



Mary Taylor, CPA
Auditor of State

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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Mary Taylor, CPA

Auditor of State

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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southington Local School District, Trumbull County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Southington Local School District, Trumbull County, Ohio as of June 30, 2007, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January, 23, 2008, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

January 23, 2008

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The discussion and analysis of Southington Local School District's financial performance is presented by the School District's management and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2007 include:

- The School District's total net assets increased by \$15,237,099 from \$1,797,090 to \$17,034,189 during this fiscal year's operations.
- Total revenues of \$20,674,680 were comprised of general revenues in the amount of \$19,655,959 or 95.1 percent and program specific revenues from charges for services, grants and contributions in the amount of \$1,018,721 or 4.9 percent.
- Program expenses totaled \$5,437,581. Instructional expenses made up 54.5 percent of this total while support services accounted for 38.4 percent. Other expenses rounded out the remaining 7.1 percent.
- There was an increase of \$40,758 in the general fund balance from fiscal year end 2006.

Using this Annual Financial Report

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the Southington Local School District, the general fund and the Ohio School Facilities Commission capital projects fund are the most significant funds.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

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

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

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

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

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

Reporting the School District's Most Significant Funds

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

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

The School District as a Whole

You may recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Assets for 2007 compared to 2006:

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

(Table 1)
Net Assets

	Governmental Activities		
	2007	2006	Change
Assets			
Current and Other Assets	\$18,719,795	\$3,450,869	\$15,268,926
Capital Assets, Net	935,413	840,440	94,973
<i>Total Assets</i>	<u>19,655,208</u>	<u>4,291,309</u>	<u>15,363,899</u>
Liabilities			
Current and Other Liabilities	2,279,068	2,140,433	138,635
Long Term Liabilities:			
Due Within One Year	36,980	32,182	4,798
Due in More than One Year	304,971	321,604	(16,633)
<i>Total Liabilities</i>	<u>2,621,019</u>	<u>2,494,219</u>	<u>126,800</u>
Net Assets			
Invested in Capital Assets	935,413	840,440	94,973
Restricted:			
Capital Projects	15,206,061	157,605	15,048,456
Set-Asides	426,129	409,206	16,923
Other Purposes	177,754	145,196	32,558
Unrestricted	288,832	244,643	44,189
<i>Total Net Assets</i>	<u>\$17,034,189</u>	<u>\$1,797,090</u>	<u>\$15,237,099</u>

Total assets increased by \$15,363,899. Capital assets net of depreciation increased by \$94,973 due to the School District purchasing property, a bus, and various other items, which was partially offset by the annual depreciation. Current and other assets increased by \$15,268,926 due to the School District entering into an agreement with the Ohio School Facilities Commission (OSFC). The OSFC is providing funds for the construction of a new school building for the School District.

Current liabilities in governmental activities increased by \$138,635. Long-term liabilities decreased by \$11,835 due to a small decrease in compensated absences.

Table 2 highlights the School District's revenues and expenses. These two main components are subtracted to yield the change in net assets. Total revenues exceeded total expenses by \$15,237,099 which is reflected in net assets at the end of the year.

Southington Local School District
Management's Discussion and Analysis
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(Table 2)
Change in Net Assets - Governmental Funds

	2007	2006	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$644,696	\$635,069	\$9,627
Operating Grants and Contributions	368,582	387,469	(18,887)
Capital Grants and Contributions	5,443	10,448	(5,005)
<i>Total Program Revenues</i>	<u>1,018,721</u>	<u>1,032,986</u>	<u>(14,265)</u>
General Revenues:			
Property Taxes	1,666,966	1,642,948	24,018
Grants and Entitlements not Restricted to Specific Programs	17,831,700	2,770,224	15,061,476
Investment Earnings	77,737	54,275	23,462
Miscellaneous	79,556	62,382	17,174
<i>Total General Revenues</i>	<u>19,655,959</u>	<u>4,529,829</u>	<u>15,126,130</u>
<i>Total Revenues</i>	<u>20,674,680</u>	<u>5,562,815</u>	<u>15,111,865</u>
Program Expenses			
Instruction:			
Regular	2,770,175	2,374,526	395,649
Special	191,791	412,408	(220,617)
Support Services:			
Pupil	410,167	397,766	12,401
Instructional Staff	137,966	119,286	18,680
Board of Education	68,173	71,574	(3,401)
Administration	380,589	276,705	103,884
Fiscal	205,387	176,435	28,952
Business	20,127	26,829	(6,702)
Operation and Maintenance of Plant	480,987	410,242	70,745
Pupil Transportation	374,505	292,853	81,652
Central	11,603	11,345	258
Operation of Non-Instructional Services	175,458	155,627	19,831
Extracurricular Activities	210,653	212,833	(2,180)
<i>Total Expenses</i>	<u>5,437,581</u>	<u>4,938,429</u>	<u>499,152</u>
Increase in Net Assets	15,237,099	624,386	14,612,713
<i>Net Assets Beginning of Year</i>	<u>1,797,090</u>	<u>1,172,704</u>	<u>624,386</u>
<i>Net Assets End of Year</i>	<u>\$17,034,189</u>	<u>\$1,797,090</u>	<u>\$15,237,099</u>

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REVENUES

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

The main sources of revenue for the School District are the State of Ohio foundation payment, grants, the local share in the form of property taxes, fees charged to students for special programs and tuition received from other school districts to educate their students through open enrollment. Intergovernmental revenue provided 86 percent of the revenue received by the School District during fiscal year 2007. The large increase in this area for fiscal year 2007 is due to the monies to be received from the Ohio School Facilities Commission. Property taxes revenue accounted for 8 percent of total revenue.

EXPENSES

The School District was responsible for providing educational services for 688 eligible community members. Regular education expenses encompassed 94 percent of all instructional expenses. Special instruction costs equaled 6 percent of total instructional expenses.

Total expenses are made up by two main areas, instructional and support services. Support Services is then broken down into many subsections. Instructional costs made up 54.5 percent of all expenses. Support services were 38.4 percent of expenses and provide services such as busing, building and grounds maintenance, administration, board of education, fiscal and other. Operation of non-instructional services (which includes food service) and extracurricular accounted for 7.1 percent of the expenses. These two programs generate revenue through sales and fees.

Governmental Activities

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

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

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. In table 3, the total cost of services column contains all costs related to the programs and the net cost of services column shows how much of the total amount is not covered by program revenues for 2007 and 2006. The net costs are program costs that must be covered by unrestricted State aid (State Foundation) or local taxes.

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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(Table 3)
Total and Net Cost of Program Services
Governmental Activities

	2007		2006	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$2,961,966	\$2,246,328	\$2,786,934	\$2,298,021
Support Services:				
Pupil and Instructional Staff	548,133	525,887	517,052	428,386
Board of Education, Administration, Fiscal Services, Business and Central	685,879	669,579	562,888	473,378
Operation and Maintenance of Plant	480,987	480,987	410,242	376,105
Pupil Transportation	374,505	369,062	292,853	257,370
Operation of Non-Instructional Services	175,458	(431)	155,627	(11,022)
Extracurricular Activities	210,653	127,448	212,833	83,205
<i>Total Expenses</i>	<u>\$5,437,581</u>	<u>\$4,418,860</u>	<u>\$4,938,429</u>	<u>\$3,905,443</u>

The difference in these two columns for fiscal year 2007 of \$1,018,721 would represent restricted grants, fees, and donations. The dependence upon general tax revenues for governmental activities is apparent. Over 80 percent of total expenses are supported through taxes and other general revenue.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$6,193,033 and expenditures of \$5,546,919.

The net change in fund balance for the year was most significant in the OSFC fund. In fiscal year 2007, the net change in fund balance in the OSFC fund was an increase of \$579,054 due to funds received to begin the construction of new school facilities. The general fund had an increase in fund balance of \$40,758; other governmental funds show an increase in fund balance of \$28,832.

General Fund Budgeting Highlights

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

During the course of fiscal 2007, the School District amended its general fund budget several times. Many of the amendments are due to changes in expenditure priorities. For the general fund, the actual revenue was \$4,915,257 representing a \$25,070 increase from the final budget estimates of \$4,890,187. Most of this difference was due to increased property tax, intergovernmental, interest and tuition and fees

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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revenue. The School District's general fund balance at fiscal year end was \$1,338,586 reflecting additional funds budgeted but not expended or encumbered.

The School District revises its budget throughout the fiscal year. During fiscal year 2007, the significant change in expenditures was in the area of regular instruction due to higher than anticipated expenditures. The School District controls the budget at the fund, function and object level.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007 the School District had \$935,413 invested in land, land improvements buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2007 balances compared to fiscal year 2006. More detailed information is presented in Note 7 of the notes to the basic financial statements.

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

	Governmental Activities	
	2007	2006
Land	\$47,980	\$22,380
Buildings and Improvements	486,058	485,448
Furniture and Equipment	118,030	111,633
Vehicles	283,345	220,979
Totals	\$935,413	\$840,440

All capital assets, except land are reported net of depreciation. The net increase in capital assets during the fiscal year resulted due to the purchase of a bus, property and other items, partially offset by depreciation of \$64,468.

Debt

At June 30, 2007 the School District had no bonds outstanding. The School District's only outstanding long-term obligation is Compensated Absences of \$341,951. Please see Note 12 of the notes to the basic financial statements for more information about the School District's long-term obligations.

Challenges and Opportunities for the Future

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

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

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

Contacting the School District's Financial Management

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

Southington Local School District

Statement of Net Assets

June 30, 2007

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,370,963
Accrued Interest Receivable	178
Intergovernmental Receivable	14,481,385
Property Taxes Receivable	1,867,269
Nondepreciable Capital Assets	47,980
Depreciable Capital Assets, Net	887,433
<i>Total Assets</i>	<u>19,655,208</u>
Liabilities	
Accounts Payable	8,340
Accrued Wages and Benefits	333,609
Intergovernmental Payable	208,755
Matured Compensated Absences Payable	36,980
Deferred Revenue	1,691,384
Long-Term Liabilities:	
Due Within One Year	36,980
Due In More Than One Year	304,971
<i>Total Liabilities</i>	<u>2,621,019</u>
Net Assets	
Invested in Capital Assets	935,413
Restricted for:	
Capital Projects	15,206,061
Set Asides	426,129
Other Purposes	177,754
Unrestricted	288,832
<i>Total Net Assets</i>	<u><u>\$17,034,189</u></u>

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
Governmental Activities					
Instruction:					
Regular	\$2,770,175	\$435,518	\$269,365	\$0	(\$2,065,292)
Special	191,791	0	10,755	0	(181,036)
Support Services:					
Pupil	410,167	0	18,685	0	(391,482)
Instructional Staff	137,966	0	3,561	0	(134,405)
Board of Education	68,173	0	0	0	(68,173)
Administration	380,589	0	0	0	(380,589)
Fiscal	205,387	0	5,000	0	(200,387)
Business	20,127	0	0	0	(20,127)
Operation and Maintenance of Plant	480,987	0	0	0	(480,987)
Pupil Transportation	374,505	0	0	5,443	(369,062)
Central	11,603	0	11,300	0	(303)
Operation of Non-Instructional Services	175,458	125,973	49,916	0	431
Extracurricular Activities	210,653	83,205	0	0	(127,448)
Totals	\$5,437,581	\$644,696	\$368,582	\$5,443	(4,418,860)
General Revenues					
Property Taxes Levied for:					
					1,606,541
					60,425
					17,831,700
					77,737
					79,556
					<u>19,655,959</u>
					15,237,099
					<u>1,797,090</u>
					<u>\$17,034,189</u>

See accompanying notes to the basic financial statements

Southington Local School District

*Balance Sheet
Governmental Funds
June 30, 2007*

	<u>General</u>	<u>Ohio School Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,002,815	\$579,054	\$357,522	\$1,939,391
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	431,572	0	0	431,572
Accrued Interest Receivable	178	0	0	178
Intergovernmental Receivable	0	14,457,228	24,157	14,481,385
Property Taxes Receivable	1,799,344	0	67,925	1,867,269
<i>Total Assets</i>	<u>\$3,233,909</u>	<u>\$15,036,282</u>	<u>\$449,604</u>	<u>\$18,719,795</u>
Liabilities				
Accounts Payable	\$8,053	\$0	\$287	\$8,340
Accrued Wages and Benefits	304,108	0	29,501	333,609
Matured Compensated Absences Payable	36,980	0	0	36,980
Intergovernmental Payable	199,306	0	9,449	208,755
Deferred Revenue	1,795,428	14,457,228	91,922	16,344,578
<i>Total Liabilities</i>	<u>2,343,875</u>	<u>14,457,228</u>	<u>131,159</u>	<u>16,932,262</u>
Fund Balances				
Reserved for Encumbrances	82,324	19,000	8,176	109,500
Reserved for Textbooks	201,274	0	0	201,274
Reserved for Property Taxes	3,916	0	160	4,076
Reserved for Budget Stabilization	19,406	0	0	19,406
Reserved for Bus Purchases	5,443	0	0	5,443
Reserved for Capital Improvements	205,449	0	0	205,449
Unreserved, Undesignated, Reported in:				
General Fund	372,222	0	0	372,222
Special Revenue Funds	0	0	152,696	152,696
Capital Projects Funds	0	560,054	157,413	717,467
<i>Total Fund Balances</i>	<u>890,034</u>	<u>579,054</u>	<u>318,445</u>	<u>1,787,533</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,233,909</u>	<u>\$15,036,282</u>	<u>\$449,604</u>	<u>\$18,719,795</u>

See accompanying notes to the basic financial statements

Southington Local School District
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2007*

Total Governmental Fund Balances \$1,787,533

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 935,413

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

Property Taxes	171,809
Intergovernmental	<u>14,481,385</u>

Total 14,653,194

Long-term liabilities, such as compensated absences, are not due
and payable in the current period and therefore are not reported
in the funds. (341,951)

Net Assets of Governmental Activities \$17,034,189

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,580,693	\$0	\$59,498	\$1,640,191
Intergovernmental	2,803,381	587,500	358,339	3,749,220
Interest	71,023	911	5,803	77,737
Tuition and Fees	413,376	0	22,142	435,518
Extracurricular Activities	0	0	83,205	83,205
Contributions and Donations	0	0	1,633	1,633
Charges for Services	0	0	125,973	125,973
Miscellaneous	46,869	0	32,687	79,556
<i>Total Revenues</i>	<u>4,915,342</u>	<u>588,411</u>	<u>689,280</u>	<u>6,193,033</u>
Expenditures				
Current:				
Instruction:				
Regular	2,526,076	0	223,555	2,749,631
Special	152,664	0	38,772	191,436
Support Services:				
Pupil	408,135	0	2,032	410,167
Instructional Staff	107,386	0	26,477	133,863
Board of Education	67,943	0	0	67,943
Administration	378,993	0	0	378,993
Fiscal	207,144	0	9,830	216,974
Business	20,127	0	0	20,127
Operation and Maintenance of Plant	497,861	0	5,405	503,266
Pupil Transportation	410,185	0	0	410,185
Central	0	0	11,603	11,603
Operation of Non-Instructional Services	0	0	184,056	184,056
Extracurricular Activities	93,726	0	120,192	213,918
Capital Outlay	0	9,357	45,400	54,757
<i>Total Expenditures</i>	<u>4,870,240</u>	<u>9,357</u>	<u>667,322</u>	<u>5,546,919</u>
<i>Excess of Revenues Over Expenditures</i>	<u>45,102</u>	<u>579,054</u>	<u>21,958</u>	<u>646,114</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	2,530	0	0	2,530
Transfers In	0	0	6,874	6,874
Transfers Out	(6,874)	0	0	(6,874)
<i>Total Other Financing Sources (Uses)</i>	<u>(4,344)</u>	<u>0</u>	<u>6,874</u>	<u>2,530</u>
<i>Net Change in Fund Balances</i>	40,758	579,054	28,832	648,644
<i>Fund Balances Beginning of Year</i>	<u>849,276</u>	<u>0</u>	<u>289,613</u>	<u>1,138,889</u>
<i>Fund Balances End of Year</i>	<u><u>\$890,034</u></u>	<u><u>\$579,054</u></u>	<u><u>\$318,445</u></u>	<u><u>\$1,787,533</u></u>

See accompanying notes to the basic financial statements

Southington Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2007*

Net Change in Fund Balances - Total Governmental Funds \$648,644

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

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

Capital Outlay	162,321
Depreciation	<u>(64,468)</u>

Total	97,853
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Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (2,880)

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

Property Taxes	26,775
Ohio School Facilities Grant	14,457,228
Other Grants	<u>(2,356)</u>

Total	14,481,647
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Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 11,835

<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$15,237,099</u></u>
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See accompanying notes to the basic financial statements

Southington Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,557,654	\$1,572,766	\$1,580,499	\$7,733
Intergovernmental	2,772,245	2,799,141	2,803,381	4,240
Interest	59,423	60,000	71,007	11,007
Tuition and Fees	408,567	412,531	413,376	845
Miscellaneous	45,314	45,749	46,994	1,245
<i>Total Revenues</i>	4,843,203	4,890,187	4,915,257	25,070
Expenditures				
Current:				
Instruction:				
Regular	2,523,942	2,833,281	2,516,960	316,321
Special	189,202	212,401	169,356	43,045
Support Services:				
Pupil	375,004	420,985	396,505	24,480
Instructional Staff	121,646	136,561	112,325	24,236
Board of Education	73,601	82,625	67,487	15,138
Administration	384,636	431,798	362,326	69,472
Fiscal	219,005	245,858	214,319	31,539
Business	31,491	35,352	22,524	12,828
Operation and Maintenance of Plant	510,596	573,202	479,451	93,751
Pupil Transportation	414,896	465,768	391,226	74,542
Extracurricular Activities	86,319	96,903	93,736	3,167
<i>Total Expenditures</i>	4,930,338	5,534,734	4,826,215	708,519
<i>Excess of Revenues Over (Under) Expenditures</i>	(87,135)	(644,547)	89,042	733,589
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	2,500	2,500	2,530	30
Advances In	141,160	141,160	141,160	0
Transfers Out	(6,874)	(6,874)	(6,874)	0
<i>Total Other Financing Sources (Uses)</i>	136,786	136,786	136,816	30
<i>Net Change in Fund Balance</i>	49,651	(507,761)	225,858	733,619
<i>Fund Balance Beginning of Year</i>	1,044,349	1,044,349	1,044,349	0
Prior Year Encumbrances Appropriated	68,379	68,379	68,379	0
<i>Fund Balance End of Year</i>	\$1,162,379	\$604,967	\$1,338,586	\$733,619

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$26,224</u>
Liabilities	
Due to Students	\$15,035
Deposits Held and Due to Others	<u>11,189</u>
<i>Total Liabilities</i>	<u>\$26,224</u>

See accompanying notes to the basic financial statements

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 1 - Description of the School District and Reporting Entity

Southington Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's 1 instructional/support facility staffed by 26 classified employees, 43 certified employees and 2 administrative employees who provide services to 688 students and other community members.

Reporting Entity

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

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

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

The School District participates in four jointly governed organizations and one insurance purchasing pool. These organizations are the North East Ohio Management Information Network, Trumbull County Career and Technical Center, North East Ohio Special Education Regional Resource Center, North East Ohio Instructional Media Center, and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 14 and 15 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and alumni class reunion activities.

C. Measurement Focus

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2007, investments were limited to nonnegotiable certificates of deposit which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$71,023, which includes \$23,994 assigned from other School District funds.

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

F. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments or imposed by law through constitutional provision or enabling legislation. Restricted assets in the general fund include unspent resources restricted for the purchase of buses and amounts required by State statute to be set-aside for the purchase of textbooks and other instructional material, for the purchase or construction of capital improvements and to create a reserve for budget stabilization. See Note 17 for additional information regarding set asides.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

J. Interfund Balances

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

K. Compensated Absences

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

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

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee who has accumulated unpaid leave is paid.

L. Accrued Liabilities and Long-term Obligations

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

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

M. Interfund Activity

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, textbooks, property taxes, budget stabilization, bus purchases and capital improvements.

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

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$15,809,944, none of which is restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for food service operations and extracurricular activities.

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

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. Budgetary Data

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

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

Note 3 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

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

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

Net Change in Fund Balance	
GAAP Basis	\$40,758
Net Adjustment for Revenue Accruals	(85)
Net Adjustment for Expenditure Accruals	139,826
Advances In	141,160
Encumbrances	(95,801)
Budget Basis	<u><u>\$225,858</u></u>

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 4 - Deposits and Investments

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

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,320,369 of the School District's bank balance of \$2,420,369 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Note 5 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value listed as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007 was \$3,916 in the general fund and \$160 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2006 was \$3,722 in the general fund and \$156 in the permanent improvement capital projects fund. The difference was in the timing and collection by the County Auditor.

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$62,081,340	94.93 %	\$62,111,180	95.21 %
Public Utility Personal	2,025,130	3.10	1,971,210	3.02
Tangible Personal Property	1,292,180	1.97	1,150,894	1.77
Total	<u>\$65,398,650</u>	<u>100.00 %</u>	<u>\$65,233,284</u>	<u>100.00 %</u>
Full Tax rate per \$1,000 of assessed valuation	\$46.35		\$46.40	

Note 6 - Receivables

Receivables at June 30, 2007, consisted of taxes, accounts (rent and student fees), tuition and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds. All receivables, other than the OSFC monies, are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Ohio School Facilities	\$14,457,228
CORE Implementation Grant	14,653
Title VI-B	6,282
Title I	3,222
Total	<u>\$14,481,385</u>

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 7 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Nondepreciable Capital Assets				
Land	\$22,380	\$25,600	\$0	\$47,980
Depreciable Capital Assets				
Buildings and Improvements	1,970,775	21,400	0	1,992,175
Furniture, Fixtures and Equipment	497,336	34,575	0	531,911
Vehicles	428,409	80,746	(4,800)	504,355
<i>Total Depreciable Capital Assets</i>	2,896,520	136,721	(4,800)	3,028,441
Less: Accumulated Depreciation				
Buildings and Improvements	(1,485,327)	(20,790)	0	(1,506,117)
Furniture, Fixtures and Equipment	(385,703)	(28,178)	0	(413,881)
Vehicles	(207,430)	(15,500)	1,920	(221,010)
<i>Total Accumulated Depreciation</i>	(2,078,460)	(64,468) *	1,920	(2,141,008)
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	818,060	72,253	(2,880)	887,433
<i>Governmental Activities Capital Assets, Net</i>	\$840,440	\$97,853	(\$2,880)	\$935,413

* Depreciation expense was charged to governmental activities as follows:

Instruction	
Regular	\$36,132
Support Services	
Instructional Staff	3,813
Board of Education	230
Operation and Maintenance of Plant	6,873
Pupil Transportation	16,254
Operation of Non-Instructional Services	601
Extracurricular Activities	565
Total Depreciation Expense	\$64,468

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 8 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 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 a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$60,835, \$59,127 and \$54,888 respectively; 74 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strs.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$282,901, \$276,471 and \$264,407 respectively; 85 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$873 made by the School District and \$6,159 made by the plan members.

Note 9 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), 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 Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$21,762 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$100,720.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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 the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

Note 10 - Other Employee Benefits

A. Compensated Absences

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

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

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

B. Life Insurance Benefits

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

C. Health Insurance Benefits

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

Note 11 – Interfund Transfer

Interfund transfers at June 30, 2007, consist of one transfer from the general fund to the nonmajor governmental funds in the amount of \$6,874. This transfer was made to avoid a negative balance in the athletics fund.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 12 – Long-Term Obligations

The changes in the School District’s long-term obligations during fiscal year 2007 were as follows:

	Amount Outstanding 6/30/06	Additions	Deductions	Amount Outstanding 6/30/07	Amount due in One Year
Governmental-Type Activities					
Compensated Absences	\$353,786	\$20,347	\$32,182	\$341,951	\$36,980

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

The School District’s overall legal debt margin was \$5,798,309 with an unvoted debt margin of \$64,426 at June 30, 2007.

Note 13 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2007, the School District has addressed these various types of risk by purchasing a comprehensive insurance policy through Indiana Insurance.

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

The School District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss. The School District maintains replacement cost insurance on buildings and contents in the amount of \$10,602,662.

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

B. Worker’s Compensation

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of the GRP.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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.

Note 14 - Jointly Governed Organizations

North East Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. Southington Local School District paid \$10,140 to NEOMIN during fiscal year 2007.

The Governing Board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The Southington Local School District was not represented on the Governing Board during fiscal year 2007. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN’s financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown-Warren Road, Niles, Ohio 44446.

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

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

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NEOIMC is governed by the advisory committee made up a member from a parochial school, a joint vocational school, one County Superintendent from each participating county, one City Superintendent and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 6000 Youngstown-Warren Road, Niles, Ohio 44446.

Note 15 – Insurance Purchasing Pool

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

Note 16 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 School District at June 30, 2007.

B. Litigation

The School District is not a party to any legal proceedings as of June 30, 2007.

Note 17 - Set Aside Calculation

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2007, only the unspent portion of certain workers’ compensation refunds continues to be required to be set-aside.

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
Set-Aside Reserve Balance as of June 30, 2006	\$19,406	\$202,091	\$187,709
Current Year Set-aside Requirement	0	102,351	102,351
Qualifying Disbursements	0	(98,993)	(88,786)
Total	\$19,406	\$205,449	\$201,274
Set-aside Balance Carried Forward to Future Fiscal Years	\$19,406	\$205,449	\$201,274
Set-aside Reserve Balance as of June 30, 2007	\$19,406	\$205,449	\$201,274

The total reserve balance for the three set-asides at the end of the fiscal year was \$426,129.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 governmental activities, each major fund, and the aggregate remaining fund information of Southington Local School District, Trumbull County, (the School District) as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

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

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

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

We noted certain matters that we reported to the School District's management in a separate letter dated January 23, 2008.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949

www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management and the Board of Education. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 23, 2008



Mary Taylor, CPA
Auditor of State

SOUTHINGTON LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 29, 2008**