

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

REGULAR AUDIT

FOR YEAR ENDED JUNE 30, 2008

Perry & Associates
Certified Public Accountants, A.C



Mary Taylor, CPA
Auditor of State

Board of Education
Southington Local School District
4432 State Route 305 NW
Southington, OH 44470

We have reviewed the *Independent Accountants' Report* of the Southington Local School District, Trumbull County, prepared by Perry & Associates CPA's A.C., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 17, 2009

This Page is Intentionally Left Blank.

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual - General Fund	17
Statement of Fiduciary Assets and Liabilities – Agency Funds	18
Notes to the Basic Financial Statements.....	29
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	41

This Page is Intentionally Left Blank.

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

INDEPENDENT ACCOUNTANTS' REPORT

February 9, 2009

Southington Local School District
Trumbull County
4432 State Route 305 NW
Southington, OH 44470

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of **Southington Local School District, Trumbull County, Ohio** (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, the major funds, and the aggregate remaining fund information of Southington Local School District, as of June 30, 2008, and the respective changes in financial position thereof and the 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 February 9, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The discussion and analysis of Southington Local School District's financial performance is presented by the School District's management and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School 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 School District's financial performance.

Financial Highlights

Key financial highlights for 2008 include:

- The School District's total net assets increased by \$458,453 from \$17,034,189 to \$17,492,642 during this fiscal year's operations.
- Total revenues of \$6,493,536 were comprised of general revenues in the amount of \$5,354,705 or 82.5 percent and program specific revenues from charges for services, grants and contributions in the amount of \$1,138,831 or 17.5 percent.
- Program expenses totaled \$6,035,083. Instructional expenses made up 52.5 percent of this total while support services accounted for 37.6 percent. Other expenses rounded out the remaining 9.9 percent.
- There was an increase of \$62,925 in the general fund balance from fiscal year end 2007.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes pertaining to those statements. These statements are organized so the reader can understand the Southington Local School District as a financial whole, or complete 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 School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the Southington Local School District, the general fund and the Ohio School Facilities Commission capital projects fund are the most significant funds.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

This analysis of the School District encompasses all of the School District's funds used to provide programs and activities and presents them as a whole. This view of the School District as a whole looks at all financial transactions and answers the questions, "What were the fiscal changes throughout the year?" and "What was the net effect of those changes?". The Statement of Net Assets and the Statement

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

of Activities provide the basis for answering these questions. The statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting recognizes all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food services.

Reporting the School District's Most Significant Funds

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

Governmental Funds - The School District's activities are reported as governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government 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* are reconciled in the financial statements of the *Governmental Funds*.

The School District as a Whole

You may recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Assets for 2008 compared to 2007:

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

(Table 1)
Net Assets

	Governmental Activities		
	2008	2007	Change
Assets			
Current and Other Assets	\$27,447,616	\$18,719,795	\$8,727,821
Capital Assets, Net	1,426,521	935,413	491,108
<i>Total Assets</i>	<u>28,874,137</u>	<u>19,655,208</u>	<u>9,218,929</u>
Liabilities			
Current and Other Liabilities	2,810,651	2,279,068	531,583
Long Term Liabilities:			
Due Within One Year	124,384	36,980	87,404
Due in More than One Year	8,446,460	304,971	8,141,489
<i>Total Liabilities</i>	<u>11,381,495</u>	<u>2,621,019</u>	<u>8,760,476</u>
Net Assets			
Invested in Capital Assets	1,068,456	935,413	133,043
Restricted:			
Capital Projects	15,185,067	15,206,061	(20,994)
Debt Service	224,366	0	224,366
Set-Asides	463,725	426,129	37,596
Other Purposes	184,907	177,754	7,153
Unrestricted	366,121	288,832	77,289
<i>Total Net Assets</i>	<u>\$17,492,642</u>	<u>\$17,034,189</u>	<u>\$458,453</u>

Total assets increased by \$9,218,929. Capital assets net of depreciation increased by \$491,108 mainly due to the additions to land and construction in progress offset by the current year depreciation.

Current liabilities in governmental activities increased by \$531,583. Long-term liabilities increased by \$8,228,893 due to the issuance of bonds for a new school building and improvements to existing buildings as well as an increase in compensated absences.

Table 2 highlights the School District's revenues and expenses. These two main components are subtracted to yield the change in net assets. Total revenues exceeded total expenses by \$458,453 which is reflected in net assets at the end of the year.

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

(Table 2)
Change in Net Assets - Governmental Funds

	2008	2007	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$602,921	\$644,696	(\$41,775)
Operating Grants, Contributions and Interest	314,771	368,582	(53,811)
Capital Grants and Contributions	221,139	5,443	215,696
<i>Total Program Revenues</i>	<u>1,138,831</u>	<u>1,018,721</u>	<u>120,110</u>
General Revenues:			
Property Taxes	1,986,716	1,666,966	319,750
Grants and Entitlements not Restricted to Specific Programs	2,884,117	17,831,700	(14,947,583)
Gain on Disposal of Capital Assets	7,024	0	7,024
Investment Earnings	382,361	77,737	304,624
Miscellaneous	94,487	79,556	14,931
<i>Total General Revenues</i>	<u>5,354,705</u>	<u>19,655,959</u>	<u>(14,301,254)</u>
<i>Total Revenues</i>	<u>6,493,536</u>	<u>20,674,680</u>	<u>(14,181,144)</u>
Program Expenses			
Instruction:			
Regular	2,897,429	2,770,175	127,254
Special	271,131	191,791	79,340
Support Services:			
Pupil	513,290	410,167	103,123
Instructional Staff	164,425	137,966	26,459
Board of Education	59,554	68,173	(8,619)
Administration	420,853	380,589	40,264
Fiscal	236,840	205,387	31,453
Business	31,546	20,127	11,419
Operation and Maintenance of Plant	420,424	480,987	(60,563)
Pupil Transportation	409,410	374,505	34,905
Central	11,070	11,603	(533)
Operation of Non-Instructional Services	755	1,130	(375)
Food Service Operations	180,186	174,328	5,858
Extracurricular Activities	224,850	210,653	14,197
Interest and Fiscal Charges	193,320	0	193,320
<i>Total Expenses</i>	<u>6,035,083</u>	<u>5,437,581</u>	<u>597,502</u>
Increase in Net Assets	458,453	15,237,099	(14,778,646)
<i>Net Assets Beginning of Year</i>	<u>17,034,189</u>	<u>1,797,090</u>	<u>15,237,099</u>
<i>Net Assets End of Year</i>	<u>\$17,492,642</u>	<u>\$17,034,189</u>	<u>\$458,453</u>

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

REVENUES

Revenues are further divided into two major components: program revenue and general revenue. Program revenue is defined as fees, restricted grants, and charges for services that are program specific. General revenue includes taxes and unrestricted grants such as State Foundation support.

The main sources of revenue for the School District are the State of Ohio foundation payment, grants, the local share in the form of property taxes, fees charged to students for special programs and tuition received from other school districts to educate their students through open enrollment. Intergovernmental revenues not restricted accounted for 44.4 percent of total revenue. The large decrease from 2007 to 2008 in grants and entitlement not restricted to specific programs was due to Ohio School Facilities Commission monies being received in 2007 as a one-time payment. Property taxes revenue accounted for 30.6 percent of total revenue.

EXPENSES

The School District was responsible for providing educational services for 677 eligible community members. Regular education expenses encompassed 91.5 percent of all instructional expenses. Special instruction costs equaled 8.5 percent of total instructional expenses.

Total expenses are made up by two main areas, instructional and support services. Support Services is then broken down into many subsections. Instructional costs made up 52.5 percent of all expenses. Support services were 37.6 percent of expenses and provide services such as busing, building and grounds maintenance, administration, board of education, fiscal and other. Operation of non-instructional services, food service operations, extracurricular activities and interest and fiscal charges accounted for 9.9 percent of the expenses.

Governmental Activities

The School District carefully plans its financial future by projecting its revenue and expenses and presents them on a five year forecast. The five year forecast changes continually and is presented to and approved by the Board of Education at least twice a year.

Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. In table 3, the total cost of services column contains all costs related to the programs and the net cost of services column shows how much of the total amount is not covered by program revenues for 2008 and 2007. The net costs are program costs that must be covered by unrestricted State aid (State Foundation) or local taxes.

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

(Table 3)
Total and Net Cost of Program Services
Governmental Activities

	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$3,168,560	\$2,346,696	\$2,961,966	\$2,246,328
Support Services:				
Pupil and Instructional Staff	677,715	672,069	548,133	525,887
Board of Education, Administration, Fiscal Services, Business and Central	759,863	737,210	685,879	669,579
Operation and Maintenance of Plant	420,424	383,093	480,987	480,987
Pupil Transportation	409,410	400,602	374,505	369,062
Operation of Non-Instructional Services	755	755	1,130	1,130
Food Service Operations	180,186	4,130	174,328	(1,561)
Extracurricular Activities	224,850	158,377	210,653	127,448
Interest and Fiscal Charges	193,320	193,320	0	0
<i>Total Expenses</i>	<u>\$6,035,083</u>	<u>\$4,896,252</u>	<u>\$5,437,581</u>	<u>\$4,418,860</u>

The difference in these two columns for fiscal year 2008 of \$1,138,831 would represent restricted grants, fees, donations, interest and capital contributions. The dependence upon general tax revenues for governmental activities is apparent. Over 81.1 percent of total expenses are supported through taxes and other general revenue.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$7,165,502 and expenditures of \$6,418,034.

The net change in fund balance for the year was most significant in the OSFC fund. In fiscal year 2008, the net change in fund balance in the OSFC fund was an increase of \$7,094,179 due to bonds issued to begin the construction of new school facilities. The general fund had an increase in fund balance of \$62,925; other governmental funds show an increase in fund balance of \$1,860,679.

General Fund Budgeting Highlights

The School 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.

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

During the course of fiscal 2008, the School District amended its general fund budget several times. Many of the amendments are due to changes in expenditure priorities. For the general fund, the actual revenue was \$4,967,600 representing a \$77,847 decrease from the final budget estimates of \$5,045,447. Most of this difference was due to decreased property tax revenues. The School District's general fund balance at fiscal year end was \$1,141,336 reflecting additional funds budgeted but not expended or encumbered.

The School District revises its budget throughout the fiscal year. During fiscal year 2008, the significant change in expenditures was in the area of regular instruction due to higher than anticipated expenditures. The School District controls the budget at the fund, function and object level.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008 the School District had \$1,426,521 invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2008 balances compared to fiscal year 2007. More detailed information is presented in Note 11 of the notes to the basic financial statements.

(Table 4)
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2008	2007
Land	\$222,980	\$47,980
Construction in Progress	358,065	0
Buildings and Improvements	464,840	486,058
Furniture and Equipment	118,995	118,030
Vehicles	261,641	283,345
Totals	\$1,426,521	\$935,413

All capital assets, except land and construction in progress, are reported net of depreciation. The net increase in capital assets during the fiscal year resulted due to the purchase of a bus, property and other items, partially offset by depreciation of \$74,699.

Debt

At June 30, 2008 the School District had general obligation bonds outstanding in the amount of \$8,000,000. On February 20, 2008, the School District issued \$3,110,000 in serial bonds and \$4,890,000 in term bonds. These bonds were issued at a premium of \$200,073. In fiscal year 2007, the School District did not have any outstanding debt. Please see Note 10 of the notes to the basic financial statements for more information about the School District's long-term obligations.

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Challenges and Opportunities for the Future

The School District will continue to provide the best education it can to the community's most important asset. It will be a responsible and conservative custodian of the public's monies. With two renewal levies pending, the School District will continue to work within the confines of the budget it has set forth.

The largest upcoming project for the School District is the construction of a new school building which will house all grades and the demolition of the old school building. The total cost for the project is \$21,492,468. \$15,044,728 or 70 percent of the funding for this project will be provided by the Ohio School Facilities Commission. The local share of the project, \$6,447,740 or 30 percent of the funding for the building, will be provided by a bond issue which was passed by the voters in February, 2007. The voters also passed an additional 1.5 mill levy for maintenance of the new building as well as a Locally Funded Initiative bond issue in the amount of \$1,552,260 for construction and improvement of facilities other than classrooms, such as an athletic complex and water treatment facilities. The voters also passed an additional 3.9 mill emergency levy in fiscal year 2007, which will generate \$250,000 annually for 4 years.

The Southington Local School District has committed itself to financial reporting excellence. Southington continues its commitment to continuous improvement in financial reporting to our community.

Contacting the School District's Financial Management

This financial report is designed to provide our students, citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the public dollars entrusted to us. If you have questions about this report or need additional financial information contact Janet Ward, Treasurer at Southington Local School District, 4432 State Route 305, N.W., Southington, Ohio 44470, or janet.ward@neomin.org.

Southington Local School District

Statement of Net Assets

June 30, 2008

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$11,170,977
Accrued Interest Receivable	219,992
Intergovernmental Receivable	13,530,918
Property Taxes Receivable	2,465,109
Deferred Charges	60,620
Nondepreciable Capital Assets	581,045
Depreciable Capital Assets, Net	845,476
<i>Total Assets</i>	<u>28,874,137</u>
Liabilities	
Accounts Payable	57,227
Accrued Wages and Benefits	367,227
Intergovernmental Payable	168,177
Deferred Revenue	2,189,845
Accrued Interest Payable	28,175
Long-Term Liabilities:	
Due Within One Year	124,384
Due In More Than One Year	8,446,460
<i>Total Liabilities</i>	<u>11,381,495</u>
Net Assets	
Invested in Capital Assets	1,068,456
Restricted for:	
Capital Projects	15,185,067
Debt Service	224,366
Set Asides	463,725
Other Purposes	184,907
Unrestricted	366,121
<i>Total Net Assets</i>	<u><u>\$17,492,642</u></u>

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest		
Governmental Activities					
Instruction:					
Regular	\$2,897,429	\$415,356	\$228,771	\$160,032	(\$2,093,270)
Special	271,131	0	2,737	14,968	(253,426)
Support Services:					
Pupil	513,290	0	1,638	0	(511,652)
Instructional Staff	164,425	0	4,008	0	(160,417)
Board of Education	59,554	0	0	0	(59,554)
Administration	420,853	0	0	0	(420,853)
Fiscal	236,840	0	11,583	0	(225,257)
Business	31,546	0	0	0	(31,546)
Operation and Maintenance of Plant	420,424	0	0	37,331	(383,093)
Pupil Transportation	409,410	0	0	8,808	(400,602)
Central	11,070	0	11,070	0	0
Operation of Non-Instructional Services	755	0	0	0	(755)
Food Service Operations	180,186	121,261	54,795	0	(4,130)
Extracurricular Activities	224,850	66,304	169	0	(158,377)
Interest and Fiscal Charges	193,320	0	0	0	(193,320)
Totals	<u>\$6,035,083</u>	<u>\$602,921</u>	<u>\$314,771</u>	<u>\$221,139</u>	<u>(4,896,252)</u>

General Revenues

Property Taxes Levied for:

General Purposes	1,626,880
Debt Service	250,445
Classroom Facilities Maintenance	48,172
Capital Outlay	61,219
Grants and Entitlements not Restricted to Specific Programs	2,884,117
Gain on Disposal of Capital Assets	7,024
Investment Earnings	382,361
Miscellaneous	94,487

Total General Revenues 5,354,705

Change in Net Assets 458,453

Net Assets Beginning of Year 17,034,189

Net Assets End of Year \$17,492,642

See accompanying notes to the basic financial statements

Southington Local School District

*Balance Sheet
Governmental Funds
June 30, 2008*

	<u>General</u>	<u>Ohio School Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$748,571	\$7,702,412	\$2,247,461	\$10,698,444
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	472,533	0	0	472,533
Accrued Interest Receivable	219,992	0	0	219,992
Intergovernmental Receivable	1,945	13,507,042	21,931	13,530,918
Interfund Receivable	21,931	0	0	21,931
Property Taxes Receivable	1,875,055	0	590,054	2,465,109
<i>Total Assets</i>	<u>\$3,340,027</u>	<u>\$21,209,454</u>	<u>\$2,859,446</u>	<u>\$27,408,927</u>
Liabilities				
Accounts Payable	\$23,051	\$29,179	\$4,997	\$57,227
Accrued Wages and Benefits	337,180	0	30,047	367,227
Interfund Payable	0	0	21,931	21,931
Intergovernmental Payable	156,105	0	12,072	168,177
Deferred Revenue	1,870,732	13,507,042	611,275	15,989,049
<i>Total Liabilities</i>	<u>2,387,068</u>	<u>13,536,221</u>	<u>680,322</u>	<u>16,603,611</u>
Fund Balances				
Reserved for Encumbrances	57,925	140,143	11,765	209,833
Reserved for Textbooks	168,573	0	0	168,573
Reserved for Property Taxes	4,323	0	710	5,033
Reserved for Budget Stabilization	19,406	0	0	19,406
Reserved for Bus Purchases	8,808	0	0	8,808
Reserved for Capital Improvements	275,746	0	0	275,746
Unreserved, Undesignated, Reported in:				
General Fund	418,178	0	0	418,178
Special Revenue Funds	0	0	179,861	179,861
Debt Service Fund	0	0	227,999	227,999
Capital Projects Funds	0	7,533,090	1,758,789	9,291,879
<i>Total Fund Balances</i>	<u>952,959</u>	<u>7,673,233</u>	<u>2,179,124</u>	<u>10,805,316</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,340,027</u>	<u>\$21,209,454</u>	<u>\$2,859,446</u>	<u>\$27,408,927</u>

See accompanying notes to the basic financial statements

Southington Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2008*

Total Governmental Fund Balances	\$10,805,316
---	---------------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,426,521
---	-----------

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	270,231
Intergovernmental	21,931
School Facilities Money	<u>13,507,042</u>

Total	13,799,204
-------	------------

In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds, a bond issuance expenditure is reported when bonds are issued.	60,620
---	--------

In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(28,175)
---	----------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences	(373,153)
General Obligation Bonds	(8,000,000)
Premium on Bonds	<u>(197,691)</u>

Total	<u>(8,570,844)</u>
-------	--------------------

<i>Net Assets of Governmental Activities</i>	<u><u>\$17,492,642</u></u>
--	----------------------------

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,559,827	\$0	\$328,467	\$1,888,294
Intergovernmental	2,886,766	978,260	325,128	4,190,154
Interest	289,541	85,368	8,031	382,940
Tuition and Fees	393,698	0	21,658	415,356
Extracurricular Activities	0	0	66,304	66,304
Contributions and Donations	0	0	6,706	6,706
Charges for Services	0	0	121,261	121,261
Miscellaneous	59,934	0	34,553	94,487
<i>Total Revenues</i>	<u>5,189,766</u>	<u>1,063,628</u>	<u>912,108</u>	<u>7,165,502</u>
Expenditures				
Current:				
Instruction:				
Regular	2,578,288	0	241,475	2,819,763
Special	267,432	0	23,420	290,852
Support Services:				
Pupil	511,966	0	1,324	513,290
Instructional Staff	143,674	0	14,915	158,589
Board of Education	59,287	0	0	59,287
Administration	400,825	0	0	400,825
Fiscal	219,006	0	17,538	236,544
Business	31,546	0	0	31,546
Operation and Maintenance of Plant	407,523	0	5,400	412,923
Pupil Transportation	377,897	0	0	377,897
Central	0	0	11,070	11,070
Operation of Non-Instructional Services	0	0	100	100
Operation of Food Services	0	0	180,381	180,381
Extracurricular Activities	117,397	0	106,757	224,154
Capital Outlay	70,242	389,115	13,309	472,666
Debt Service:				
Interest and Fiscal Charges	0	166,797	0	166,797
Issuance Costs	0	61,350	0	61,350
<i>Total Expenditures</i>	<u>5,185,083</u>	<u>617,262</u>	<u>615,689</u>	<u>6,418,034</u>
<i>Excess of Revenues Over Expenditures</i>	<u>4,683</u>	<u>446,366</u>	<u>296,419</u>	<u>747,468</u>
Other Financing Sources (Uses)				
General Obligation Bonds Issued	0	6,447,740	1,552,260	8,000,000
Premium on Bonds Issued	0	200,073	0	200,073
Insurance Recovery	70,242	0	0	70,242
Transfers In	0	0	12,000	12,000
Transfers Out	(12,000)	0	0	(12,000)
<i>Total Other Financing Sources (Uses)</i>	<u>58,242</u>	<u>6,647,813</u>	<u>1,564,260</u>	<u>8,270,315</u>
<i>Net Change in Fund Balances</i>	62,925	7,094,179	1,860,679	9,017,783
<i>Fund Balances Beginning of Year</i>	<u>890,034</u>	<u>579,054</u>	<u>318,445</u>	<u>1,787,533</u>
<i>Fund Balances End of Year</i>	<u><u>\$952,959</u></u>	<u><u>\$7,673,233</u></u>	<u><u>\$2,179,124</u></u>	<u><u>\$10,805,316</u></u>

See accompanying notes to the basic financial statements

Southington Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances - Total Governmental Funds \$9,017,783

*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 capital outlays exceeded depreciation in the current period.

Capital Asset Additions		
Capital Outlays	454,025	
Capital Contributions	175,000	
Depreciation	(74,699)	
Total		554,326

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (63,218)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues were attributed to property taxes and intergovernmental receivables:

Property Taxes	98,422	
School Facilities Money	(950,186)	
Grants	(2,226)	
Total		(853,990)

In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued. 61,350

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in governmental funds.

Accrued Interest on Bonds	(28,175)	
Amortization of Issuance Costs	2,382	
Amortization of Bond Premium	(730)	
Total		(26,523)

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. (31,202)

Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.

General Obligation Bonds Issued	(8,000,000)	
Premium on Bonds	(200,073)	
Total		(8,200,073)

Change in Net Assets of Governmental Activities \$458,453

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Property Taxes	\$1,581,009	\$1,661,020	\$1,559,420	(\$101,600)
Intergovernmental	2,787,868	2,851,452	2,884,821	33,369
Interest	69,437	70,000	69,727	(273)
Tuition and Fees	405,180	412,966	393,698	(19,268)
Miscellaneous	46,577	50,009	59,934	9,925
<i>Total Revenues</i>	<u>4,890,071</u>	<u>5,045,447</u>	<u>4,967,600</u>	<u>(77,847)</u>
Expenditures				
Current:				
Instruction:				
Regular	2,390,356	2,765,367	2,587,757	177,610
Special	227,478	273,865	273,865	0
Support Services:				
Pupil	498,923	558,116	527,063	31,053
Instructional Staff	125,792	134,598	129,987	4,611
Board of Education	94,277	101,980	70,127	31,853
Administration	435,795	460,506	411,713	48,793
Fiscal	217,406	235,500	235,500	0
Business	20,213	35,600	34,340	1,260
Operation and Maintenance of Plant	426,416	470,765	445,481	25,284
Pupil Transportation	477,771	519,126	403,367	115,759
Extracurricular Activities	93,786	109,340	107,520	1,820
Capital Outlay	70,242	70,242	70,242	0
<i>Total Expenditures</i>	<u>5,078,455</u>	<u>5,735,005</u>	<u>5,296,962</u>	<u>438,043</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(188,384)</u>	<u>(689,558)</u>	<u>(329,362)</u>	<u>360,196</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	70,742	70,742	70,242	(500)
Advances In	0	26,000	22,700	(3,300)
Advances Out	(50,000)	(50,000)	(44,631)	5,369
Transfers Out	(15,000)	(15,000)	(12,000)	3,000
<i>Total Other Financing Sources (Uses)</i>	<u>5,742</u>	<u>31,742</u>	<u>36,311</u>	<u>4,569</u>
<i>Net Change in Fund Balance</i>	<u>(182,642)</u>	<u>(657,816)</u>	<u>(293,051)</u>	<u>364,765</u>
<i>Fund Balance Beginning of Year</i>	1,338,586	1,338,586	1,338,586	0
Prior Year Encumbrances Appropriated	95,801	95,801	95,801	0
<i>Fund Balance End of Year</i>	<u>\$1,251,745</u>	<u>\$776,571</u>	<u>\$1,141,336</u>	<u>\$364,765</u>

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$28,117</u>
Liabilities	
Due to Students	\$17,948
Deposits Held and Due to Others	<u>10,169</u>
<i>Total Liabilities</i>	<u>\$28,117</u>

See accompanying notes to the basic financial statements

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 1 - Description of the School District and Reporting Entity

Southington Local School District (the School 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 School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's 1 instructional/support facility staffed by 27 classified employees, 43 certified employees and 2 administrative employees who provide services to 677 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Non-public Schools - Within the School District boundaries, there are various non-public schools. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the treasurer of the School District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District participates in four jointly governed organizations and one insurance purchasing pool. These organizations are the North East Ohio Management Information Network, Trumbull County Career and Technical Center, North East Ohio Special Education Regional Resource Center, North East Ohio Instructional Media Center and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. 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 charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. All of the School District's funds are classified as either governmental or 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 are the School District's major governmental funds:

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Ohio School Facilities Capital Projects Fund The Ohio School Facilities capital projects fund accounts for State grants used for the acquisition and construction of classroom facilities.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements 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 (e.g., revenues and other financing sources) and uses (e.g., 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.

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 and the statements presented for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Nonexchange transactions, in which the School 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 7). 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School 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 and student fees.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2008, investments were limited to nonnegotiable certificates of deposit which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$289,541, which includes \$247,682 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

F. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments or imposed by law through constitutional provision or enabling legislation. Restricted assets in the general fund include unspent resources restricted for the purchase of buses and amounts required by State statute to be set-aside for the purchase of textbooks and other instructional material, for the purchase or construction of capital improvements and to create a reserve for budget stabilization. See Note 19 for additional information regarding set asides.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies.

I. Capital Assets

The School District's only capital assets are general capital assets. These assets generally 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 retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	30 - 50 years
Furniture	20 years
Fixtures	15 years
Equipment	10 - 20 years
Vehicles	10 years

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made based on the sick leave accumulated at year-end by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. All employees with ten or more years of service were included in the calculation of the compensated absences accrual amount.

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

L. 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, and are reported as obligations of the funds. However, claims and judgments, compensated absences and contractually required pension contributions 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 fiscal year.

M. Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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 financial statements.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

N. Fund Balance Reserves

The School 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 balance reserves have been established for encumbrances, textbooks, property taxes, budget stabilization, bus purchases and capital improvements.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists 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 government-wide statement of net assets reports restricted net assets of \$16,058,065, none of which is restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for food service operations and extracurricular activities.

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

P. Bond Issuance Costs

Bond issuance costs for underwriting fees and bond insurance for the classroom facilities improvements bonds are being amortized using the straight-line method over the life of the certificates on the government-wide statements. The straight-line method of amortizing is not materially different from the effective-interest method. On the fund financial statements, these costs are reported as expenditures in the year incurred.

Q. Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bonds premiums are received in the year the bonds are issued.

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.

S. Estimates

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

T. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate appropriations at the function and object levels.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that were in effect at the time the original and final appropriations were passed by the Board of Education.

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 budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Note 3 – Change in Accounting Principles

For 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reported by Employers for Post-Employment Benefits Other Than Pensions", GASB Statement No.48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures."

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both SERS and STRS post-employment healthcare plans in the amounts of \$7,172 and \$3,264, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sales or collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal and contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 4 – Accountability

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

Special Revenue Funds	
Title VI-B	\$5,890
Title I	9,408

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

Note 5 - Budgetary Basis of Accounting

While the School District is 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, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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 GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Investments are reported at cost (budget basis) rather than fair value (GAAP).
5. Advances-In and Advances Out are operating transaction (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$62,925
Net Adjustment for Revenue Accruals	(222,166)
Advances In	22,700
Net Adjustment for Expenditure Accruals	(32,111)
Advances Out	(44,631)
Encumbrances	(79,768)
Budget Basis	<u><u>(\$293,051)</u></u>

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School 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 held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$11,002,417 of the School District's bank balance of \$11,202,417 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 7 - Property Taxes

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

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

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

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value listed as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

collected by the County by June 30, 2008, are available to finance fiscal year 2009 operations. The amount available to be advanced 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, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008 was \$4,323 in the general fund, \$449 in the bond retirement debt service fund, \$86 in the classroom facilities maintenance special revenue fund, and \$175 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2007 was \$3,916 in the general fund and \$160 in the permanent improvement capital projects fund. The difference was in the timing and collection by the County Auditor.

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

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

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$62,111,180	95.21 %	\$62,384,610	96.19 %
Public Utility Personal	1,971,210	3.02	1,322,070	2.04
Tangible Personal Property	1,150,894	1.77	1,151,729	1.77
Total	<u>\$65,233,284</u>	<u>100.00 %</u>	<u>\$64,858,409</u>	<u>100.00 %</u>
Full Tax rate per \$1,000 of assessed valuation	\$46.40		\$55.65	

During fiscal year 2007, the School District passed a 3.9 mill emergency levy. This levy is expected to generate \$250,000 annually for 4 years, beginning in fiscal year 2008.

Note 8 - Receivables

Receivables at June 30, 2008, consisted of taxes, intergovernmental grants and OSFC monies. All receivables, except property taxes and OSFC monies, are considered collectible in full due to the stable condition of State programs and the current year guarantee of Federal funds. All receivables, except delinquent taxes and OSFC monies, are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Ohio School Facilities	\$13,507,042
Title I	13,916
Title VI-B	8,015
Bus Purchase Grant	1,945
Total	<u>\$13,530,918</u>

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 9 – Fund Obligations

The School District's note activity, including amount outstanding and interest rate are as follows:

	Outstanding June 30, 2007	Additions	Deletions	Outstanding June 30, 2008
2008 Classroom Facilities Note - 3.42%	\$0	\$6,445,000	\$6,445,000	\$0

The classroom facilities note was issued for the purpose of various school improvements. The note was issued and paid in full from the classroom facilities capital projects fund and the bond retirement debt service fund in fiscal year 2008 with a principal payment of \$6,445,000 and interest of \$228,147.

Note 10 – Long-Term Obligations

Original issue amounts and interest rates of the School District's debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
2008 Classroom Facilities Bonds:			
Serial Bonds	3.00 - 4.00%	\$3,110,000	2023
Term Bonds	4.00 - 5.00%	4,890,000	2035

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Balance 6/30/07	Additions	Deductions	Balance 6/30/08	Amounts Due in One Year
Governmental Activities					
<i>General Obligation Bonds:</i>					
2008 Classroom Facilities					
Serial Bonds	\$0	\$3,110,000	\$0	\$3,110,000	\$100,000
Term Bonds	0	4,890,000	0	4,890,000	0
Unamortized Premium	0	200,073	2,382	197,691	0
<i>Total General Obligation Bonds</i>	0	8,200,073	2,382	8,197,691	100,000
<i>Other Long-Term Obligations</i>					
Compensated Absences	341,951	68,182	36,980	373,153	24,384
Total Long-Term Liabilities	\$341,951	\$8,268,255	\$39,362	\$8,570,844	\$124,384

Compensated absences will be paid from the general fund and the food service special revenue fund.

On February 20, 2008, Southington Local School District issued \$8,000,000 in general obligation bonds, which included serial and term bonds to fund capital improvements to the School District's buildings. The bonds were issued for a twenty-eight year period with final maturity on December 1, 2035. The bonds were issued at a premium of \$200,073.

All general obligation bonds will be paid from property taxes.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The term bonds maturing on December 1, 2024, 2026, 2028, and 2035 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective amounts as follows:

Year	Issue			
	\$610,000	\$665,000	\$740,000	\$2,875,000
2023	\$295,000	\$0	\$0	\$0
2025	0	325,000	0	0
2027	0	0	360,000	0
2029	0	0	0	400,000
2030	0	0	0	420,000
2031	0	0	0	370,000
2032	0	0	0	390,000
2033	0	0	0	410,000
2034	0	0	0	430,000
Total	\$295,000	\$325,000	\$360,000	\$2,420,000

<i>Stated Maturity</i>	<i>12/1/2024</i>	<i>12/1/2026</i>	<i>12/1/2028</i>	<i>12/1/2035</i>
------------------------	------------------	------------------	------------------	------------------

The remaining principal amount of the term bonds (\$315,000, \$340,000, \$380,000, and \$455,000) will mature at the stated maturity.

The School District's overall legal debt margin was (\$2,078,190) with an unvoted debt margin of \$63,260 at June 30, 2008. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2008 are as follows:

	Serial Bonds		Term Bonds	
	Principal	Interest	Principal	Interest
2009	\$100,000	\$336,600	\$0	\$0
2010	100,000	333,600	0	0
2011	100,000	330,600	0	0
2012	195,000	326,175	0	0
2013	200,000	320,250	0	0
2014-2018	1,100,000	1,505,134	0	0
2019-2023	1,315,000	1,297,905	0	0
2024-2028	0	0	1,635,000	1,002,155
2029-2033	0	0	1,960,000	568,250
2034-2038	0	0	1,295,000	99,375
Total	\$3,110,000	\$4,450,264	\$4,890,000	\$1,669,780

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 11 – Capital Assets

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

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Nondepreciable Capital Assets				
Land	\$47,980	\$175,000	\$0	\$222,980
Construction in Progress	0	358,065	0	358,065
<i>Total Nondepreciable Capital Assets</i>	<u>47,980</u>	<u>533,065</u>	<u>0</u>	<u>581,045</u>
Depreciable Capital Assets				
Buildings and Improvements	1,992,175	0	0	1,992,175
Furniture, Fixtures and Equipment	531,911	30,871	0	562,782
Vehicles	504,355	65,089	(70,242)	499,202
<i>Total Depreciable Capital Assets</i>	<u>3,028,441</u>	<u>95,960</u>	<u>(70,242)</u>	<u>3,054,159</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(1,506,117)	(21,218)	0	(1,527,335)
Furniture, Fixtures and Equipment	(413,881)	(29,906)	0	(443,787)
Vehicles	(221,010)	(23,575)	7,024	(237,561)
<i>Total Accumulated Depreciation</i>	<u>(2,141,008)</u>	<u>(74,699) *</u>	<u>7,024</u>	<u>(2,208,683)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>887,433</u>	<u>21,261</u>	<u>(63,218)</u>	<u>845,476</u>
<i>Governmental Activities Capital Assets, Net</i>	<u><u>\$935,413</u></u>	<u><u>\$554,326</u></u>	<u><u>(\$63,218)</u></u>	<u><u>\$1,426,521</u></u>

* Depreciation expense was charged to governmental activities as follows:

Instruction	
Regular	\$41,866
Support Services	
Instructional Staff	4,418
Board of Education	267
Operation and Maintenance of Plant	7,964
Pupil Transportation	18,833
Operation of Non-Instructional Services	655
Extracurricular Activities	696
Total Depreciation Expense	<u><u>\$74,699</u></u>

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description – The School 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.

Funding Policy – Plan members are required to contribute 10 percent of their covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School Districts required contributions for pension obligations to SERS for fiscal year ended June 30, 2008, 2007 and 2006 were \$60,031, \$56,962 and \$55,144 , respectively; 25.01 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 Broad St., Columbus, OH 43215-3371, by calling (614) 227-7877, or by visiting the STRS Ohio Web site at www.strs.org.

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 member contributions and earned interest matched by STRS Ohio funds times 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 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.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. 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 School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$304,032, \$282,901, and \$276,471 respectively; 78.77 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$6,945 made by the plan members.

Note 13 - Postemployment Benefits

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement Systems for non-certified 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 401(h). For 2008, 4.18 percent of covered payroll was allocated to health care. In addition employers pay a surcharge for employees earning less than an actuarially determined amount, for 2008, this amount was \$13,107.

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 School District contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$27,394, \$24,709 and \$27,586 respectively; 25.01 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contributions to the Medicare B Fund. For 2008, this actuarially required allocation of 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for fiscal years ended June 30, 2008, 2007, and 2006 were \$4,325, \$3,873 and \$3,983 respectively; 25.01 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

B. School Teachers Retirement System

Plan Description – The School District contributes to the cost-sharing multiple employer defined benefit Health Plan administered by the State Teacher 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 plan 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.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$23,387, \$21,762, and \$21,267 respectively; 78.77 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 14 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for certified and classified employees is 305 days.

For all employees, retirement severance is paid to each employee retiring from the School District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the School District for a minimum of ten consecutive years and has ten years of service with the State retirement system at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 76 ¼ days.

B. Life Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Fort Dearborn Life Insurance Company, in the amount of \$50,000 for all regular contracted certified employees and \$30,000 for all regular contracted classified employees.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

C. Health Insurance Benefits

The School District provides employee medical and surgical plans through Medical Mutual of Ohio. Employees may choose between these two comprehensive major medical plans for medical/surgical insurance. These plans provide medical/surgical coverage with deductibles ranging from zero to \$200 for single coverage and zero to \$400 for family coverage with a maximum of \$1,000 per individual and \$2,000 per family. The School District provides prescription drug and dental through Medical Mutual of Ohio.

Note 15 – Interfund Transfer

Interfund transfers at June 30, 2008, consist of one transfer from the general fund to the nonmajor governmental funds in the amount of \$12,000. This transfer was made to avoid a negative balance in the athletics fund.

Note 16 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2008, the School District has addressed these various types of risk by purchasing a comprehensive insurance policy through Ohio Casualty.

Professional liability is maintained in the amount of \$1,000,000 for single occurrence and \$1,000,000 in the aggregate.

The School District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss. The School District maintains replacement cost insurance on buildings and contents in the amount of \$11,049,606.

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

B. Worker's Compensation

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. 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 performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 17 - Jointly Governed Organizations

North East Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. Southington Local School District paid \$10,140 to NEOMIN during fiscal year 2008.

The Governing Board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The Southington Local School District was not represented on the Governing Board during fiscal year 2008. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

Trumbull County Career and Technical Center The Trumbull County Career and Technical Center is a distinct political subdivision of the State of Ohio providing vocational needs of the students. The Center is operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Trumbull County Joint Vocational School, Gary Ghizzoni, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

North East Ohio Special Education Regional Resource Center The North East Ohio Special Education Regional Resource Center NEO/SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

NEO/SERRC is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 100 DeBartolo Place, Suite 105, Youngstown, Ohio 44512.

North East Ohio Instructional Media Center The North East Ohio Instructional Media Center (NEOIMC) is a jointly governed organization among forty-five school districts. The jointly governed organization was formed for the purpose of providing quality films and/or other media to support the educational curricula of the School District. Each member pays a monthly premium based on the use of media materials.

NEOIMC is governed by the advisory committee made up a member from a parochial school, a joint vocational school, one County Superintendent from each participating county, one City Superintendent and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 18 – Insurance Purchasing Pool

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

Note 19 - Set Aside Calculation

The School District 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 and carried forward to be used for the same purposes in future years.

The following cash basis information describes the changes in the fiscal year end set aside amounts for textbooks, capital acquisitions and budget stabilization. Disclosure of this information is required by State statute.

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
Set-Aside Reserve Balance as of June 30, 2007	\$19,406	\$205,449	\$201,274
Current Year Set-aside Requirement	0	105,931	105,931
Qualifying Disbursements	0	(35,634)	(138,632)
Total	\$19,406	\$275,746	\$168,573
Set-aside Balance Carried Forward to Future Fiscal Years	\$19,406	\$275,746	\$168,573
Set-aside Reserve Balance as of June 30, 2008	\$19,406	\$275,746	\$168,573

The total reserve balance for the three set-asides at the end of the fiscal year was \$463,725.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

The School District is not a party to any legal proceedings as of June 30, 2008.

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

February 9, 2009

Southington Local School District
Trumbull County
4432 State Route 305 NW
Southington, OH 44470

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate fund information of the **Southington Local School District, Trumbull County, Ohio** (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report dated February 9, 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Internal Control Over Financial Reporting (continued)

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note one instance of noncompliance that we reported to the District's management in a separate letter dated February 9, 2009.

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. It is not intended for anyone other than these specified parties.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA
Auditor of State

SOUTHINGTON LOCAL SCHOOL DISTRICT

TRUMBULL 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 31, 2009**