,718,981 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$1,004,166 of the District's bank balance of \$1,504,166 was exposed to custodial risk as discussed below, while \$500,000 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

B. Investments

As of June 30, 2009, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	12 to 18 Months	7 to 12 Months	19 to 24 Months	Greater Than 24 Months
FNMA	\$ 247,500	\$ -	\$ -	\$ -	\$ -	\$ 247,500
STAR Ohio	935,734	935,734	-	-	-	-
Repurchase agreement	5,718,981	5,718,981	-	-	-	-
Negotiable cd's	213,343	-	-	-	213,343	-
Total	<u>\$ 7,115,558</u>	<u>\$ 6,654,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,343</u>	<u>\$ 247,500</u>

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

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and negotiable CDs are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. For the District's \$5,718,981 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$ 247,500	3.48
STAR Ohio	935,734	13.15
Repurchase agreement	5,718,981	80.37
Negotiable cd's	<u>213,343</u>	<u>3.00</u>
Total	<u>\$ 7,115,558</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,423,593
Investments	<u>7,115,558</u>
Total	<u>\$ 8,539,151</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 7,852,215
Private-purpose trust fund	618,419
Agency funds	<u>68,517</u>
Total	<u>\$ 8,539,151</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from nonmajor governmental funds to:	
General fund	\$ 1,076
Transfers from general fund to:	
Nonmajor governmental funds	8,862
Transfers from nonmajor governmental funds to:	
Nonmajor governmental funds	<u>522</u>
Total	<u>\$ 10,460</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the district managed student activity fund, a nonmajor governmental fund, to the general fund was to move the remaining balance of a closed program.

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

- B.** Interfund balances at June 30, 2009 consisted of the following amounts due from and to other funds, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 249,655</u>

Of the above interfund balance \$220,422 represents monies borrowed by the district managed student activity fund (a nonmajor governmental fund) from the general fund. This amount is expected to be repaid over a number of years. The remaining interfund balance of \$29,233 represents long-term interfund loans to nonmajor governmental funds from the general fund.

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

- C.** Interfund balances at June 30, 2009 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 93,321
General	Agency fund	<u>644</u>
Total		<u>\$ 93,965</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2009 are reported on the statement of net assets. Interfund balances between governmental funds and agency funds appear as “loans receivable/payable” on the statement of net assets, the balance sheet and the statement of fiduciary net assets.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Stark County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$531,810 in the general fund and \$29,570 in the permanent improvement fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amount available for advance at June 30, 2008 was \$488,310 in the general fund and \$27,140 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 317,286,110	95.34	\$ 326,426,520	97.76
Public utility personal	6,872,680	2.07	6,928,550	2.07
Tangible personal property	<u>8,627,426</u>	<u>2.59</u>	<u>562,647</u>	<u>0.17</u>
Total	<u>\$ 332,786,216</u>	<u>100.00</u>	<u>\$ 333,917,717</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$56.90		\$56.90	
Permanent improvements	2.00		2.00	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 9,092,915
Accounts	3,161
Intergovernmental	496,166
Accrued interest	615
Loans	<u>644</u>
Total	<u>\$ 9,593,501</u>

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

On October 12, 2000, the District entered into a lease-purchase agreement for financing the constructing, improving, furnishing, equipping and eventual acquisition of the Athletic Complex on October 12, 2011. In fiscal year 2008, the District entered into a lease agreement for copier equipment.

These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. At inception, the leases were accounted for as a capital outlay expenditure and other financing source in the general fund. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements and as a reduction of the lease liability in the government-wide financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE

Capital assets acquired by lease have been capitalized in the statement of net assets for the Athletic Complex and copier equipment in the amounts of \$725,000 and \$204,759 respectively, which is equal to the present value of the future minimum lease payments as of the dates of inception. Accumulated depreciation for the Athletic Complex as of June 30, 2009 was \$123,250, leaving a current book value of \$601,750. Accumulated depreciation for the copier equipment as of June 30, 2009 was \$61,428, leaving a current book value of \$143,331. A corresponding liability was recorded in the statement of net assets. Principal payments in fiscal year 2009 totaled \$110,705. The principal and interest payments for the Athletic Complex are reflected as debt service principal retirement in the general fund. The principal and interest payments for the copier equipment are reflected as debt service principal retirement in both the general fund and the Title VI-B fund (a nonmajor governmental fund).

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2009.

Fiscal Year <u>Ending June 30,</u>	<u>Amount</u>
2010	\$ 139,629
2011	139,629
2012	93,760
2013	<u>15,964</u>
Total minimum lease payment	388,982
Less: amount representing interest	<u>(38,521)</u>
Present value of minimum lease payments	<u><u>\$ 350,461</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance			Balance
	<u>June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2009</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,298,712	\$ -	\$ -	\$ 2,298,712
Total capital assets, not being depreciated	<u>2,298,712</u>	<u>-</u>	<u>-</u>	<u>2,298,712</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,457,759	-	-	1,457,759
Buildings and improvements	9,927,726	6,606	-	9,934,332
Furniture and equipment	1,842,182	10,397	-	1,852,579
Vehicles	<u>2,790,721</u>	<u>20,150</u>	<u>-</u>	<u>2,810,871</u>
Total capital assets, being depreciated	<u>16,018,388</u>	<u>37,153</u>	<u>-</u>	<u>16,055,541</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,285,644)	(16,551)	-	(1,302,195)
Buildings and improvements	(6,014,418)	(198,263)	-	(6,212,681)
Furniture and equipment	(1,147,738)	(83,526)	-	(1,231,264)
Vehicles	<u>(1,876,335)</u>	<u>(176,773)</u>	<u>-</u>	<u>(2,053,108)</u>
Total accumulated depreciation	<u>(10,324,135)</u>	<u>(475,113)</u>	<u>-</u>	<u>(10,799,248)</u>
Governmental activities capital assets, net	<u>\$ 7,992,965</u>	<u>\$ (437,960)</u>	<u>\$ -</u>	<u>\$ 7,555,005</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 157,385
Special	563
Vocational	2,861
<u>Support services:</u>	
Instructional staff	2,482
Administration	9,087
Business	18,875
Operations and maintenance	80,294
Pupil transportation	174,654
Central	311
Extracurricular activities	19,329
Food service operations	<u>9,272</u>
Total depreciation expense	<u>\$ 475,113</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - DEBT OBLIGATIONS

A. Short-Term Debt Expected to be Refinanced

Short-term note debt activity for the year ended June 30, 2009, consisted of the following:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2009</u>
Energy conservation note	\$ 340,000	\$ 225,000	\$ (340,000)	\$ 225,000

The above note is backed by the full faith and credit of the District and matures within one year. The note liability is reflected in the fund which received the proceeds. The note will be repaid from governmental fund revenues. These notes will mature on July 31, 2009 and bear an interest rate of 5.5%.

B. Long-Term Obligations

During fiscal year 2009, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
Compensated absences	\$ 1,594,769	\$ 209,214	\$ (200,064)	\$ 1,603,919	\$ 442,454
Capital lease obligations	461,166	-	(110,705)	350,461	118,475
Total	\$ 2,055,935	\$ 209,214	\$ (310,769)	\$ 1,954,380	\$ 560,929

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

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

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, are a voted debt margin of \$30,601,577 and an unvoted debt margin of \$340,018.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to most employees through Stark County Schools Council of Governments Health Benefits Program. Coverage in the amount of \$50,000 and \$25,000 is provided to all certified and classified employees, respectively.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions; injuries to employees and natural disasters. During fiscal year 2009, the District contracted with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

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

B. Employee Health Benefits

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

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

C. Workers' Compensation

The District participates in the Stark County Schools Council of Governments Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the GRP.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 12 - RISK MANAGEMENT - (Continued)

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

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$248,018, \$275,832 and \$291,943, respectively; 44.16 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 13 - PENSION PLANS - (Continued)

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

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$1,255,948, \$1,337,461 and \$1,391,108, respectively; 86.62 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$6,432 made by the District and \$20,280 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$113,504, \$125,871 and \$157,616, respectively; 44.16 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$20,464, \$19,874 and \$19,852, respectively; 44.16 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$96,611, \$102,882 and \$107,008, respectively; 86.62 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 960,096
Net adjustment for revenue accruals	50,874
Net adjustment for expenditure accruals	251,150
Net adjustment for other sources/uses	(74,810)
Adjustment for encumbrances	250,925
GAAP basis	<u>\$ 1,438,235</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 17 - STATUTORY RESERVES

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

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

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2008	\$ 355,388	\$ -
Current year set-aside requirement	403,214	403,214
Current year offsets	-	(488,114)
Qualifying disbursements	<u>(314,408)</u>	<u>(150,318)</u>
Total	<u>\$ 444,194</u>	<u>\$ (235,218)</u>
Balance carried forward to fiscal year 2010	<u>\$ 444,194</u>	<u>\$ -</u>

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

Monies set-aside by the School Board for budget stabilization are reported as a designation of fund balance in the general fund. The balance in the budget stabilization designation at June 30, 2009 was \$476,349.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 17 - STATUTORY RESERVES - (Continued)

A schedule of the restricted assets at June 30, 2009 follows:

Amount restricted for textbooks/instructional materials	<u>\$ 444,194</u>
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NOTE 18 – SUBSEQUENT EVENT

On November 3, 2009, the District placed an 8.5 mill replacement levy on the ballot that failed. The District plans to place the levy on the ballot again in May of 2010.

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marlington Local School District, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2009-01 to be a significant deficiency in internal control over financial reporting.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider finding 2009-01 to be a material weakness.

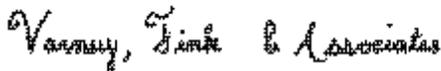
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2009-02.

We noted certain matters that we reported to management of the District in a separate letter dated December 29, 2009.

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

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



Varney, Fink & Associates, Inc.
Certified Public Accountants

December 29, 2009

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

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

To the Board of Education:

Compliance

We have audited the compliance of Marlington Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

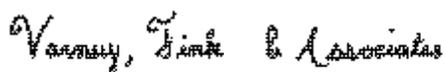
opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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


Varney, Fink & Associates, Inc.
Certified Public Accountants

December 29, 2009

Marlington Local School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Year	Receipts	Disbursements
<u>U.S. Department of Agriculture</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance(Food Donation)				
National School Lunch Program	10.555	2009	\$114,558	\$114,558
Cash Assistance:				
School Breakfast Program	10.553	2009	24,836	24,836
National School Lunch Program	10.555	2009	357,450	357,450
<i>Cash Assistance Subtotal</i>			382,286	382,286
<i>Total Child Nutrition Cluster</i>			496,844	496,844
<i>Total U.S. Department of Agriculture</i>			496,844	496,844
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Grants to States	84.027	2008	131,260	148,605
Special Education Grants to States	84.027	2009	365,109	422,231
<i>Total Special Education - Grants to States</i>			496,369	570,836
Title I Grants to Local Educational Agencies	84.010	2008	24,893	24,893
Title I Grants to Local Educational Agencies	84.010	2009	289,644	285,308
<i>Total Title I</i>			314,537	310,201
Migrant Education State Grant Program	84.011	2008	64,595	68,230
Migrant Education State Grant Program	84.011	2009	80,988	67,548
<i>Total Migrant Education State Grant Program</i>			145,583	135,778
Safe and Drug-Free Schools and Communities - State Grants	84.186	2009	2,091	2,122
<i>Total Safe and Drug-Free Schools and Communities - State Grants</i>			2,091	2,122
State Grants for Innovative Programs	84.298	2009	42,457	42,785
<i>Total State Grants for Innovative Programs</i>			42,457	42,785
Education Technology State Grants- Title II-D	84.318	2008	0	280
Education Technology State Grants- Title II-D	84.318	2009	3,272	1,539
<i>Total Education Technology State Grants</i>			3,272	1,819
Improving Teacher Quality State Grants	84.367	2008	49,118	58,871
Improving Teacher Quality State Grants	84.367	2009	68,407	63,801
<i>Total Improving Teacher Quality State Grants</i>			117,525	122,672
<i>Total U.S. Department of Education</i>			1,121,834	1,186,213
<i>Total Federal Assistance</i>			\$1,618,678	\$1,683,057

MARLINGTON LOCAL SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

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

MARLINGTON LOCAL SCHOOL DISTRICT

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

1. SUMMARY OF AUDITOR'S RESULTS

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

MARLINGTON LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 §505
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

(d)(1)(vii)	Major Program:	Child Nutrition Cluster CFDA# 10.553 and 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding 2009-01 Significant Deficiency/Material Weakness

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

The following audit adjustments and reclassifications were made to the June 30, 2009 financial statements:

1. Textbook reserves were incorrectly calculated resulting in Restricted Assets for Equity in Pooled Cash and Investments, and Net Assets Restricted for Other Purposes being understated by \$323,753.
2. Net Assets as of June 30, 2008 was restated \$802, and Fund Balance at June 30, 2008 for the General Fund \$294,199, and Other Governmental Funds \$293,397 were restated to eliminate prior interfund loans/advances. These loans/advances should be forgiven by turning them into transfers.
3. Interfund advances of \$1,062 were converted to transfers by the District but were classified as Interfund Fund Receivable and Payables on the financial statements at June 30, 2009.
4. The Board of Education authorized converting \$7,958 of interfund advances to transfers, however, the activity was omitted from the Districts ledgers.
5. Adjustments were made to properly reflect interfund activity in the General Fund by increasing Loans Receivable \$644, Interfund Loans Receivable \$92,259 and Due to Other Funds \$192,276. Other Governmental Funds increased Interfund Loans Payable \$92,259 and Due to Other Funds by \$192,276. Fiduciary Fund loans payable increased \$644.

MARLINGTON LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 §505
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

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

Officials Response:

The District will monitor advances and transfers and eliminate the activity as much as possible in the future.

Finding 2009-02 Non-Compliance

ORC 5705.15 & 5705.16 authorizes, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and the Court of Common Pleas, to transfer from one fund to another any public funds under its supervision, except the proceeds or balances of loans, bond issues, special levies for the payment of loans or bond issues, the proceeds or balances of funds derived from any excise tax levied by law for a specific purpose, and the proceeds or balances of any license fees imposed by law for a specified purpose.

Contrary to the above requirements, the District made the following transfers without obtaining authorization of the Tax Commissioner or the Court of Common Pleas.

Amount	From Fund	To Fund
\$100	Washington Public Support	Summer Arts
\$5,000	Parking Lot Maintenance	High School Public Support

The moneys have been returned to the appropriate funds and the financial statements have been adjusted accordingly.

Officials Response:

Transfers will be monitored and proper authorization will be obtained in the future.

3. FINDINGS FOR FEDERAL AWARDS

None

MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain</u>
2008-01	Capital assets not recorded.	Yes	Finding Corrected

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 11, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

Independent Accountant's Report on Applying Agreed-Upon Procedures

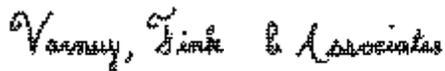
December 29, 2009

Page 2

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Varney, Fink & Associates, Inc.
Certified Public Accountants

December 29, 2009



Mary Taylor, CPA
Auditor of State

MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 16, 2010