



**Auditor of State
Betty Montgomery**

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Southington Local School District
Trumbull County
4432 State Route 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, Ohio (the District), as of and for the year ended June 30, 2002, 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 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, Ohio, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds 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 November 29, 2004, 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 cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 29, 2004

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**Southington Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002**

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals
	Special	Debt	Capital	Enterprise	Trust and	General	General	2002	
	General	Revenue	Service						Project
Assets and Other Debits:								(Memorandum)	
Equity in Pooled Cash and Cash Equivalents	\$0	\$0	\$0	\$0	\$74,282	\$65,220	\$0	\$0	\$139,502
Restricted Assets	30,390	0	0	0	0	0	0	0	30,390
Taxes Receivable	1,095,641	442,127	5,348	62,038	0	0	0	0	1,605,154
Inter-fund Receivable	8,151	20,194	0	28,928	2,705	0	0	0	59,978
Due from Other Funds	0	0	0	0	0	67,983	0	0	67,983
Intergovernmental Receivable	1,800	9,120	0	0	0	0	0	0	10,920
Accounts Receivable	7,687	165	0	0	0	131	0	0	7,983
Supplies Inventory	135	0	0	0	408	0	0	0	543
Inventory for Resale	0	0	0	0	1,541	0	0	0	1,541
Property, Plant & Equipment	0	0	0	0	56,913	0	3,205,756	0	3,262,669
Accumulated Depreciation, where applicable	0	0	0	0	(41,803)	0	0	0	(41,803)
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	543,493	543,493
Total Assets and Other Debits	\$1,143,804	\$471,606	\$5,348	\$90,966	\$94,046	\$133,334	\$3,205,756	\$543,493	\$5,688,353

(Continued)

Southington Local School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2002

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals
	Special	Debt	Capital	Enterprise	Trust and Agency	General Fixed Assets	General Long Term Debt	2002	
	General	Revenue	Service						Project
Liabilities:									
Due to Other Funds	\$62,724	\$715	\$0	\$0	\$4,544	\$0	\$0	\$0	\$67,983
Inter-fund Payable	0	59,978	0	0	0	0	0	0	59,978
Intergovernmental Payable	1,706	81	0	0	0	80,750	0	32,725	115,262
Accounts Payable	278	2,969	0	0	0	440	0	0	3,687
Accrued Salaries and Benefits	326,213	7,826	0	0	0	0	0	0	334,039
Deferred Revenue	1,099,212	443,586	5,364	62,242	0	0	0	0	1,610,404
Due to Others	0	0	0	0	0	22,003	0	0	22,003
Asbestos Loan Payable	0	0	0	0	0	0	0	5,845	5,845
Compensated Absences Payable	37,130	0	0	0	0	0	0	504,923	542,053
Total Liabilities	1,527,263	515,155	5,364	62,242	4,544	103,193	0	543,493	2,761,254
Fund Equity and Other Credits:									
Investment in General Fixed Assets	0	0	0	0	0	0	3,205,756	0	3,205,756
Contributed Capital	0	0	0	0	15,884	0	0	0	15,884
Retained Earnings	0	0	0	0	73,618	0	0	0	73,618
Retained Earnings-Reserved	0	0	0	0	0	23,407	0	0	23,407
Fund Balances:									
Reserved For Inventory	135	0	0	0	0	0	0	0	135
Reserved For Budget Stabilization	19,406	0	0	0	0	0	0	0	19,406
Reserved For Capital Maintenance	1,311	0	0	0	0	0	0	0	1,311
Reserved For School Bus Purchase	9,673	0	0	0	0	0	0	0	9,673
Reserved for Encumbrances	0	4,326							
Reserved for Future Appropriation	3,571	1,459	16	204	0	0	0	0	5,250
Unreserved Fund Balance	(417,555)	(49,334)	(32)	28,520	0	6,734	0	0	(431,667)
Total Fund Equity	(383,459)	(43,549)	(16)	28,724	0	6,734	0	0	(391,566)
Total Fund Balances/Retained Earnings and Other Credits	(383,459)	(43,549)	(16)	28,724	89,502	30,141	3,205,756	0	2,927,099
Total Liabilities, Fund Equity, and Other Credits	\$1,143,804	\$471,606	\$5,348	\$90,966	\$94,046	\$133,334	\$3,205,756	\$543,493	\$5,688,353

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, 2002

	General	Governmental Special Revenue	Fund Types Debt Service	Capital Project	Fiduciary Fund Types Expendable Trust	Totals (Memorandum) (Only)
REVENUES:						
Taxes	\$925,077	\$410,002	\$4,984	\$56,522	\$0	\$1,396,585
Tuition	1,403	0	0	0	0	1,403
Transportation Fees	10,455	0	0	0	0	10,455
Earnings on Investments	5,455	0	0	0	0	5,455
Extracurricular Activities	0	112,662	0	0	0	112,662
Classroom Materials & Fees	340	0	0	0	0	340
Miscellaneous	38,944	10,477	0	0	7,964	57,385
Revenue from Intermediate Sources						
Restricted Grants-in-Aid	0	500	0	0	0	500
Revenue from State Sources						
Unrestricted Grants-in-Aid	2,502,480	82,309	0	7,116	0	2,591,905
Restricted Grants-in-Aid	130,804	19,736	0	16,720	0	167,260
Revenue from Federal Sources						
Restricted Grants-in-Aid	0	48,596	0	0	0	48,596
Total Revenue	3,614,958	684,282	4,984	80,358	7,964	4,392,546
EXPENDITURES:						
Current:						
Instruction						
Regular	1,865,202	291,132	0	0	0	2,156,334
Special	83,679	123,607	0	0	0	207,286
Other Instruction	7,447	0	0	0	0	7,447
Supporting Services						
Pupils	494,967	0	0	0	0	494,967
Instructional Staff	57,839	0	0	0	0	57,839
Board of Education	15,558	0	0	0	0	15,558
Administration	335,550	1,438	0	0	0	336,988
Fiscal Services	153,491	8,468	0	1,103	0	163,062
Business	18,235	0	0	0	0	18,235
Operation & Maintenance-Plant	270,395	91,540	0	74,574	0	436,509
Pupil Transportation	239,966	81,763	0	0	0	321,729
Central	0	9,980	0	25,500	0	35,480
Food Service	87,833	0	0	0	0	87,833
Community Services	0	685	0	0	6,320	7,005
Extracurricular Activities						
Academic & Subject Oriented	6,238	315	0	0	0	6,553
Sports Oriented	72,569	98,076	0	0	0	170,645
Co-Curricular Activities	454	40,668	0	0	0	41,122
Debt Service						
Repayment of Debt	0	0	5,000	0	0	5,000
Total Expenditures	3,709,423	747,672	5,000	101,177	6,320	4,569,592
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	(94,465)	(63,390)	(16)	(20,819)	1,644	(177,046)
Other Financing Sources and Uses:						
Sale & Loss of Assets	901	0	0	0	0	901
Total Other Financing Sources and Uses	901	0	0	0	0	901
Excess (Deficiency) of Revenues						
and Other Sources Over Expenditure						
Disbursement and Other Uses	(93,564)	(63,390)	(16)	(20,819)	1,644	(176,145)
Decrease in Inventory	(167)	0	0	0	0	(167)
Beginning Fund Balance	(289,728)	19,841	0	49,543	258	(220,086)
Ending Fund Balance	\$(383,459)	\$(43,549)	\$(16)	\$28,724	\$1,902	\$(396,398)

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, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$925,197	\$925,197	\$0	\$409,913	\$409,913	\$0
Tuition	3,711	3,711	0	0	0	0
Transportation Fees	10,509	10,509	0	0	0	0
Earnings on Investment	6,282	6,282	0	0	0	0
Extracurricular Activities	0	0	0	113,488	113,488	0
Classroom Materials and Fees	340	340	0	0	0	0
Miscellaneous	13,868	13,868	0	10,460	10,460	0
Intermediate Restricted Grants-in-Aid	0	0	0	500	500	0
State Unrestricted Grants-in-Aid	2,502,757	2,502,757	0	82,309	82,309	0
State Restricted Grants-in-Aid	129,004	129,004	0	19,736	19,736	0
Federal Restricted Grants-in-Aid	0	0	0	133,407	50,785	(82,622)
Total Revenue	3,591,668	3,591,668	0	769,813	687,191	(82,622)
Expenditures:						
Regular Instruction	1,871,456	1,841,035	30,421	301,992	295,333	6,659
Special Instruction	90,553	82,748	7,805	101,707	122,818	(21,111)
Other Instruction	8,500	7,447	1,053	0	0	0
Support Services-Pupils	455,741	494,342	(38,601)	0	0	0
Support Services-Instructional Staff	59,252	57,430	1,822	0	0	0
Support Services-Board of Education	19,961	15,330	4,631	0	0	0
Support Services-Administration	359,124	337,185	21,939	6,000	1,438	4,562
Fiscal Services	137,619	151,386	(13,767)	7,331	8,468	(1,137)
Support Services-Business	11,800	18,235	(6,435)	0	0	0
Operation & Maintenance-Plant	289,359	269,018	20,341	143,635	91,540	52,095
Support Services-Transportation	239,169	237,573	1,596	39,023	80,091	(41,068)
Support Services-Central	0	0	0	9,980	9,980	0
Food Services Operations	177,244	90,728	86,516	0	0	0
Community Services	0	0	0	685	685	0
Academic & Subject Oriented	6,350	6,311	39	315	315	0
Sports Oriented	75,050	72,279	2,771	70,405	96,908	(26,503)
Co-Curricular Activities	350	454	(104)	40,668	40,668	0
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	3,801,528	3,681,501	120,027	721,741	748,244	(26,503)
Excess of Revenue Over (Under) Expenditures	(209,860)	(89,833)	120,027	48,072	(61,053)	(109,125)
Other Financing Sources (Uses):						
Sale and Loss of Assets	1,801	1,801	0	0	0	0
Advances-In	14,811	14,811	0	0	0	0
Transfers-In	118,000	0	(118,000)	0	0	0
Refund of Prior Year Expenditures	19,399	19,399	0	0	0	0
Advances-Out	0	0	0	(14,811)	(14,811)	0
Total Other Sources (Uses)	154,011	36,011	(118,000)	(14,811)	(14,811)	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(55,849)	(53,822)	2,027	33,261	(75,864)	(109,125)
Beginning Fund Balance	92,363	92,363	--	31,751	31,751	--
Prior Year Carry Over Encumbrances	0	0	--	0	0	--
Ending Fund Balance	\$36,514	\$38,541	\$2,027	\$65,012	\$(44,113)	\$(109,125)

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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, 2002

	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	\$56,496	\$56,496	\$0
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
Intermediate Restricted Grants-in-Aid	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	0	0	0	7,116	7,116	0
State Restricted Grants-in-Aid	0	0	0	16,720	16,720	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	5,000	5,000	0	80,332	80,332	0
Expenditures:						
Regular Instruction	0	0	0	0	0	0
Special 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	925	1,103	(178)
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	85,075	74,574	10,501
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	25,500	25,500	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	111,500	101,177	10,323
Excess of Revenue Over (Under) Expenditures	0	0	0	(31,168)	(20,845)	10,323
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	0	0	0
Refund of Prior Year Expenditures	0	0	0	0	0	0
Advances-Out	0	0	0	0	0	0
Total Other Sources (Uses)	0	0	0	0	0	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	(31,168)	(20,845)	10,323
Beginning Fund Balance	0	0	--	49,772	49,772	--
Prior Year Carry Over Encumbrances	0	0	--	0	0	--
Ending Fund Balance	\$0	\$0	\$0	\$18,604	\$28,927	\$10,323

(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, 2002

	Expendable Trust Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$0	\$0	\$0	\$1,396,606	\$1,396,606	\$0
Tuition	0	0	0	3,711	3,711	0
Transportation Fees	0	0	0	10,509	10,509	0
Earnings on Investment	0	0	0	6,282	6,282	0
Extracurricular Activities	0	0	0	113,488	113,488	0
Classroom Materials and Fees	0	0	0	340	340	0
Miscellaneous	7,964	7,964	0	32,292	32,292	0
Intermediate Restricted Grants-in-Aid	0	0	0	500	500	0
State Unrestricted Grants-in-Aid	0	0	0	2,592,182	2,592,182	0
State Restricted Grants-in-Aid	0	0	0	165,460	165,460	0
Federal Restricted Grants-in-Aid	0	0	0	133,407	50,785	(82,622)
Total Revenue	7,964	7,964	0	4,454,777	4,372,155	(82,622)
Expenditures:						
Regular Instruction	0	0	0	2,173,448	2,136,368	37,080
Special Instruction	0	0	0	192,260	205,566	(13,306)
Other Instruction	0	0	0	8,500	7,447	1,053
Support Services-Pupils	0	0	0	455,741	494,342	(38,601)
Support Services-Instructional Staff	0	0	0	59,252	57,430	1,822
Support Services-Board of Education	0	0	0	19,961	15,330	4,631
Support Services-Administration	0	0	0	365,124	338,623	26,501
Fiscal Services	500	0	500	146,375	160,957	(14,582)
Support Services-Business	0	0	0	11,800	18,235	(6,435)
Operation & Maintenance-Plant	0	0	0	518,069	435,132	82,937
Support Services-Transportation	0	0	0	278,192	317,664	(39,472)
Support Services-Central	0	0	0	35,480	35,480	0
Food Services Operations	0	0	0	177,244	90,728	86,516
Community Services	6,500	6,320	180	7,185	7,005	180
Academic & Subject Oriented	0	0	0	6,665	6,626	39
Sports Oriented	0	0	0	145,455	169,187	(23,732)
Co-Curricular Activities	0	0	0	41,018	41,122	(104)
Repayment of Debt	0	0	0	5,000	5,000	0
Total Expenditures	7,000	6,320	680	4,646,769	4,542,242	104,527
Excess of Revenue Over (Under) Expenditures	964	1,644	680	(191,992)	(170,087)	21,905
Other Financing Sources (Uses):						
Sale and Loss of Assets	0	0	0	1,801	1,801	0
Advance-In	0	0	0	14,811	14,811	0
Transfer-In	0	0	0	118,000	0	(118,000)
Refund of Prior Year Expenditures	0	0	0	19,399	19,399	0
Advances-Out	0	0	0	(14,811)	(14,811)	0
Total Other Sources (Uses)	0	0	0	139,200	21,200	(118,000)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	964	1,644	680	(52,792)	(148,887)	(96,095)
Beginning Fund Balance	258	258	--	174,144	174,144	--
Prior Year Carry Over Encumbrances	0	0	--	0	0	--
Ending Fund Balance	\$1,222	\$1,902	\$680	\$121,352	\$25,257	\$(96,095)

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, 2002

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum (Only))
	Enterprise Funds	Non- Expendable Trust Funds	
Operating Revenues:			
Food Service	\$110,751	\$0	\$110,751
Classroom Materials & Fees	17,400	0	17,400
Total Operating Revenue	128,151	0	128,151
Operating Expenses:			
Personal Services - Salary	97,885	0	97,885
Employee Benefits	5,408	0	5,408
Purchased Services	9,256	3,567	12,823
Supplies and Materials	97,468	684	98,152
Other Expenses	0	2,490	2,490
Depreciation	1,245	0	1,245
Total Operating Expenses	211,262	6,741	218,003
Operating Income (Loss)	(83,111)	(6,741)	(89,852)
Non-Operating Revenues:			
Miscellaneous	0	3,032	3,032
Earnings on Investment	2,439	1,468	3,907
State Unrestricted Grants-In-Aid	685	0	685
Federal Unrestricted Grants-In-Aid	24,755	0	24,755
Federal Restricted Grants-In-Aid	6,048	0	6,048
Total Non-Operating Revenues	33,927	4,500	38,427
<hr/>			
Net Loss	(49,184)	(2,241)	(51,425)
Beginning Retained Earnings	122,802	30,480	153,282
Retained Earnings at End of Year	\$73,618	\$28,239	\$101,857

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, 2002

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum (Only))
	Enterprise Funds	Non- Expendable Trust Funds	
Cash Flows from Operating Activities			
Operating Income (Loss)	\$(83,111)	\$(6,741)	\$(89,852)
Adjustment to Reconcile Operating Loss To Net Cash used in Operating Activities:			
Depreciation	1,245	0	1,245
Net (Increase) Decrease in Assets:			
Inter-fund receivable	(2,705)	0	(2,705)
Accounts Receivable	694	0	694
Inventory	(462)	0	(462)
Net Increases (Decreases) in Liabilities:			
Due to Other Funds	4,422	0	4,422
Deferred Revenue	(760)	0	(760)
Total Adjustments	2,434	0	2,434
Net Cash Used in Operating Activities	(80,677)	(6,741)	(87,418)
Cash Flows from Noncapital Activities:			
Earnings on Investments	2,439	1,468	3,907
Grants from State Sources	685	0	685
Grants from Federal Sources	24,755	0	24,755
Federal Commodities	6,048	0	6,048
Miscellaneous	0	3,032	3,032
Net Cash Provided by Noncapital Financing Sources	33,927	4,500	38,427
Net Increase in Cash & Cash Equivalents	(46,750)	(2,241)	(48,991)
Cash and Cash Equivalents at Beginning of Year	121,032	30,480	151,512
Cash and Cash Equivalents at End of Year	\$74,282	\$28,239	\$102,521

See Accompanying Notes to the General Purpose Financial Statements

SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

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, 2001, was 631. The District employed 7 administrative and supervisory personnel, 37 certified employees and 22 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, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (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.

SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

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).

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.

SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

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.

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2002, but which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as advances on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2002 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting (Continued)

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred, with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost such as depreciation and amortization, are not recognized in governmental funds.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities at fiscal year-end are reported as non-operating revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

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.
- 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.

SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget and Budgetary Accounting (Continued)

- 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" 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 payments are made (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, 2002

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 2002, investments were limited to a money market account which is reported at cost. All investment earnings accrue to the General Fund, Food Service Fund and Trust Funds. Interest income earned in fiscal year 2002 totaled \$9,362.

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, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Inter-fund Balances

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 inter-fund loans are classified as "inter-fund receivables/payables. At June 30, 2002, the District had \$67,983 in Due to/from Other Funds and \$ 59,978 in Inter-fund Receivables/Payables.

J. Advances to Other Funds

Non-current portions of long-term inter-fund 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, 2002, the District had no long-term inter-fund loans.

K. 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.

SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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 expended 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. At June 30, 2002, the District had \$15,884 in contributed capital.

M. 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.

N. Inter-fund 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 inter-fund 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 inter-fund transfers are reported as operating transfers.

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve, capital maintenance reserve, and school bus purchase reserve. The capital maintenance reserve is required by State statute.

P. 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, capital maintenance, school bus purchase, encumbrances, 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

SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Q. 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.

R. 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	\$(93,564)	(63,390)	(16)	(20,819)	\$1,644
Increase (Decrease):					
Due to Revenues:					
Net Adjustments to Revenue Accruals	1,844	2,909	16	(26)	0
Due to Expenditures:					
Net Adjustments to Expenditure Accruals	27,922	(572)	0	0	0
Due to Other Sources/Uses	9,976	(14,811)	0	0	0
Budget Basis	\$(53,822)	(75,864)	0	(20,845)	\$1,644

SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

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.

A. Deficit Fund Balances

Fund balances at June 30, 2002, included the following individual deficits:

General Fund	\$ (383,459)
Emergency Levy Fund	\$ (3,130)
Athletic Fund	\$ (19,965)
Title I Fund	\$ (47,394)
Title II Fund	\$ (313)
Title I Fund	\$ (1,572)
Title IV Fund	\$ (1,974)
Debt Service Fund	\$ (16)

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

B. Deficit Cash Balances

Contrary to **Ohio Rev. Code Section 5705.10**, the District had deficit cash balances in the following funds:

Athletic Fund	\$ (18,911)
Title II Eisenhower Fund	(313)
Title I Fund	(38,780)
Drug Free School Fund	(1,974)

4. 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

SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

4. CASH AND CASH EQUIVALENTS (Continued)

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, 2002

4. 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 (\$169,893) and the bank balance was \$240,307. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$140,307 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.

5. 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 2002; an update is scheduled for 2005. The next revaluation is scheduled for 2008. 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.

SOUTHINGTON LOCAL SCHOOL DISTRICT
 TRUMBULL COUNTY
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2002

5. PROPERTY TAX (Continued)

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.

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, 2002, 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 2002 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$1,541,480
Real Property-Residential/Agricultural	42,798,900
Personal Property-General	1,304,492
Personal Property-Public Utilities	1,883,190
Total Assessed Value	\$47,528,062

6. RECEIVABLES

Receivables at June 30, 2002 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:	
Bus Reimbursement	\$1,800
Special Revenue Funds:	
E-Rate Fund	9,120
Total	\$10,920

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

7. FIXED ASSETS

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2002:

Furniture and Equipment	\$56,913
Less Accumulated Depreciation	<u>(41,803)</u>
Net Fixed Assets	<u><u>\$15,110</u></u>

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2002:

	General Fixed Assets June 30, 2001	Additions	Deletions	General Fixed Assets June 30, 2002
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	1,503,422	36,168	40,432	1,499,158
Vehicles	432,221	103,888	33,711	502,398
Total General Fixed Assets	<u><u>\$3,139,843</u></u>	<u><u>140,056</u></u>	<u><u>74,143</u></u>	<u><u>\$3,205,756</u></u>

There was no significant construction in progress at June 30, 2002.

8. 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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 2002, 5.46 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, up to statutory maximum amount, by the SERS' Retirement Board.

SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

8. DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$75,360, \$74,064 and \$67,236; 43.9 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$48,054 representing the unpaid contribution for fiscal year 2002, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

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.

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% 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

For the fiscal year ended June 30, 2002, 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. 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, 2002, 2001, and 2000 were \$280,776, \$272,712 and \$261,408, respectively; 83.33 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$46,795 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

9. 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, 2002, 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 2002. For the District, this amount equaled \$90,249 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 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.

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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent for fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal

SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

9. POSTEMPLOYMENT BENEFITS (Continued)

to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit.

For fiscal year 2002, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2002 fiscal year equaled \$56,343.

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, 2002, were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

10. 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, 2002

11. 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.

SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

11. RISK MANAGEMENT (Continued)

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.

12. NOTES AND LONG-TERM DEBT

A summary of changes in long-term obligations for the year ended June 30, 2002, are as follows:

	Balance			Balance
	July 1, 2001	Additions	Deletions	June 30,2002
Intergovernmental Payable	\$34,706	32,725	34,706	\$32,725
Asbestos Loan Payable	10,845	0	5,000	5,845
Compensated Absences Payable	517,298	504,923	517,298	504,923
	<u>\$562,849</u>	<u>537,648</u>	<u>557,004</u>	<u>\$543,493</u>

Operating Leases:

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.

SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

12. NOTES AND LONG-TERM DEBT (Continued)

The repayment schedule for the Asbestos Loan as of June 30, 2002, is as follows:

	Payment
FY2003	\$5,000
FY2004	845
	\$5,845

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 \$47,528. The voted debt margin at June 30, 2002 is \$4,277,526.

13. SEGMENTS OF ENTERPRISE ACTIVITIES

Key financial data for the District's Enterprise Funds for the year ended June 30, 2002, are as follows:

	Lunchroom Fund	Uniform School Supply Fund	Total
Operating Revenues	\$110,751	17,400	\$128,151
Operating Expenses:			
Depreciation	(1,245)	0	(1,245)
Other Expenses	(187,367)	(22,650)	(210,017)
Total Operating Expenses	(188,612)	(22,650)	(211,262)
Operating Gain (Loss)	(77,861)	(5,250)	(83,111)
Non Operating Revenues:			
Grants	31,488	0	31,488
Earnings on Investments	2,439	0	2,439
Net Income (Loss)	\$(43,934)	(5,250)	\$(49,184)
Net Working Capital	\$70,972	3,421	\$74,393
Contributed Capital	\$15,884	0	\$15,884
Total Assets	\$90,625	3,421	\$94,046
Total Retained Earnings	\$70,197	3,421	\$73,618

SOUTHINGTON LOCAL SCHOOL DISTRICT
 TRUMBULL COUNTY
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2002

14. INTER-FUND TRANSACTIONS

At June 30, 2002, the District had receivables and payables resulting from goods provided or services rendered. These are classified as "due from/to other funds." An analysis of those transactions follows:

	Due From	Due To
General Fund	\$0	\$62,724
Special Revenue Funds	0	715
Enterprise Funds	0	4,544
Agency Funds	67,983	0
	<u>\$67,983</u>	<u>\$67,983</u>

At June 30, 2002, the District had the following short-term inter-fund loans classified as "inter-fund receivables/payables":

	Receivable	Payable
General Fund	\$8,151	\$0
Special Revenue Funds	20,194	59,978
Capital Project Funds	28,928	0
Enterprise Funds	2,705	0
	<u>\$59,978</u>	<u>\$59,978</u>

SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

15. 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 \$9,840 to NEOMIN for fiscal year 2002.

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 2002. 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. 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, 2002

16. 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, 2002.

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, 2002.

17. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient....

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

18. STATUTORY RESERVES

The District is required by State statute annually to set aside in the general fund an amount based on the 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 year-end 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.

Effective April 10, 2001, the District is no longer required to maintain a budget stabilization reserve. However, restrictions have been placed on the disposition of any balances remaining in the previously required budget reserve.

The following cash basis information describes the change in the year-end set aside amounts for textbooks, capital maintenance and budget stabilization. Disclosure of this information is required by State statute. The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts for capital maintenance below zero. The excess set aside may be carried forward to offset future years' capital maintenance set-aside requirements. revenue amounts, as defined, into various reserves.

SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

18. STATUTORY RESERVES (Continued)

During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance 7/1/2001	\$ 10,984	\$ 0	\$ 19,406	\$ 30,390
Required Set-Aside	75,458	75,458	0	150,916
Offset Credits	0	0	0	0
Qualifying Expenditures	(86,442)	(74,147)	0	(160,589)
Balance 6/30/2002	<u>\$ 0</u>	<u>\$ 1,311</u>	<u>\$ 19,406</u>	<u>\$ 20,717</u>
Cash Balance Carried Forward to FY2003	<u>\$ 0</u>	<u>\$ 1,311</u>	<u>\$ 19,406</u>	<u>\$ 20,717</u>
Amount Restricted	<u>\$ 0</u>	<u>\$1,311</u>	<u>\$ 19,406</u>	<u>\$ 20,717</u>

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited the financial statements of the Southington Local School District, Trumbull County, Ohio (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated November 29, 2004. 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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could 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 such an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-001. We also noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated November 29, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 a material weakness. 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 considered to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the District's management in a separate letter dated November 29, 2004.

Southington Local School District
Trumbull County
Independent Accountants' 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 29, 2004

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2002**

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

FINDING NUMBER 2002-001

NONCOMPLIANCE CITATION

Deficit Fund Balances

Ohio Rev. Code Section 5705.10 requires money that is paid into a fund must be used only for the purposes for which the fund has been established. A negative fund balance indicates that money from another fund was made available to pay the expenditures of the fund with the negative balance. As of June 30, 2002, the following funds of the District had deficit balances:

<u>Fund (Fund Number)</u>	<u>Amount</u>
Athletic (300)	\$ 18,911
Title II (514)	313
Title I (572)	38,780
Drug Free Schools (584)	1,974

We recommend the District implement controls to prohibit any expenditures be made from a fund without an available cash fund balance.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

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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
DECEMBER 28, 2004**