

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

REGULAR AUDIT

FOR YEAR ENDED JUNE 30, 2009

Perry & Associates
Certified Public Accountants, A.C



Mary Taylor, CPA
Auditor of State

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

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 19, 2010

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**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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Perry & Associates
Certified Public Accountants, A.C.

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

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

INDEPENDENT ACCOUNTANTS' REPORT

December 14, 2009

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

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Respectfully Submitted,

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

Perry and Associates
Certified Public Accountants, A.C.

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

The discussion and analysis of Southington Local School District's (the School District) 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, 2009. 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 2009 include:

- The School District is committed to meeting the academic needs of our students by providing them with updated equipment and facilities to compete in a global environment. During fiscal year 2009, new computers were purchased along with a new color printer. Also, construction in progress increased due to the continued construction of the new school building.
- Governmental activities reflected an overall increase in revenues from fiscal year 2008 from increased interest and grant revenue offset by decreased property taxes and charges for services and sales.
- Total program expenses for fiscal year 2009 were less than the previous fiscal year, due to staffing reductions and decreased fuel costs.

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 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 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

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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, most 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*.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

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 2009 compared to 2008:

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

(Table 1)
Net Assets

	Governmental Activities		
	2009	2008	Change
Assets			
Current and Other Assets	\$26,665,021	\$27,447,616	(\$782,595)
Capital Assets, Net	2,402,536	1,426,521	976,015
<i>Total Assets</i>	<u>29,067,557</u>	<u>28,874,137</u>	<u>193,420</u>
Liabilities			
Current and Other Liabilities	2,574,987	2,810,651	(235,664)
Long Term Liabilities:			
Due Within One Year	138,801	124,384	14,417
Due in More than One Year	8,347,459	8,446,460	(99,001)
<i>Total Liabilities</i>	<u>11,061,247</u>	<u>11,381,495</u>	<u>(320,248)</u>
Net Assets			
Invested in Capital Assets	2,388,597	1,068,456	1,320,141
Restricted:			
Capital Projects	14,640,602	15,185,067	(544,465)
Debt Service	126,408	224,366	(97,958)
Set-Asides	233,178	463,725	(230,547)
Other Purposes	334,428	184,907	149,521
Unrestricted	<u>283,097</u>	<u>366,121</u>	<u>(83,024)</u>
<i>Total Net Assets</i>	<u><u>\$18,006,310</u></u>	<u><u>\$17,492,642</u></u>	<u><u>\$513,668</u></u>

As one can see from the minimal increase in overall net assets, the School District continues to provide the services that the School District citizens expect while maintaining the costs of providing those services during the current economic recession.

Total assets for the School District increased from additions to capital assets and the receipt of monies from the Ohio School Facilities Commission for capital projects which was offset by the reduction in the receivable for the Ohio School Facilities Commission monies.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current fiscal year. Table 2 shows total revenues, expenses and changes in net assets for the fiscal years 2009 and 2008.

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(Table 2)
Change in Net Assets - Governmental Activities

	2009	2008	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$589,645	\$602,921	(\$13,276)
Operating Grants, Contributions and Interest	292,585	314,771	(22,186)
Capital Grants and Contributions	11,862	221,139	(209,277)
<i>Total Program Revenues</i>	<u>894,092</u>	<u>1,138,831</u>	<u>(244,739)</u>
General Revenues:			
Property Taxes	1,992,791	1,986,716	6,075
Grants and Entitlements not Restricted to Specific Programs	2,929,766	2,884,117	45,649
Gain on Disposal of Capital Assets	0	7,024	(7,024)
Investment Earnings	564,528	382,361	182,167
Miscellaneous	79,498	94,487	(14,989)
<i>Total General Revenues</i>	<u>5,566,583</u>	<u>5,354,705</u>	<u>211,878</u>
<i>Total Revenues</i>	<u>6,460,675</u>	<u>6,493,536</u>	<u>(32,861)</u>
Program Expenses			
Instruction:			
Regular	2,757,454	2,897,429	139,975
Special	270,677	271,131	454
Support Services:			
Pupil	571,956	513,290	(58,666)
Instructional Staff	123,918	164,425	40,507
Board of Education	55,614	59,554	3,940
Administration	440,813	420,853	(19,960)
Fiscal	240,515	236,840	(3,675)
Business	31,964	31,546	(418)
Operation and Maintenance of Plant	407,370	420,424	13,054
Pupil Transportation	318,925	409,410	90,485
Central	11,070	11,070	0
Operation of Non-Instructional Services	826	755	(71)
Food Service Operations	184,316	180,186	(4,130)
Extracurricular Activities	200,193	224,850	24,657
Interest and Fiscal Charges	331,396	193,320	(138,076)
<i>Total Expenses</i>	<u>5,947,007</u>	<u>6,035,083</u>	<u>88,076</u>
Increase in Net Assets	513,668	458,453	55,215
<i>Net Assets Beginning of Year</i>	<u>17,492,642</u>	<u>17,034,189</u>	<u>458,453</u>
<i>Net Assets End of Year</i>	<u>\$18,006,310</u>	<u>\$17,492,642</u>	<u>\$513,668</u>

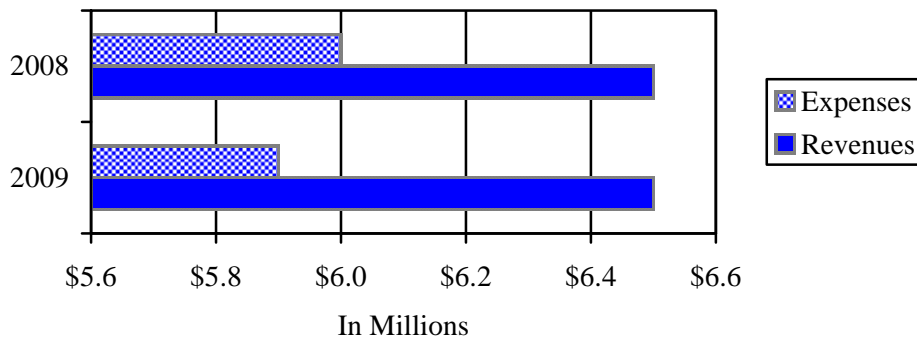
Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Graph 1

Revenues and Expenses
(In Millions)

	2009	2008
Revenues	\$6.5	\$6.5
Expenses	5.9	6.0

Governmental Activities



Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay less than \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 30.84 percent of revenues for governmental activities for Southington Local School District in fiscal year 2009 versus 30.60 percent in fiscal year 2008.

The vast majority of revenue supporting all activities is general revenue. The most significant portion of the general revenue is the grants and entitlements not restricted to specific programs which make up 45.35 percent of revenues for governmental activities. Southington Local School District proactively seeks out federal and State funding sources in the forms of grants to ensure that programs of the School District are properly funded.

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Instruction expenses comprise the largest portion of all program expenses for the School District. These expenses pay for teacher salary and benefits which increase at set levels every year through negotiated agreements.

Interest and fiscal charges increased significantly over the prior fiscal year which is the result of the School District's continued payments on outstanding debt obligations approved by the residents of the School District to fund the construction of the new school facility.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

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

	2009		2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$3,028,131	\$2,436,850	\$3,168,560	\$2,346,696
Support Services:				
Pupil and Instructional Staff	695,874	688,943	677,715	672,069
Board of Education, Administration, Fiscal Services, Business and Central	779,976	749,894	759,863	737,210
Operation and Maintenance of Plant	407,370	402,436	420,424	383,093
Pupil Transportation	318,925	311,997	409,410	400,602
Operation of Non-Instructional Services	826	826	755	755
Food Service Operations	184,316	(7,059)	180,186	4,130
Extracurricular Activities	200,193	137,632	224,850	158,377
Interest and Fiscal Charges	331,396	331,396	193,320	193,320
<i>Total Expenses</i>	\$5,947,007	\$5,052,915	\$6,035,083	\$4,896,252

The dependence upon general revenues for governmental activities is apparent as they account for 84.32 percent of the total cost of services in fiscal year 2009. This amount is approximately the same as in 2008. The community, as a whole, is by far the primary support for Southington Local School District students

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 \$15,267,039 and expenditures of \$7,005,665. The net change in fund balance for the year was most significant in the Ohio School Facilities capital projects fund. In fiscal year 2009, the net change in fund balance in the Ohio School Facilities capital

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
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projects fund was an increase of \$8,428,735 mainly due to the receipt of Ohio School Facilities Commission monies for the construction of the new school facilities and an increase of interest revenue due to the increase in fund balance. The general fund had a decrease in fund balance of \$302,026 which can be contributed to a decrease in property tax collections and a decrease in interest revenue.

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 fund to be budgeted is the main operating fund of the School District, the general fund.

During the course of fiscal 2009, the School District amended its general fund budget several times. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenses but provide flexibility for program based decision and management.

Actual revenue received was slightly lower than the certification primarily due to the receipt of less tuition and fees and miscellaneous revenue than expected offset by a small increase in State Foundation revenue. Final appropriations were \$33,175 less than original appropriations due mainly to the diligence of management to keep costs low while still providing the services the School District citizens expect.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2009 balances compared to fiscal year 2008.

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

	Governmental Activities	
	2009	2008
Land	\$222,980	\$222,980
Construction in Progress	1,399,872	358,065
Buildings and Improvements	445,504	464,840
Furniture and Equipment	102,623	118,995
Vehicles	231,557	261,641
Totals	\$2,402,536	\$1,426,521

All capital assets, except land and construction in progress, are reported net of depreciation. The net increase in capital assets during the fiscal year resulted from additions to construction in progress due to the construction of the new school facilities and additional computers and a color printer which was purchased. This increase was offset by the annual depreciation. Ohio law requires school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks and instructional materials and supplies. For fiscal year 2009, this amounted to \$107,507 for each set aside. See Note 9 to the basic financial statements for additional information on the School

Southington Local School District
Management's Discussion and Analysis
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District's capital assets and Note 17 for additional information regarding required set-asides.

Debt

At June 30, 2009, the School District had general obligation bonds outstanding in the amount of \$8,090,546. These bonds were issued for the School District portion of the Ohio School Facilities Commission project. These bonds will be fully repaid in calendar year 2035. Please see Note 8 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 the loss of two renewal levies and a new levy on the ballot, the School District will continue to work within the confines of the budget it has set forth.

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

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

Contacting the School District's Financial Management

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

Southington Local School District

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$19,520,948
Accounts Receivable	2,939
Accrued Interest Receivable	135,633
Intergovernmental Receivable	4,643,126
Property Taxes Receivable	2,303,946
Deferred Charges	58,429
Nondepreciable Capital Assets	1,622,852
Depreciable Capital Assets, Net	<u>779,684</u>
<i>Total Assets</i>	<u>29,067,557</u>
Liabilities	
Accounts Payable	79,038
Accrued Wages and Benefits	367,683
Intergovernmental Payable	151,495
Deferred Revenue	1,948,846
Accrued Interest Payable	27,925
Long-Term Liabilities:	
Due Within One Year	138,801
Due In More Than One Year	<u>8,347,459</u>
<i>Total Liabilities</i>	<u>11,061,247</u>
Net Assets	
Invested in Capital Assets	2,388,597
Restricted for:	
Capital Projects	14,640,602
Debt Service	126,408
Set Asides	233,178
Other Purposes	334,428
Unrestricted	<u>283,097</u>
<i>Total Net Assets</i>	<u><u>\$18,006,310</u></u>

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest		
Governmental Activities					
Instruction:					
Regular	\$2,757,454	\$405,281	\$181,307	\$0	(\$2,170,866)
Special	270,677	0	4,693	0	(265,984)
Support Services:					
Pupil	571,956	0	1,330	0	(570,626)
Instructional Staff	123,918	0	5,601	0	(118,317)
Board of Education	55,614	0	0	0	(55,614)
Administration	440,813	0	0	0	(440,813)
Fiscal	240,515	0	19,012	0	(221,503)
Business	31,964	0	0	0	(31,964)
Operation and Maintenance of Plant	407,370	0	0	4,934	(402,436)
Pupil Transportation	318,925	0	0	6,928	(311,997)
Central	11,070	0	11,070	0	0
Operation of Non-Instructional Services	826	0	0	0	(826)
Food Service Operations	184,316	121,803	69,572	0	7,059
Extracurricular Activities	200,193	62,561	0	0	(137,632)
Interest and Fiscal Charges	331,396	0	0	0	(331,396)
<i>Totals</i>	<u>\$5,947,007</u>	<u>\$589,645</u>	<u>\$292,585</u>	<u>\$11,862</u>	<u>(5,052,915)</u>
General Revenues					
Property Taxes Levied for:					
					1,425,470
					457,328
					87,768
					22,225
					2,929,766
					564,528
					79,498
					<u>5,566,583</u>
					513,668
					<u>17,492,642</u>
					<u>\$18,006,310</u>

See accompanying notes to the basic financial statements

Southington Local School District*Balance Sheet
Governmental Funds
June 30, 2009*

	<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	\$881,112	\$16,011,521	\$2,379,401	\$19,272,034
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	248,914	0	0	248,914
Accounts Receivable	2,939	0	0	2,939
Accrued Interest Receivable	0	117,945	17,688	135,633
Intergovernmental Receivable	0	4,639,559	3,567	4,643,126
Property Taxes Receivable	1,694,831	0	609,115	2,303,946
<i>Total Assets</i>	<u>\$2,827,796</u>	<u>\$20,769,025</u>	<u>\$3,009,771</u>	<u>\$26,606,592</u>
Liabilities				
Accounts Payable	\$93	\$27,498	\$51,447	\$79,038
Accrued Wages and Benefits	343,421	0	24,262	367,683
Intergovernmental Payable	142,610	0	8,885	151,495
Deferred Revenue	1,690,739	4,639,559	611,388	6,941,686
<i>Total Liabilities</i>	<u>2,176,863</u>	<u>4,667,057</u>	<u>695,982</u>	<u>7,539,902</u>
Fund Balances				
Reserved for Encumbrances	45,226	143,956	50,076	239,258
Reserved for Textbooks	213,772	0	0	213,772
Reserved for Property Taxes	4,092	0	1,294	5,386
Reserved for Budget Stabilization	19,406	0	0	19,406
Reserved for Bus Purchases	15,736	0	0	15,736
Unreserved, Undesignated, Reported in:				
General Fund	352,701	0	0	352,701
Special Revenue Funds	0	0	326,740	326,740
Debt Service Fund	0	0	277,857	277,857
Capital Projects Funds	0	15,958,012	1,657,822	17,615,834
<i>Total Fund Balances</i>	<u>650,933</u>	<u>16,101,968</u>	<u>2,313,789</u>	<u>19,066,690</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,827,796</u>	<u>\$20,769,025</u>	<u>\$3,009,771</u>	<u>\$26,606,592</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, 2009*

Total Governmental Fund Balances \$19,066,690

*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. 2,402,536

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

Property Taxes	349,714
Intergovernmental	3,567
School Facilities Money	<u>4,639,559</u>

Total 4,992,840

In the statement of activities, bond issuance costs are amortized
 over the term of the bonds, whereas in governmental funds, a
 bond issuance expenditure is reported when bonds are issued. 58,429

In the statement of activities, interest is accrued on outstanding
 general obligation bonds, whereas in governmental funds,
 an interest expenditure is reported when due. (27,925)

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

Compensated Absences	(395,714)
General Obligation Bonds	<u>(8,090,546)</u>

Total (8,486,260)

Net Assets of Governmental Activities \$18,006,310

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, 2009

	General	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,391,853	\$0	\$521,455	\$1,913,308
Intergovernmental	2,842,762	8,867,516	405,644	12,115,922
Interest	41,107	500,554	23,426	565,087
Tuition and Fees	381,659	0	23,417	405,076
Extracurricular Activities	0	0	62,561	62,561
Contributions and Donations	0	0	3,579	3,579
Charges for Services	205	0	121,803	122,008
Miscellaneous	39,634	0	39,864	79,498
<i>Total Revenues</i>	<u>4,697,220</u>	<u>9,368,070</u>	<u>1,201,749</u>	<u>15,267,039</u>
Expenditures				
Current:				
Instruction:				
Regular	2,512,264	0	177,179	2,689,443
Special	238,271	0	18,389	256,660
Support Services:				
Pupil	570,626	0	1,330	571,956
Instructional Staff	124,963	0	7,886	132,849
Board of Education	55,318	0	0	55,318
Administration	447,057	0	0	447,057
Fiscal	221,103	0	20,819	241,922
Business	31,964	0	0	31,964
Operation and Maintenance of Plant	399,478	0	245	399,723
Pupil Transportation	297,522	0	0	297,522
Central	0	0	11,070	11,070
Operation of Non-Instructional Services	0	0	100	100
Operation of Food Services	0	0	182,320	182,320
Extracurricular Activities	100,680	0	98,742	199,422
Capital Outlay	0	939,335	112,404	1,051,739
Debt Service:				
Principal Retirement	0	0	100,000	100,000
Interest and Fiscal Charges	0	0	336,600	336,600
<i>Total Expenditures</i>	<u>4,999,246</u>	<u>939,335</u>	<u>1,067,084</u>	<u>7,005,665</u>
<i>Net Change in Fund Balances</i>	(302,026)	8,428,735	134,665	8,261,374
<i>Fund Balances Beginning of Year</i>	<u>952,959</u>	<u>7,673,233</u>	<u>2,179,124</u>	<u>10,805,316</u>
<i>Fund Balances End of Year</i>	<u><u>\$650,933</u></u>	<u><u>\$16,101,968</u></u>	<u><u>\$2,313,789</u></u>	<u><u>\$19,066,690</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, 2009*

Net Change in Fund Balances - Total Governmental Funds	\$8,261,374
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*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 outlay exceeded depreciation in the current period.

Capital Outlay	1,058,767
Depreciation	<u>(82,752)</u>

Total	976,015
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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	79,483
School Facilities Money	(8,867,483)
Grants	<u>(18,364)</u>

Total	(8,806,364)
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Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	100,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in governmental funds.

Accrued Interest on Bonds	250
Amortization of Issuance Costs	(2,191)
Amortization of Bond Premium	<u>7,145</u>

Total	5,204
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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.	<u>(22,561)</u>
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<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$513,668</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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$1,474,494	\$1,392,438	\$1,392,084	(\$354)
Intergovernmental	2,839,469	3,054,444	3,064,699	10,255
Interest	69,727	41,727	41,107	(620)
Tuition and Fees	393,698	384,698	381,659	(3,039)
Charges for Services	0	174	205	31
Miscellaneous	41,150	41,175	39,634	(1,541)
<i>Total Revenues</i>	<u>4,818,538</u>	<u>4,914,656</u>	<u>4,919,388</u>	<u>4,732</u>
Expenditures				
Current:				
Instruction:				
Regular	2,670,689	2,750,615	2,518,048	232,567
Special	255,709	251,240	237,207	14,033
Support Services:				
Pupil	549,389	570,847	570,847	0
Instructional Staff	134,157	134,157	125,040	9,117
Board of Education	100,040	100,041	74,222	25,819
Administration	449,207	449,207	447,685	1,522
Fiscal	220,125	221,974	221,974	0
Business	35,794	35,794	33,567	2,227
Operation and Maintenance of Plant	611,640	489,748	422,142	67,606
Pupil Transportation	407,430	382,191	315,416	66,775
Extracurricular Activities	97,732	112,923	110,979	1,944
<i>Total Expenditures</i>	<u>5,531,912</u>	<u>5,498,737</u>	<u>5,077,127</u>	<u>421,610</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(713,374)</u>	<u>(584,081)</u>	<u>(157,739)</u>	<u>426,342</u>
Other Financing Sources (Uses)				
Advances In	0	54,000	54,450	450
Advances Out	(45,000)	(45,000)	(33,108)	11,892
Transfers Out	(9,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(54,000)</u>	<u>9,000</u>	<u>21,342</u>	<u>12,342</u>
<i>Net Change in Fund Balance</i>	(767,374)	(575,081)	(136,397)	438,684
<i>Fund Balance Beginning of Year</i>	1,141,336	1,141,336	1,141,336	0
Prior Year Encumbrances Appropriated	79,768	79,768	79,768	0
<i>Fund Balance End of Year</i>	<u>\$453,730</u>	<u>\$646,023</u>	<u>\$1,084,707</u>	<u>\$438,684</u>

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2009

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$25,990</u>
Liabilities	
Due to Students	\$12,858
Deposits Held and Due to Others	<u>13,132</u>
<i>Total Liabilities</i>	<u>\$25,990</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, 2009

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 28 classified employees, 42 certified employees and 2 administrative employees who provide services to 684 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, 2009

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, 2009

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

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 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 2009, 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 2009 amounted to \$41,107, which includes \$7,787 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, 2009

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 and to create a reserve for budget stabilization. See Note 17 for additional information regarding set asides.

G. 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:

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

H. 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.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

I. 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.

J. Internal Activity

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

K. 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.

L. 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. 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.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

M. Bond Issuance Costs

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

As permitted by State statute, the School District paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

N. Bond Premiums

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

O. 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.

P. 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.

Q. Budgetary Data

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

Note 3 – Change in Accounting Principles

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

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanup. The implementation of this statement did not result in any change to the School District’s financial statements.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants’ and auditing literature into the GASB’s accounting and financial reporting literature for state and local governments. The statement’s guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the School District’s financial statements.

Note 4 - 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

Southington Local School District
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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. 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	(\$302,026)
Net Adjustment for Revenue Accruals	222,168
Advances In	54,450
Net Adjustment for Expenditure Accruals	(32,562)
Advances Out	(33,108)
Encumbrances	<u>(45,319)</u>
Budget Basis	<u><u>(\$136,397)</u></u>

Note 5 - 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.

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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.

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, \$19,061,136 of the School District's bank balance of \$19,561,136 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.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 6 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the 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 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, 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 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 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 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2009, and for which there was 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 were levied to finance current fiscal year operations and are reflected 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, 2009 was \$4,092 in the general fund, \$1,017 in the bond retirement debt service fund, \$194 in the classroom facilities maintenance special revenue fund, and \$83 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2008 was \$4,323 in the general fund, \$449 in the bond retirement debt service fund, \$86 in the classroom facilities maintenance special revenue fund, and \$175 in the permanent improvement capital projects fund. The difference was in the timing and collection by the County Auditor.

Southington Local School District
Notes to the Basic Financial Statements
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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 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$62,384,610	96.19 %	\$62,982,600	97.56 %
Public Utility Personal	1,322,070	2.04	1,371,930	2.12
Tangible Personal Property	1,151,729	1.77	204,113	0.32
Total	<u>\$64,858,409</u>	<u>100.00 %</u>	<u>\$64,558,643</u>	<u>100.00 %</u>
Full Tax rate per \$1,000 of assessed valuation	\$55.65		\$50.65	

During fiscal year 2009, the School District's levy for capital improvements expired, reducing the full tax rate by five mills.

Note 7 - Receivables

Receivables at June 30, 2009, consisted of taxes, intergovernmental grants and OSFC monies. All receivables, except property taxes and OSFC monies, are considered collectible in full due to the stable condition of State programs and the current year guarantee of Federal funds. All receivables, except delinquent taxes and OSFC monies, are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Ohio School Facilities	\$4,639,559
Title VI-B	2,200
Title II-A	984
Title I	383
Total	<u>\$4,643,126</u>

Note 8 – Long-Term Obligations

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

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

Southington Local School District
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The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	Balance 6/30/08	Additions	Deductions	Balance 6/30/09	Amounts Due in One Year
Governmental Activities					
<i>General Obligation Bonds:</i>					
2008 Classroom Facilities					
Serial Bonds	\$3,110,000	\$0	\$100,000	\$3,010,000	\$100,000
Term Bonds	4,890,000	0	0	4,890,000	0
Unamortized Premium	197,691	0	7,145	190,546	0
<i>Total General Obligation Bonds</i>	8,197,691	0	107,145	8,090,546	100,000
<i>Other Long-Term Obligations</i>					
Compensated Absences	373,153	186,577	164,016	395,714	38,801
Total Long-Term Liabilities	\$8,570,844	\$186,577	\$271,161	\$8,486,260	\$138,801

Compensated absences will be paid from the general fund and the food service, title VI-B and title I special revenue funds.

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

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

Year	Issue			
	\$610,000	\$665,000	\$740,000	\$2,875,000
2023	\$295,000	\$0	\$0	\$0
2025	0	325,000	0	0
2027	0	0	360,000	0
2029	0	0	0	400,000
2030	0	0	0	420,000
2031	0	0	0	370,000
2032	0	0	0	390,000
2033	0	0	0	410,000
2034	0	0	0	430,000
Total	\$295,000	\$325,000	\$360,000	\$2,420,000
<i>Stated Maturity</i>	<i>12/1/2024</i>	<i>12/1/2026</i>	<i>12/1/2028</i>	<i>12/1/2035</i>

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

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The School District's overall legal debt margin was (\$1,862,240) with an unvoted debt margin of \$64,048 at June 30, 2009. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2009 are as follows:

	Serial Bonds		Term Bonds	
	Principal	Interest	Principal	Interest
2009	\$100,000	\$333,600	\$0	\$0
2010	100,000	330,600	0	0
2011	195,000	326,175	0	0
2012	200,000	320,250	0	0
2013	205,000	314,175	0	0
2014-2018	1,135,000	1,470,440	0	0
2019-2023	1,075,000	1,018,424	295,000	226,681
2024-2028	0	0	1,720,000	928,722
2029-2033	0	0	1,990,000	469,500
2034-2038	0	0	885,000	44,875
Total	<u>\$3,010,000</u>	<u>\$4,113,664</u>	<u>\$4,890,000</u>	<u>\$1,669,778</u>

Note 9 – Capital Assets

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

	Balance	Additions	Deletions	Balance
	June 30, 2008			June 30, 2009
Nondepreciable Capital Assets				
Land	\$222,980	\$0	\$0	\$222,980
Construction in Progress	358,065	1,041,807	0	1,399,872
<i>Total Nondepreciable Capital Assets</i>	<u>581,045</u>	<u>1,041,807</u>	<u>0</u>	<u>1,622,852</u>
Depreciable Capital Assets				
Buildings and Improvements	1,992,175	1,882	0	1,994,057
Furniture, Fixtures and Equipment	562,782	15,078	(800)	577,060
Vehicles	499,202	0	0	499,202
<i>Total Depreciable Capital Assets</i>	<u>3,054,159</u>	<u>16,960</u>	<u>(800)</u>	<u>3,070,319</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(1,527,335)	(21,218)	0	(1,548,553)
Furniture, Fixtures and Equipment	(443,787)	(31,450)	800	(474,437)
Vehicles	(237,561)	(30,084)	0	(267,645)
<i>Total Accumulated Depreciation</i>	<u>(2,208,683)</u>	<u>(82,752) *</u>	<u>800</u>	<u>(2,290,635)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>845,476</u>	<u>(65,792)</u>	<u>0</u>	<u>779,684</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$1,426,521</u>	<u>\$976,015</u>	<u>\$0</u>	<u>\$2,402,536</u>

Southington Local School District
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* Depreciation expense was charged to governmental activities as follows:

Instruction	
Regular	\$46,379
Support Services	
Instructional Staff	4,894
Board of Education	296
Operation and Maintenance of Plant	8,822
Pupil Transportation	20,864
Operation of Non-Instructional Services	726
Extracurricular Activities	771
Total Depreciation Expense	<u><u>\$82,752</u></u>

Note 10 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their 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 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School Districts required contributions for pension obligations to SERS for fiscal year ended June 30, 2009, 2008 and 2007 were \$58,070, \$60,031, and \$56,962 respectively; 31.52 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

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

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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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy – For the fiscal year ended June 30, 2009, 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 2009, 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, 2009, 2008, and 2007 were \$297,114, \$304,032, and \$282,901 respectively; 82.88 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$12 made by the School District and \$7,854 made by the plan members.

Note 11 - Postemployment Benefits

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For

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2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount, for 2009, this amount was \$35,800. During fiscal year 2009, the School District paid \$9,541.

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

The School District contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$26,575, \$27,394, and \$24,709 respectively; 31.52 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contributions to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$4,791, \$4,325, and \$3,873 respectively; 31.52 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

B. School Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$22,855, \$23,387, and \$21,762 respectively; 82.88 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Note 12 - 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.

Southington Local School District
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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 \$100 to \$2,000 for single coverage and \$200 to \$4,000 for family coverage with a maximum of \$1,000 per individual and \$2,000 per family. Prescription drug and dental is also provided through Medical Mutual of Ohio.

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 2009, the School District has addressed these various types of risk by purchasing a comprehensive insurance policy through Ohio Casualty until April 30, 2009, and then with SORSA from then on.

Professional liability is maintained in the amount of \$3,000,000 for single occurrence and \$5,000,000 in the aggregate.

The School District maintains fleet insurance in the amount of \$3,000,000 for any one accident or loss. The School District maintains replacement cost insurance on buildings and contents in the amount of \$13,076,468.

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 2009, 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. 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.

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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 \$10,494 to NEOMIN during fiscal year 2009.

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 2009. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

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

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

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

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 – Construction and Other Significant Commitments

At June 30, 2009, the School District’s had a significant contractual commitment to GDP and Associates. \$337,902 of the contract amount of \$419,127 was still outstanding at fiscal year end.

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, 2009, 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.

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
Set-Aside Reserve Balance as of June 30, 2008	\$19,406	\$275,746	\$168,573
Current Year Set-aside Requirement	0	107,507	107,507
Offsets	0	(611,801)	0
Qualifying Disbursements	0	(15,007)	(62,308)
Total	<u>\$19,406</u>	<u>(\$243,555)</u>	<u>\$213,772</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$19,406</u>	<u>(\$243,555)</u>	<u>\$213,772</u>
Set-aside Reserve Balance as of June 30, 2009	<u>\$19,406</u>	<u>\$0</u>	<u>\$213,772</u>

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for capital acquisition set-asides. The extra amount in the capital improvements set-aside may be used to reduce the set-aside requirement of future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$233,178.

Note 18 – Subsequent Events

In August 2009, the Board of Education approved bids for the construction of the new school building. These bids were for waste water treatment, electrical and technology, furniture and fixtures, fire protection, HVAC, plumbing and general trades. The bids totaled \$17,555,861. Project costs will be paid from the Ohio School Facilities Commission grant and bond revenues.

Note 19 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

B. Litigation

The School District is a party to legal proceedings seeking damages. The School District is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Perry & Associates
Certified Public Accountants, A.C.

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

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

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

December 14, 2009

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate fund information of the **Southington Local School District, Trumbull County, Ohio** (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report dated December 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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 District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2009-001.

Internal Control Over Financial Reporting (continued)

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We also noted a certain internal control matter that we reported to management in a separate letter dated December 14, 2009.

Compliance and Other Matters

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

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF AUDIT FINDINGS
JUNE 30, 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Significant Deficiency

Ohio Admin. Code Section 117-2-02(D) indicates all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include, among other things, capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Fixed assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items. In addition, the District has a policy that requires, at least, annual updates in order to assist in the accurate preparation of the financial statements.

We noted the District did have an inventory done in 2005 but it has not been updated for activity, i.e. new purchases and disposals, since then. This can lead to inaccuracy in the financial statements balances and in the depreciation expense each year. We also noted the District does maintain a list of new assets each year in excel, however, some of these assets are below the capitalization threshold set in the District's policy i.e., \$2,000 per item with a life of five years.

We recommend the District update the asset schedule annually. This could consist of contacting the valuation company for a download of the inventory or updating it with that company, transferring the inventory to the EIS system, and updating and reviewing the items to determine if they qualify as capital assets as indicated in the District's policy. Updating this information will be important as the District adds the new school and equipment and disposes of the old assets.

Management's Response – The school district will be doing a complete review of capital assets upon completion of the new school building. Additions and deletions are at a minimal level until the move to the new building and demolition of the old one.

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Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
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MARIETTA
428 Second Street
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December 14, 2009

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

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on August 21, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

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

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

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA
Auditor of State

SOUTHINGTON LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 4, 2010**