



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

TABLE OF CONTENTS

Report of Independent Accountants	1
Combined Balance Sheet - All Fund Types and Account Groups	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Similar Fiduciary Fund Types	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - (Non-GAAP Basis) - All Governmental Fund Types and Similar Fiduciary Fund Types	6
Combined Statement of Revenues, Expenses and Changes in Retained Earning - All Proprietary Fund Types and Non-Expendable Trust Funds	9
Combined Statement of Cash Flows - All Proprietary Fund Types and Non-Expendable Trust Funds	10
Notes to the General Purpose Financial Statements	11
Report on Compliance and on Internal Control Required by Government Auditing Standards	33



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

Voinovich Government Center
242 Federal Plaza West, Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949

REPORT OF INDEPENDENT ACCOUNTANTS

Southington Local School District
Trumbull County
4432 St Rt 305 NW
Southington, Ohio 44470

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Southington Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Southington Local School District, Trumbull County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types 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 15, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

May 14, 2002

This page intentionally left blank.

**Southington Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001**

	Governmental Fund Types				Proprietary	<u>Fiduciary</u>	<u>Account Groups</u>		Totals
	Special	Debt	Capital		Trust and		General	General	2001
	General	Revenue	Service	Project	Enterprise	Agency	Fixed Assets	Long Term	(Memorandum) (Only)
Assets and Other Debits:									
Equity in Pooled Cash and Cash Equivalents	\$ 61,972	31,752	0	49,773	121,032	59,698	0	0	\$ 324,227
Restricted Assets	30,390	0	0	0	0	0	0	0	30,390
Taxes Receivable	966,719	432,877	5,000	59,224	0	0	0	0	1,463,820
Interfund Receivables	14,811	0	0	0	0	0	0	0	14,811
Due from Other Funds	0	0	0	0	0	96,389	0	0	96,389
Intergovernmental Receivable	277	11,309	0	0	0	0	0	0	11,586
Accounts Receivable	6,100	975	0	0	694	383	0	0	8,152
Supplies Inventory	302	0	0	0	395	0	0	0	697
Inventory for Resale	0	0	0	0	1,092	0	0	0	1,092
Property, Plant & Equipment	0	0	0	0	56,913	0	3,139,843	0	3,196,756
Accumulated Depreciation, where applicable	0	0	0	0	(40,558)	0	0	0	(40,558)
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	562,849	562,849
Total Assets and Other Debits	\$ 1,080,571	476,913	5,000	108,997	139,568	156,470	3,139,843	562,849	\$ 5,670,211

(Continued)

**Southington Local School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2001**

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals
	General	Special Revenue	Debt Service	Capital Project	Fund Types	Fund Types	General	General	2001
					Enterprise	Trust and Agency	Fixed Assets	Long Term	(Memorandum (Only))
Liabilities:									
Interfund Payable	\$ 0	14,811	0	0	0	0	0	0	\$ 14,811
Due to Other Funds	60,666	895	0	0	122	0	0	34,706	96,389
Intergovernmental Payable	1,515	76	0	0	0	113,110	0	0	114,701
Accounts Payable	96	0	0	0	0	0	0	0	96
Accrued Salaries and Benefits	316,925	6,865	0	0	0	0	0	0	323,790
Deferred Revenue	970,170	434,425	5,000	59,454	760	0	0	0	1,469,809
Due to Others	0	0	0	0	0	12,622	0	0	12,622
Asbestos Loan Payable	0	0	0	0	0	0	0	10,845	10,845
Compensated Absences Payable	20,927	0	0	0	0	0	0	517,298	538,225
Total Liabilities	1,370,299	457,072	5,000	59,454	882	125,732	0	562,849	2,581,288
Fund Equity and Other Credits:									
Investment in General Fixed Assets	0	0	0	0	0	0	3,139,843	0	3,139,843
Contributed Capital	0	0	0	0	15,884	0	0	0	15,884
Retained Earnings	0	0	0	0	122,802	0	0	0	122,802
Retained Earnings-Reserved	0	0	0	0	0	23,351	0	0	23,351
Fund Balances:									
Reserved For Inventory	302	0	0	0	0	0	0	0	302
Reserved For Budget Stabilization	19,406	0	0	0	0	0	0	0	19,406
Reserved For Textbook Expenditure	10,984	0	0	0	0	0	0	0	10,984
Reserved for Future Appropriation	3,451	1,548	0	230	0	0	0	0	5,229
Unreserved Fund Balance-	(323,871)	18,293	0	49,313	0	7,387	0	0	(248,878)
Total Fund Equity	(289,728)	19,841	0	49,543	0	7,387	0	0	(212,957)
Total Fund Balances/Retained Earnings and Other Credits	(289,728)	19,841	0	49,543	138,686	30,738	3,139,843	0	3,088,923
Total Liabilities, Fund Equity, and Other Credits	\$ 1,080,571	476,913	5,000	108,997	139,568	156,470	3,139,843	562,849	\$ 5,670,211

See Accompanying Notes to the General Purpose Financial Statements

Southington Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types and Similar Fiduciary Fund Type
Year Ended June 30, 2001

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Project	Expendable Trust	(Memorandum) (Only)
REVENUES:						
Taxes	\$ 881,702	394,224	5,000	53,838	0	\$ 1,334,764
Tuition	5,981	0	0	0	0	5,981
Transportation Fees	12,226	0	0	0	0	12,226
Earnings on Investments	14,045	0	0	0	0	14,045
Extracurricular Activities	0	112,118	0	0	0	112,118
Classroom Materials & Fees	473	0	0	0	0	473
Miscellaneous	51,750	4,185	0	0	250	56,185
Revenue from State Sources						
Unrestricted Grants-in-Aid	2,400,816	51,702	0	6,922	0	2,459,440
Restricted Grants-in-Aid	18,800	28,671	0	58,976	0	106,447
Revenue from Federal Sources						
Restricted Grants-in-Aid	0	115,522	0	0	0	115,522
Total Revenue	3,385,793	706,422	5,000	119,736	250	4,217,201
EXPENDITURES:						
Current:						
Instruction						
Regular	1,734,311	281,054	0	28,771	0	2,044,136
Special	78,407	123,859	0	0	0	202,266
Other Instruction	7,004	0	0	0	0	7,004
Supporting Services						
Pupils	410,978	0	0	0	0	410,978
Instructional Staff	57,682	0	0	0	0	57,682
Board of Education	14,756	0	0	0	0	14,756
Administration	358,777	4,960	0	0	0	363,737
Fiscal Services	139,646	6,414	0	889	250	147,199
Business	20,951	0	0	0	0	20,951
Operation & Maintenance-Plant	287,450	69,749	0	76,325	0	433,524
Pupil Transportation	238,158	81,115	0	0	0	319,273
Central	2	16,852	0	0	0	16,854
Food Service	78,503	0	0	0	0	78,503
Community Services	0	738	0	0	0	738
Extracurricular Activities						
Academic & Subject Oriented	6,186	3,130	0	0	0	9,316
Sports Oriented	70,488	74,894	0	0	0	145,382
Co-Curricular Activities	343	41,450	0	0	0	41,793
Debt Service						
Repayment of Debt	0	0	5,000	0	0	5,000
Total Expenditures	3,503,642	704,215	5,000	105,985	250	4,319,092
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	(117,849)	2,207	0	13,751	0	(101,891)
Other Financing Sources and Uses:						
Sale & Loss of Assets	3,470	0	0	0	0	3,470
Transfers-In	28,000	0	0	16,952	0	44,952
Refund of Prior Year Receipts	4,045	0	0	0	0	4,045
Transfers-Out	(16,952)	0	0	0	0	(16,952)
Total Other Financing Sources and Uses	18,563	0	0	16,952	0	35,515
Excess (Deficiency) of Revenues and Other Sources Over Expenditure						
Disbursement and Other Uses	(99,286)	2,207	0	30,703	0	(66,376)
Decrease in Inventory	(209)	0	0	0	0	(209)
Beginning Fund Balance	(190,233)	17,634	0	18,840	258	(153,501)
Ending Fund Balance	\$ (289,728)	19,841	0	49,543	258	\$ (220,086)

See Accompanying Notes to the General Purpose Financial Statements

Southington Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Fund Type
Year Ended June 30, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 888,745	888,764	19	397,665	397,619	\$ (46)
Tuition	4,100	4,673	573	0	0	0
Transportation Fees	12,100	12,172	72	0	0	0
Earnings on Investment	14,500	14,509	9	0	0	0
Extracurricular Activities	0	0	0	110,680	111,315	635
Classroom Materials and Fees	475	473	(2)	0	0	0
Miscellaneous	51,500	51,692	192	4,035	4,185	150
State Unrestricted Grants-in-Aid	2,419,600	2,400,538	(19,062)	51,400	51,702	302
State Restricted Grants-in-Aid	18,600	18,950	350	28,638	28,671	33
Federal Restricted Grants-in-Aid	0	0	0	122,622	122,622	0
Total Revenue	3,409,620	3,391,771	(17,849)	715,040	716,114	1,074
Expenditures:						
Regular Instruction	1,774,453	1,719,760	54,693	200,036	281,054	(81,018)
Special Instruction	93,121	85,612	7,509	140,052	126,624	13,428
Adult/Continuing Education	100	0	100	0	0	0
Other Instruction	7,100	7,004	96	0	0	0
Support Services-Pupils	422,255	411,876	10,379	0	0	0
Support Services-Instructional Staff	57,507	57,171	336	0	0	0
Support Services-Board of Education	14,892	14,184	708	0	0	0
Support Services-Administration	344,399	355,024	(10,625)	4,600	4,960	(360)
Fiscal Services	145,313	137,083	8,230	7,800	6,414	1,386
Support Services-Business	26,100	20,951	5,149	0	0	0
Operation & Maintenance-Plant	317,163	286,029	31,134	141,498	69,749	71,749
Support Services-Transportation	234,861	237,832	(2,971)	90,000	86,925	3,075
Support Services-Central	0	0	0	20,085	16,852	3,233
Food Services Operations	74,297	77,937	(3,640)	0	0	0
Community Services	0	0	0	790	738	52
Academic & Subject Oriented	6,451	6,195	256	3,130	3,130	0
Sports Oriented	76,028	70,563	5,465	88,437	74,910	13,527
Co-Curricular Activities	648	343	305	45,598	41,450	4,148
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	3,594,688	3,487,564	107,124	742,026	712,806	29,220
Excess of Revenue Over (Under) Expenditures	(185,068)	(95,793)	89,275	(26,986)	3,308	30,294
Other Financing Sources (Uses):						
Sale and Loss of Assets	2,500	2,570	70	0	0	0
Advances-In	27,310	31,210	3,900	2,118	14,811	12,693
Transfers-In	26,000	28,000	2,000	0	0	0
Refund of Prior Years Expenditures	9,400	9,395	(5)	0	0	0
Advances-Out	0	(14,811)	(14,811)	(1,231)	(1,231)	0
Transfer-Out	(17,000)	(16,952)	48	0	0	0
Total Other Sources (Uses)	48,210	39,412	(8,798)	887	13,580	12,693
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(136,858)	(56,381)	80,477	(26,099)	16,888	42,987
Beginning Fund Balance	148,744	148,744	--	14,863	14,863	--
Prior Year Carry Over Encumbrances	0	0	--	0	0	--
Ending Fund Balance	\$ 11,886	92,363	80,477	(11,236)	31,751	\$ 42,987

(Continued)

Southington Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Fund Type - Continued
Year Ended June 30, 2001

	Debt Service Funds			Capital Project Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 5,000	5,000	0	54,330	54,315	\$ (15)
Tuition	0	0	0	0	0	0
Transportation Fees	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials and Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	0	0	0	6,875	6,922	47
State Restricted Grants-in-Aid	0	0	0	58,975	58,976	1
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	5,000	5,000	0	120,180	120,213	33
Expenditures:						
Regular Instruction	0	0	0	28,771	28,771	0
Special Instruction	0	0	0	0	0	0
Adult/Continuing Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	0	0	0	1,050	889	161
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	100,438	76,326	24,112
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Food Services Operations	0	0	0	0	0	0
Community Services	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Repayment of Debt	5,000	5,000	0	0	0	0
Total Expenditures	5,000	5,000	0	130,259	105,986	24,273
Excess of Revenue Over (Under) Expenditures	0	0	0	(10,079)	14,227	24,306
Other Financing Sources (Uses):						
Sale and Loss of Assets	0	0	0	0	0	0
Advances-In	0	0	0	0	0	0
Transfers-In	0	0	0	16,500	16,952	452
Refund of Prior Years Expenditures/Receipts	0	0	0	0	0	0
Advances-Out	0	0	0	(27,928)	(27,928)	0
Transfer-Out	0	0	0	0	0	0
Total Other Sources (Uses)	0	0	0	(11,428)	(10,976)	452
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	(21,507)	3,251	24,758
Beginning Fund Balance	0	0	--	46,521	46,521	--
Prior Year Carry Over Encumbrances	0	0	--	0	0	--
Ending Fund Balance	\$ 0	0	0	25,014	49,772	\$ 24,758

(Continued)

Southington Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Fund Type- Continued
Year Ended June 30, 2001

	Expendable Trust Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	1,345,740	1,345,698	\$ (42)
Tuition	0	0	0	4,100	4,673	573
Transportation Fees	0	0	0	12,100	12,172	72
Earnings on Investment	0	0	0	14,500	14,509	9
Extracurricular Activities	0	0	0	110,680	111,315	635
Classroom Materials and Fees	0	0	0	475	473	(2)
Miscellaneous	250	250	0	55,785	56,127	342
State Unrestricted Grants-in-Aid	0	0	0	2,477,875	2,459,162	(18,713)
State Restricted Grants-in-Aid	0	0	0	106,213	106,597	384
Federal Restricted Grants-in-Aid	0	0	0	122,622	122,622	0
Total Revenue	250	250	0	4,250,090	4,233,348	(16,742)
Expenditures:						
Regular Instruction	0	0	0	2,003,260	2,029,585	(26,325)
Special Instruction	0	0	0	233,173	212,236	20,937
Adult/Continuing Instruction	0	0	0	100	0	100
Other Instruction	0	0	0	7,100	7,004	96
Support Services-Pupils	0	0	0	422,255	411,876	10,379
Support Services-Instructional Staff	0	0	0	57,507	57,171	336
Support Services-Board of Education	0	0	0	14,892	14,184	708
Support Services-Administration	0	0	0	348,999	359,984	(10,985)
Fiscal Services	500	250	250	154,663	144,636	10,027
Support Services-Business	0	0	0	26,100	20,951	5,149
Operation & Maintenance-Plant	0	0	0	559,099	432,104	126,995
Support Services-Transportation	0	0	0	324,861	324,757	104
Support Services-Central	0	0	0	20,085	16,852	3,233
Food Services Operations	0	0	0	74,297	77,937	(3,640)
Community Services	0	0	0	790	738	52
Academic & Subject Oriented	0	0	0	9,581	9,325	256
Sports Oriented	0	0	0	164,465	145,473	18,992
Co-Curricular Activities	0	0	0	46,246	41,793	4,453
Repayment of Debt	0	0	0	5,000	5,000	0
Total Expenditures	500	250	250	4,472,473	4,311,606	160,867
Excess of Revenue Over (Under) Expenditures	(250)	0	250	(222,383)	(78,258)	144,125
Other Financing Sources (Uses):						
Sale and Loss of Assets	0	0	0	2,500	2,570	70
Advance-In	0	0	0	29,428	46,021	16,593
Transfer-In	0	0	0	42,500	44,952	2,452
Refund of Prior Years Expenditures	0	0	0	9,400	9,395	(5)
Advances-Out	0	0	0	(29,159)	(43,970)	(14,811)
Transfer-Out	0	0	0	(17,000)	(16,952)	48
Total Other Sources (Uses)	0	0	0	37,669	42,016	4,347
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(250)	0	250	(184,714)	(36,242)	148,472
Beginning Fund Balance	258	258	--	210,386	210,386	--
Prior Year Carry Over Encumbrances	0	0	--	0	0	--
Ending Fund Balance	\$ 8	258	250	25,672	174,144	\$ 148,472

See Accompanying Notes to the General Purpose Financial Statements

Southington Local School District
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types and Non-Expendable Trust Funds
Year Ended June 30, 2001

	Proprietary Fund Types		Fiduciary Fund Types	Totals (Memorandum) (Only)
	Enterprise Funds		Non-Expendable Trust Funds	
Operating Revenues:				
Food Service	\$ 113,675		0	\$ 113,675
Classroom Materials & Fees	15,207		0	15,207
Total Operating Revenue	<u>128,882</u>		<u>0</u>	<u>128,882</u>
Operating Expenses:				
Personal Services - Salary	471		0	471
Employee Benefits	166		0	166
Purchased Services	5,305		0	5,305
Supplies and Materials	90,355		0	90,355
Other Expenses	0		2,177	2,177
Depreciation	1,218		0	1,218
Total Operating Expenses	<u>97,515</u>		<u>2,177</u>	<u>99,692</u>
Operating Income (Loss)	31,367		(2,177)	29,190
Non-Operating Revenues:				
Miscellaneous	0		3,273	3,273
Earnings on Investment	2,327		1,585	3,912
State Unrestricted Grants-In-Aid	758		0	758
Federal Unrestricted Grants-In-Aid	19,025		0	19,025
Federal Restricted Grants-In-Aid	5,730		0	5,730
Total Non-Operating Revenues	<u>27,840</u>		<u>4,858</u>	<u>32,698</u>
Net Income before Operating Transfers	59,207		2,681	61,888
Operating Transfers Out	16,000		0	16,000
Total Transfers	<u>16,000</u>		<u>0</u>	<u>16,000</u>
Net Income	43,207		2,681	45,888
Beginning Retained Earnings	79,595		27,799	107,394
Retained Earnings at End of Year	<u>\$ 122,802</u>		<u>30,480</u>	<u>\$ 153,282</u>

See Accompanying Notes to the General Purpose Financial Statements

Southington Local School District
Combined Statement of Cash Flow
All Proprietary Fund Types and Non-Expendable Trust Funds
Year Ended June 30, 2001

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum) (Only)
	Enterprise Funds	Non-Expendable Trust Funds	
Cash Flows from Operating Activities			
Operating Income (Loss)	\$ 31,367	(2,177)	\$ 29,190
Adjustment to Reconcile Operating Loss			
To Net Cash used in Operating Activities:			
Depreciation	1,218	0	1,218
Net (Increase) Decrease in Assets:			
Intergovernmental Receivable	60	0	60
Accounts Receivable	(579)	0	(579)
Inventory	923	0	923
Net Increases (Decreases) in Liabilities:			
Accounts Payable	(87)	0	(87)
Intergovernmental Payable	(31)	0	(31)
Due to Other Funds	122	0	122
Deferred Revenue	(580)	0	(580)
Total Adjustments	<u>1,046</u>	<u>0</u>	<u>1,046</u>
Net Cash Used in Operating Activities	32,413	(2,177)	30,236
Cash Flows from Noncapital Activities:			
Earnings on Investments	2,327	1,585	3,912
Grants from State Sources	758	0	758
Grants from Federal Sources	19,025	0	19,025
Federal Commodities	5,730	0	5,730
Miscellaneous	0	3,273	3,273
Transfers-Out	(16,000)	0	(16,000)
Net Cash Provided by Noncapital Financing Sources	<u>11,840</u>	<u>4,858</u>	<u>16,698</u>
Cash Flows from Capital Financing Activities:			
Acquisition of Capital Assets	<u>3,223</u>	<u>0</u>	<u>3,223</u>
Net Cash Provided by Capital Financing Activities	3,223	0	3,223
Net Increase in Cash & Cash Equivalents	41,030	2,681	43,711
Cash and Cash Equivalents at Beginning of Year	<u>80,002</u>	<u>27,799</u>	<u>107,801</u>
Cash and Cash Equivalents at End of Year	<u>\$ 121,032</u>	<u>30,480</u>	<u>\$ 151,512</u>

See Accompanying Notes to the General Purpose Financial Statements

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Southington Local School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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

Average daily membership (ADM) as of October 1, 2000, was 617. The District employed 7 administrative and supervisory personnel, 40 certified employees and 20 non-certificated employees. The District is supervised by the Trumbull County Educational Service Center, a separate entity.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the district is financially accountable. This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the District over which the District is financially accountable.

B. Fund Accounting

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

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

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

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

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

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES - (continued)

Proprietary Fund Types

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

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

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

Expendable Trust Fund - This fund accounts for resources, including both principal and earnings, which must be expended according to the provision of the trust agreement. An expendable trust fund is accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds.

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

General Long-Term Debt Account Group - This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

C. Measurement Focus/Basis of Accounting

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. Under the basis of accounting:

- 1.) Only current assets and current liabilities are generally included on their balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period.
- 4) Revenue accrued at the end of the year may include book fines, fees, interest and tuition.
- 5) Property taxes measurable as of June 30, 2001 and delinquent property taxes, whose availability is indeterminate, and are not intended to finance fiscal year 2001 operations, have been recorded as deferred revenues.
- 6) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

D. Budget and Budgetary Accounting

All governmental and proprietary fund types are subject to annual expenditure budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the general purpose financial statements:

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20th of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at a board meeting in January.

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -(continued)

- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the July regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund.
- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types and Similiar Fiduciary Fund Types" in accordance with the budget basis of accounting.

The major differences between the budget basis of accounting and GAAP basis are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
- d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budget basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. During fiscal year 2001, investments were limited to a money market account. For the District, all investment earnings accrue to the General Fund, Food Service Fund and Trust Funds. Interest income earned in fiscal year 2001 totaled \$17,957.

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2001. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2001 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

G. Inventories

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

H. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Fixed assets below a threshold of \$500 are not capitalized.

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

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets of eight to twenty years.

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements:

- General Fund
- State Foundation Program
- School Bus Funding

Special Revenue Funds

- Educational Management Information Systems

Non-Reimbursable Grants:

Special Revenue Funds

- DPIA
- Title I
- Title VI
- Title VI B
- Title VI-R
- Professional Development Grant
- Drug Free School Grant
- Miscellaneous State and Federal Grants

Capital Project Funds

- School Net Plus
- Technology Equity
- Emergency School Building Repair Grant

Reimbursable Grants:

General Fund

- Driver Education Reimbursement
- Tutor Reimbursement

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 65% of the District's operating revenue during the 2001 fiscal year.

J. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2001, the District had \$96,389 in Due to Other Funds and \$14,811 in "interfund receivables/payables."

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 2001 the District had no long-term interfund loans.

L. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date 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. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with ten or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee; and 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

M. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

O. Interfund Transactions

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents (an intergovernmental receivable) set aside to establish a budget stabilization reserve, and a textbook reserve. The textbook reserve is required by State statute. Fund balance reserves have also been established.

Q. Fund Balance Reserves

Reserved Fund Balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund Balances are reserved for supplies inventory, budget stabilization, textbook expenditures, and future appropriation. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

R. 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
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Memorandum Only - Total Columns

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

2. BUDGETARY BASIS OF ACCOUNTING

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types and Similar Fiduciary Fund Type				
	Governmental Fund Types				
	General Fund	Special Revenue	Debt Service	Capital Project	Expendable Trust Funds
GAAP Basis	\$ (99,286)	2,207	0	30,703	\$ 0
Increase (Decrease):					
Due to Revenues:					
Net Adjustments to Revenue Accruals	5,978	9,692	0	477	0
Due to Expenditures:					
Net Adjustments to Expenditure	16,078	(8,591)	0	(1)	0
Due to Other Sources/Uses	20,849	13,580	0	(27,928)	0
Budget Basis	\$ (56,381)	16,888	0	3,251	\$ 0

3. ACCOUNTABILITY AND COMPLIANCE

Pursuant to Section 117.11(A) of the Revised Code, the Auditor of State performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate.

4. FUND DEFICITS

Fund Deficits:

Fund balances at June 30, 2001, included the following individual deficits:

General Fund	\$ (289,728)
Emergency Levy Fund	\$ (1,548)
Title I	\$ (1,572)

The fund deficits resulted from adjustments for accrued liabilities and interfund payables. The general fund is liable for any deficits and provides operating transfers when cash is required, not when accruals occur.

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)**

5. CASH AND CASH EQUIVALENTS

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current 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 accounts, including passbook accounts.

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

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

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

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)**

5. CASH AND CASH EQUIVALENTS - (continued)

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

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

Deposits: At year end, the carrying amount of the District's deposits was \$354,617 and the bank balance was \$358,998. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$258,998 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

6. PROPERTY TAX

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Trumbull County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 1999; an update is scheduled for 2002. The next revaluation is scheduled for 2005. 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 usually due February 14, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers may pay annually or semi-annually, the first payment is due April 30, with the remainder payable by September 28.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)**

6. PROPERTY TAXES - (continued)

The Trumbull County Treasurer collects property tax on behalf of the District and the Trumbull County Auditor remits the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year.

The full tax rate at the fiscal year ended June 30, 2001 for operations was \$47.10 per \$1,000 of assessed valuation and \$2.00 per \$1,000 of assessed valuation for permanent improvements. The assessed values of real and tangible personal property on which the fiscal year 2001 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 1,527,860
Real Property-Residential/Agricultural	41,729,190
Personal Property-General	1,117,672
Personal Property-Public Utilities	2,417,520
Total Assessed Value	<u>\$ 46,792,242</u>

7. RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
Property Tax Rollbacks	\$ 277
Special Revenue Funds:	
Title VI	2,593
Title VI-B	8,716
Total	<u>\$ 11,586</u>

8. FIXED ASSETS

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2001:

Furniture and Equipment	\$ 56,913
Less Accumulated Depreciation	<u>(40,558)</u>
Net Fixed Assets	<u>\$ 16,355</u>

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)**

8. FIXED ASSETS - (continued)

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2001:

	General Fixed Assets June 30, 2000	Additions	Deletions	General Fixed Assets June 30, 2001
Land and Improvements	\$ 22,380	0	0	\$ 22,380
Buildings	1,157,871	0	0	1,157,871
Improvements	23,949	0	0	23,949
Furniture and Equipment	1,397,286	116,325	10,189	1,503,422
Vehicles	432,221	0	0	432,221
Total General Fixed Assets	<u>\$ 3,033,707</u>	<u>116,325</u>	<u>10,189</u>	<u>\$ 3,139,843</u>

There was no significant construction in progress at June 30, 2001.

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$74,064, \$67,236 and \$68,850 respectively; 44 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$47,131 representing the unpaid contribution for fiscal year 2001, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)**

9. DEFINED BENEFIT PENSION PLANS - (continued)

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, 6 percent was used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$272,712, \$261,408 and \$240,096, respectively; 83.33 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$45,453 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

10. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the District, this amount equaled \$87,657 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)**

10. POSTEMPLOYMENT BENEFITS (continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$61,944.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

11. COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from the negotiated agreements and State laws. Only personnel who are under a full year contract (260 days) are eligible for vacation time. The Superintendent is granted twenty days of vacation per year.

Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Employees may accrue a maximum of thirty (30) days for carry-over to successive years. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

The classified personnel accumulate vacation based on the following schedule:

Years Service	Vacation Days
1-6	10
7-14	15
15-beyond	20

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 classified employees and for certified employees is 305 days.

Retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the District for a minimum of five 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 seventy-six and one-fourth days. The Superintendent is entitled to severance on all accumulated and unused sick leave without limit per contract.

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)**

12. RISK MANAGEMENT

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$5,000,000 in the aggregate. The District also maintains \$100,000 employee benefit liability coverage.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$9,493,257.

B. Workers' Compensation-Public Entity Risk Pool

The 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 Past President of the Ohio School Boards Association (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.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating 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.

C. Shared Risk Pool

The District participates in the Trumbull County Insurance Consortium. This is a shared risk pool comprised of sixteen Trumbull County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district. The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)**

13. NOTES AND LONG-TERM DEBT

A summary of changes in long-term obligations for the year ended June 30, 2001, are as follows:

	Balance July 1, 2000	Additions	Deletions	Balance June 30,2001
Due to Other Funds	\$ 31,120	34,706	31,120	\$ 34,706
Asbestos Loan Payable	15,845	0	5,000	10,845
Compensated Absences Payable	407,158	517,298	407,158	517,298
	<u>\$ 454,123</u>	<u>552,004</u>	<u>443,278</u>	<u>\$ 562,849</u>

Operating Lease:

The District entered into an operating lease contract for three copiers at a base rate of \$1,205.10 per month. The contract length is 72 months, effective April, 2000.

Asbestos Loan Payable:

The District received an interest free grant and loan for asbestos assistance with the United States Environmental Protection Agency. Under the Asbestos Schools Hazard Abatement Act of 1984, the District received a grant of \$16,979 and a loan of \$68,345 to assist in an asbestos removal project. The repayment schedule for the loan portion is \$2,500 every six months, with the first payment made in 1988 and the final amount due in 2004.

The repayment schedule for the Asbestos Loan as of June 30, 2001, is as follows:

	Payment
FY2002	\$ 5,000
FY2003	5,000
FY2004	845
	<u>\$ 10,845</u>

Debt Limitation:

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District has no unvoted debt, the District's unvoted debt margin is \$46,792. The voted debt margin at June 30, 2001 is \$4,211,302

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)**

14. SEGMENTS OF ENTERPRISE ACTIVITIES

Key financial data for the District's Enterprise Funds for the year ended June 30, 2001, are as follows:

	Lunchroom Fund	Uniform School Supply Fund	Total
Operating Revenues	\$ 113,675	15,207	\$ 128,882
Operating Expenses:			
Depreciation	(1,218)	0	(1,218)
Other Expenses	(80,002)	(16,295)	(96,297)
Total Operating Expenses	<u>(81,220)</u>	<u>(16,295)</u>	<u>(97,515)</u>
Operating Gain (Loss)	32,455	(1,088)	31,367
Non Operating Revenues			
Grants	25,513	0	25,513
Earnings on Investments	2,327	0	2,327
Net Income (Loss)	<u>\$ 60,295</u>	<u>(1,088)</u>	<u>\$ 59,207</u>
Net Working Capital	<u>\$ 113,662</u>	<u>8,672</u>	<u>\$ 122,334</u>
Contributed Capital	<u>\$ 15,884</u>	<u>0</u>	<u>\$ 15,884</u>
Total Assets	<u>\$ 130,896</u>	<u>8,672</u>	<u>\$ 139,568</u>
Total Retained Earnings	<u>\$ 114,130</u>	<u>8,672</u>	<u>\$ 122,802</u>

15. INTERFUND TRANSACTIONS

At June 30, 2001, the District had short-term interfund loans which are classified as "interfund receivables/payables." Receivables and payables resulting from goods provided or services rendered are classified as "due from/to other funds." An analysis of interfund balances is as follows:

Interfund Receivable/Payable:

	Receivables	Payables
General Fund	\$ 14,811	\$ 0
Special Revenue Funds	0	14,811
	<u>\$ 14,811</u>	<u>\$ 14,811</u>

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)**

16. JOINTLY GOVERNED ORGANIZATIONS

NORTH EAST OHIO MANAGEMENT INFORMATION NETWORK (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 support NEOMIN based upon a per pupil charge. The District contributed \$9,888 to NEOMIN for fiscal year 2001.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and two treasurers.

The District was not represented on the Governing Board during fiscal year 2001. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

North East Ohio Special Education Regional Resource Center (NEOSERRC) - NEOSERRC provides special education services at a regional level, as determined by each of the participating local school districts.

The District is a member of NEOSERRC and has a representative on the Governing Board. The District has no ongoing financial interest or financial responsibility to NEOSERRC.

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

NEOIMC is governed by an advisory committee made up of 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. In fiscal year 2001, the District contributed \$923. Financial information may be obtained by contacting the Treasurer of the Trumbull Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

Trumbull Career and Technical Center - The Trumbull Career and Technical Center is a distinct political subdivision of the State of Ohio 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. Financial information may be obtained by contacting the Treasurer of the Trumbull Career and Technical Center, 528 Educational Highway, Warren, Ohio 44483.

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)**

17. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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 District at June 30, 2001.

B. Litigation

The District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2001.

18. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2001, the District has implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. At June 30, 2001 there was no effect on fund balances as a result of implementing GASB 33.

19. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of the date of this report, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(CONTINUED)**

19. STATE SCHOOL FUNDING DECISION - (Continued)

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

20. STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance 7/1/2000	\$ 24,530	\$ 11,381	\$ 19,406	\$ 55,317
Required Set-Aside	27,559	27,559	0	55,118
Offset Credits	0	0	0	0
Qualifying Expenditures	(41,105)	(62,598)	0	(103,703)
Balance 6/30/2001	<u>\$ 10,984</u>	<u>\$ (23,658)</u>	<u>\$ 19,406</u>	<u>\$ 6,732</u>
Cash Balance Carried Forward to FY2001	<u>\$ 10,984</u>	<u>\$ (23,658)</u>	<u>\$ 19,406</u>	<u>\$ 6,732</u>
Amount Restricted	<u>\$ 10,984</u>	<u>\$ 0</u>	<u>\$ 19,406</u>	<u>\$ 30,390</u>



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

Southington Local School District
Trumbull County
4432 ST RT 305 NW
Southington, Ohio 44470

To the Board of Education:

We have audited the financial statements of Southington Local School District, Trumbull County, as of and for the year ended June 30, 2001, and have issued our report thereon dated May 14, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Southington Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances on noncompliance that are required to be reported under *Government Auditing Standards*, however we noted one instance of non-compliance that we have reported to management of Southington Local School District in a separate letter dated May 14, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southington Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Southington Local School District in a separate letter dated May 14, 2002.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

February 15, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
MAY 23, 2002**