



Dave Yost • Auditor of State

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Southington Local School District
Trumbull County
2482 St. Rt. 534,
Southington, Ohio 44470

To The Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southington Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2011, 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, each major fund, and the aggregate remaining fund information of Southington Local School District, Trumbull County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

February 21, 2012

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
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, 2011. 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 2011 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 2011, a new smart board was purchased along with various custodial items. Also, construction in progress increased due to the continued construction of the new school building.
- Governmental activities reflected an overall decrease in revenues from fiscal year 2010 from decreased interest, State foundation and property tax revenue. The decrease in property taxes is the direct result of current economic conditions nationwide. Enrollment within the School District dropped by 60 students which decreased revenue from the State of Ohio through the State's Evidence Based Model. Interest revenue decreased due to less cash available for investing and lower interest rates.
- Total program expenses for fiscal year 2011 were less than the previous fiscal year, due to staffing reductions in support staff personnel as well as reductions in instructional expenses due to lower enrollment. The School District also continues to replace retiring or leaving staff with base level staff to help on expenses.

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, bond retirement fund, Ohio School Facilities capital projects fund, locally funded initiative building 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

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
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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 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 2011 compared to 2010:

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

(Table 1)
Net Assets - Governmental Activities

	2011	2010	Change
Assets			
Current and Other Assets	\$10,567,921	\$21,149,565	(\$10,581,644)
Capital Assets, Net	20,169,144	9,325,860	10,843,284
<i>Total Assets</i>	<u>30,737,065</u>	<u>30,475,425</u>	<u>261,640</u>
Liabilities			
Current and Other Liabilities	2,583,376	3,426,188	842,812
Long Term Liabilities:			
Due Within One Year	288,405	185,368	(103,037)
Due in More than One Year	7,866,115	8,120,763	254,648
<i>Total Liabilities</i>	<u>10,737,896</u>	<u>11,732,319</u>	<u>994,423</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	13,903,643	9,093,073	4,810,570
Restricted:			
Capital Projects	4,102,084	8,294,826	(4,192,742)
Debt Service	327,783	231,702	96,081
Set-Asides	393,548	313,675	79,873
Unclaimed Monies	59	59	0
Other Purposes	675,630	483,843	191,787
Unrestricted	596,422	325,928	270,494
<i>Total Net Assets</i>	<u>\$19,999,169</u>	<u>\$18,743,106</u>	<u>\$1,256,063</u>

As one can see from the 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, which was offset by the reduction in the receivable for the Ohio School Facilities Commission monies and a reduction of cash as construction projects wrap up.

Overall total liabilities decreased due to the decrease of contracts payable due to the construction projects starting to wrap up and the continued pay-down on outstanding debt.

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 2011 and 2010.

Southington Local School District
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(Table 2)
Change in Net Assets - Governmental Activities

	2011	2010	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$542,316	\$582,765	(\$40,449)
Operating Grants, Contributions and Interest	866,615	659,472	207,143
Capital Grants	0	3,600	(3,600)
<i>Total Program Revenues</i>	<u>1,408,931</u>	<u>1,245,837</u>	<u>163,094</u>
General Revenues:			
Property Taxes	1,882,384	1,933,851	(51,467)
Grants and Entitlements not Restricted to Specific Programs	2,762,362	2,956,793	(194,431)
Investment Earnings	67,391	280,969	(213,578)
Miscellaneous	86,325	86,921	(596)
<i>Total General Revenues</i>	<u>4,798,462</u>	<u>5,258,534</u>	<u>(460,072)</u>
<i>Total Revenues</i>	<u>6,207,393</u>	<u>6,504,371</u>	<u>(296,978)</u>
Program Expenses			
Instruction:			
Regular	2,161,552	2,618,781	457,229
Special	261,900	254,710	(7,190)
Support Services:			
Pupil	499,381	556,688	57,307
Instructional Staff	57,538	159,535	101,997
Board of Education	44,993	75,048	30,055
Administration	392,020	461,567	69,547
Fiscal	209,678	265,073	55,395
Business	20,420	19,915	(505)
Operation and Maintenance of Plant	346,656	352,639	5,983
Pupil Transportation	289,304	324,441	35,137
Central	5,912	6,859	947
Operation of Non-Instructional Services	100	833	733
Food Service Operations	156,576	201,012	44,436
Extracurricular Activities	179,904	142,078	(37,826)
Interest and Fiscal Charges	325,396	328,396	3,000
<i>Total Expenses</i>	<u>4,951,330</u>	<u>5,767,575</u>	<u>816,245</u>
Increase in Net Assets	1,256,063	736,796	519,267
<i>Net Assets Beginning of Year</i>	<u>18,743,106</u>	<u>18,006,310</u>	<u>736,796</u>
<i>Net Assets End of Year</i>	<u>\$19,999,169</u>	<u>\$18,743,106</u>	<u>\$1,256,063</u>

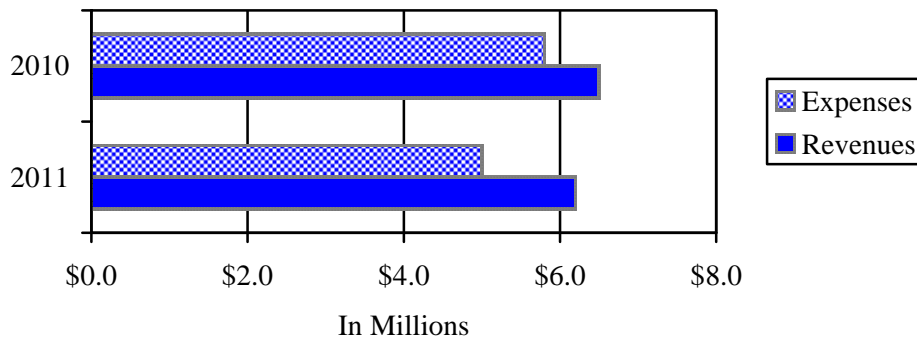
Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Graph 1

Revenues and Expenses
(In Millions)

	2011	2010
Revenues	\$6.2	\$6.5
Expenses	5.0	5.8

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. Even with the current economic conditions the School District has been able to maintain their property tax revenue.

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. 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.

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. The decrease in instructional expenses was due to replacing retired teachers with younger

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

teachers who fall lower on the salary schedule. The decrease in support staff expenses was due to reductions in personnel as well as closely monitoring expenses.

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

	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$2,423,452	\$1,517,690	\$2,873,491	\$2,005,907
Support Services:				
Pupil and Instructional Staff	556,919	556,547	716,223	713,955
Board of Education, Administration, Fiscal Services, Business and Central	673,023	659,077	828,462	782,355
Operation and Maintenance of Plant	346,656	168,883	352,639	349,039
Pupil Transportation	289,304	289,304	324,441	324,441
Operation of Non-Instructional Services	100	100	833	833
Food Service Operations	156,576	(41,145)	201,012	(26,299)
Extracurricular Activities	179,904	66,547	142,078	43,111
Interest and Fiscal Charges	325,396	325,396	328,396	328,396
<i>Total Expenses</i>	<u>\$4,951,330</u>	<u>\$3,542,399</u>	<u>\$5,767,575</u>	<u>\$4,521,738</u>

The dependence upon general revenues for governmental activities is apparent as they account for a majority of the total cost of services in fiscal year 2011. This amount is less than 2010 due to the increase in operating grants, contributions and interest. 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 \$7,012,844 and expenditures of \$15,944,284. The net change in fund balance for the fiscal year was most significant in the Ohio School Facilities and the locally fund initiatives building capital projects funds which decreased mainly due to increased expenditures for the construction of the new school facilities. The general fund had an increase in fund balance which can be attributed to decreases in regular instruction which was partly offset by decreases in property tax collections. The bond retirement fund had an increase in fund balance which can be attributed to an increase in property tax collections.

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Management's Discussion and Analysis
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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 2011, 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 higher than the certification primarily due to more State Foundation and tuition and fee revenue coming to the School District than expected. Actual expenditures were significantly lower than final 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 2011 balances compared to fiscal year 2010.

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

	Governmental Activities		
	2011	2010	Change
Land	\$222,980	\$222,980	\$0
Construction in Progress	19,270,135	8,375,704	10,894,431
Buildings and Improvements	404,660	425,974	(21,314)
Furniture and Equipment	99,980	99,729	251
Vehicles	171,389	201,473	(30,084)
Totals	\$20,169,144	\$9,325,860	\$10,843,284

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 various custodial items 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 2011, this amounted to \$97,880 for each set aside. See Note 10 to the basic financial statements for additional information on the School District's capital assets and Note 18 for additional information regarding required set-asides.

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Management's Discussion and Analysis
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Debt

At June 30, 2011, the School District had general obligation bonds outstanding in the amount of \$7,876,256. 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 11 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 passage of a four year renewal levy 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 a renewal 3.95 mill emergency levy in fiscal year 2011, which will continue to 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, 2482 State Route 534, Southington, Ohio 44470, or janet.ward@neomin.org.

Southington Local School District

Statement of Net Assets

June 30, 2011

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,150,028
Accounts Receivable	135
Accrued Interest Receivable	217
Intergovernmental Receivable	159,793
Property Taxes Receivable	2,203,701
Deferred Charges	54,047
Nondepreciable Capital Assets	19,493,115
Depreciable Capital Assets, Net	676,029
<i>Total Assets</i>	<u>30,737,065</u>
Liabilities	
Contracts Payable	44,153
Accrued Wages and Benefits	331,412
Intergovernmental Payable	117,990
Matured Compensated Absences Payable	91,099
Deferred Revenue	1,971,297
Accrued Interest Payable	27,425
Long-Term Liabilities:	
Due Within One Year	288,405
Due In More Than One Year	7,866,115
<i>Total Liabilities</i>	<u>10,737,896</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	13,903,643
Restricted for:	
Capital Projects	4,102,084
Debt Service	327,783
Set Asides	393,548
Unclaimed Monies	59
Other Purposes	675,630
Unrestricted	596,422
<i>Total Net Assets</i>	<u><u>\$19,999,169</u></u>

See accompanying notes to the basic financial statements.

Southington Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$2,161,552	\$343,723	\$165,086	(\$1,652,743)
Special	261,900	0	396,953	135,053
Support Services:				
Pupil	499,381	0	0	(499,381)
Instructional Staff	57,538	0	372	(57,166)
Board of Education	44,993	0	0	(44,993)
Administration	392,020	0	0	(392,020)
Fiscal	209,678	0	7,121	(202,557)
Business	20,420	0	0	(20,420)
Operation and Maintenance of Plant	346,656	0	177,773	(168,883)
Pupil Transportation	289,304	0	0	(289,304)
Central	5,912	0	6,825	913
Operation of Non-Instructional Services	100	0	0	(100)
Food Service Operations	156,576	85,236	112,485	41,145
Extracurricular Activities	179,904	113,357	0	(66,547)
Interest and Fiscal Charges	325,396	0	0	(325,396)
Totals	\$4,951,330	\$542,316	\$866,615	(3,542,399)
General Revenues				
Property Taxes Levied for:				
				1,354,536
				445,393
				82,455
				2,762,362
				67,391
				86,325
				<u>4,798,462</u>
				1,256,063
				<u>18,743,106</u>
				<u>\$19,999,169</u>

See accompanying notes to the basic financial statements

Southington Local School District

*Balance Sheet
Governmental Funds
June 30, 2011*

	General	Bond Retirement	Ohio School Facilities	Locally Funded Initiative Building	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$1,161,517	\$483,622	\$4,010,663	\$1,302,731	\$776,999	\$7,735,532
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	414,496	0	0	0	0	414,496
Accounts Receivable	135	0	0	0	0	135
Accrued Interest Receivable	0	203	0	0	14	217
Intergovernmental Receivable	319	0	0	0	159,474	159,793
Interfund Receivable	21,600	0	0	0	0	21,600
Property Taxes Receivable	1,602,873	505,350	0	0	95,478	2,203,701
<i>Total Assets</i>	<u>\$3,200,940</u>	<u>\$989,175</u>	<u>\$4,010,663</u>	<u>\$1,302,731</u>	<u>\$1,031,965</u>	<u>\$10,535,474</u>
Liabilities						
Contracts Payable	\$0	\$0	\$44,153	\$0	\$0	\$44,153
Accrued Wages and Benefits	291,252	0	0	0	40,160	331,412
Interfund Payable	0	0	0	0	21,600	21,600
Matured Compensated Absences Payable	80,250	0	0	0	10,849	91,099
Intergovernmental Payable	104,443	0	0	0	13,547	117,990
Deferred Revenue	1,595,100	503,245	0	0	254,559	2,352,904
<i>Total Liabilities</i>	<u>2,071,045</u>	<u>503,245</u>	<u>44,153</u>	<u>0</u>	<u>340,715</u>	<u>2,959,158</u>
Fund Balances						
Nonspendable	59	0	0	0	0	59
Restricted	414,437	485,930	3,966,510	1,302,731	741,526	6,911,134
Committed	368	0	0	0	0	368
Assigned	1,001,867	0	0	0	0	1,001,867
Unassigned (Deficit)	(286,836)	0	0	0	(50,276)	(337,112)
<i>Total Fund Balances</i>	<u>1,129,895</u>	<u>485,930</u>	<u>3,966,510</u>	<u>1,302,731</u>	<u>691,250</u>	<u>7,576,316</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,200,940</u>	<u>\$989,175</u>	<u>\$4,010,663</u>	<u>\$1,302,731</u>	<u>\$1,031,965</u>	<u>\$10,535,474</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, 2011*

Total Governmental Fund Balances	\$7,576,316
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*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.	20,169,144
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	222,133
Intergovernmental	<u>159,474</u>

Total	381,607
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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.	54,047
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In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(27,425)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences	(278,264)
General Obligation Bonds	<u>(7,876,256)</u>

Total	<u>(8,154,520)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$19,999,169</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 Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Bond Retirement	Ohio School Facilities	Locally Funded Initiative Building	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$1,316,476	\$432,917	\$0	\$0	\$80,262	\$1,829,655
Intergovernmental	2,829,388	82,374	844,347	0	725,648	4,481,757
Interest	10,972	0	47,559	7,027	2,112	67,670
Tuition and Fees	343,723	0	0	0	0	343,723
Extracurricular Activities	5,946	0	0	0	107,411	113,357
Contributions and Donations	0	0	0	0	5,121	5,121
Charges for Services	0	0	0	0	85,236	85,236
Miscellaneous	86,325	0	0	0	0	86,325
<i>Total Revenues</i>	<u>4,592,830</u>	<u>515,291</u>	<u>891,906</u>	<u>7,027</u>	<u>1,005,790</u>	<u>7,012,844</u>
Expenditures						
Current:						
Instruction:						
Regular	2,110,636	0	0	0	364,567	2,475,203
Special	95,949	0	0	0	205,081	301,030
Support Services:						
Pupil	562,582	0	0	0	13,957	576,539
Instructional Staff	60,273	0	0	0	8,711	68,984
Board of Education	51,600	0	0	0	0	51,600
Administration	453,788	0	0	0	0	453,788
Fiscal	229,718	8,481	0	0	5,207	243,406
Business	23,575	0	0	0	0	23,575
Operation and Maintenance of Plant	316,633	0	0	0	73,334	389,967
Pupil Transportation	308,182	0	0	0	0	308,182
Central	0	0	0	0	6,825	6,825
Operation of Non-Instructional Services	0	0	0	0	100	100
Operation of Food Services	0	0	0	0	179,180	179,180
Extracurricular Activities	86,502	0	0	0	120,352	206,854
Capital Outlay	0	0	10,013,418	215,033	0	10,228,451
Debt Service:						
Principal Retirement	0	100,000	0	0	0	100,000
Interest and Fiscal Charges	0	330,600	0	0	0	330,600
<i>Total Expenditures</i>	<u>4,299,438</u>	<u>439,081</u>	<u>10,013,418</u>	<u>215,033</u>	<u>977,314</u>	<u>15,944,284</u>
<i>Excess of Revenues Over (Under)</i>						
<i>Expenditures</i>	<u>293,392</u>	<u>76,210</u>	<u>(9,121,512)</u>	<u>(208,006)</u>	<u>28,476</u>	<u>(8,931,440)</u>
Other Financing Sources (Uses)						
Transfers In	0	0	0	0	17,000	17,000
Transfers Out	(17,000)	0	0	0	0	(17,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(17,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	276,392	76,210	(9,121,512)	(208,006)	45,476	(8,931,440)
<i>Fund Balances Beginning of Year</i>	<u>853,503</u>	<u>409,720</u>	<u>13,088,022</u>	<u>1,510,737</u>	<u>645,774</u>	<u>16,507,756</u>
<i>Fund Balances End of Year</i>	<u>\$1,129,895</u>	<u>\$485,930</u>	<u>\$3,966,510</u>	<u>\$1,302,731</u>	<u>\$691,250</u>	<u>\$7,576,316</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, 2011*

Net Change in Fund Balances - Total Governmental Funds (\$8,931,440)

*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	10,929,817
Depreciation	<u>(86,533)</u>

Total 10,843,284

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	52,729
School Facilities Money	(993,747)
Grants	<u>135,567</u>

Total (805,451)

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

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

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. 44,466

Change in Net Assets of Governmental Activities \$1,256,063

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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$1,670,636	\$1,371,050	\$1,336,326	(\$34,724)
Intergovernmental	3,023,910	2,804,757	2,841,560	36,803
Interest	13,000	13,000	10,972	(2,028)
Tuition and Fees	353,000	301,000	332,459	31,459
Contributions and Donations	50	50	0	(50)
Miscellaneous	51,300	51,300	63,677	12,377
<i>Total Revenues</i>	<u>5,111,896</u>	<u>4,541,157</u>	<u>4,584,994</u>	<u>43,837</u>
Expenditures				
Current:				
Instruction:				
Regular	2,548,858	2,711,580	2,121,978	589,602
Special	142,145	244,245	101,316	142,929
Support Services:				
Pupil	546,565	566,565	562,080	4,485
Instructional Staff	88,990	90,990	78,696	12,294
Board of Education	117,920	127,920	73,024	54,896
Administration	471,405	477,509	470,083	7,426
Fiscal	230,131	239,738	232,044	7,694
Business	22,000	23,575	23,575	0
Operation and Maintenance of Plant	261,104	796,646	353,601	443,045
Pupil Transportation	354,604	354,604	320,726	33,878
Extracurricular Activities	71,970	73,757	57,904	15,853
<i>Total Expenditures</i>	<u>4,855,692</u>	<u>5,707,129</u>	<u>4,395,027</u>	<u>1,312,102</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>256,204</u>	<u>(1,165,972)</u>	<u>189,967</u>	<u>1,355,939</u>
Other Financing Sources (Uses)				
Advances In	43,000	17,000	14,295	(2,705)
Advances Out	(54,000)	(54,000)	(25,600)	28,400
Transfers Out	(2,000)	(20,035)	(17,000)	3,035
<i>Total Other Financing Sources (Uses)</i>	<u>(13,000)</u>	<u>(57,035)</u>	<u>(28,305)</u>	<u>28,730</u>
<i>Net Change in Fund Balance</i>	243,204	(1,223,007)	161,662	1,384,669
<i>Fund Balance Beginning of Year</i>	1,218,323	1,218,323	1,218,323	0
Prior Year Encumbrances Appropriated	51,118	51,118	51,118	0
<i>Fund Balance End of Year</i>	<u>\$1,512,645</u>	<u>\$46,434</u>	<u>\$1,431,103</u>	<u>\$1,384,669</u>

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$31,347</u>
Liabilities	
Due to Students	\$18,248
Deposits Held and Due to Others	<u>13,099</u>
<i>Total Liabilities</i>	<u>\$31,347</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, 2011

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's 1 instructional/support facility staffed by 26 classified employees, 40 certified employees and 2 administrative employees who provide services to 603 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, one insurance purchasing pool and one risk sharing 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, the Ohio School Boards Association Workers' Compensation Group Rating Program and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Notes 16 and 17 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)

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

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.

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 and report for all financial resources except those required to be accounted for and reported 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, 2011

Bond Retirement Fund The bond retirement fund accounts and reports for property tax revenues that are restricted for the payment of principal and interest and fiscal charges on general obligation debt.

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

Locally Funded Initiatives Building Fund The Locally Funded Initiatives Building capital projects fund accounts and reports for bond proceeds restricted for the construction and improvement of non-classroom facilities.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed or assigned 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.

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.

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from 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, 2011, but which were levied to finance fiscal year 2012 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.

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 2011, 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 Ohio school facilities fund during fiscal year 2011 amounted to \$47,559, which includes \$12,474 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, 2011

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. Restricted assets in the general fund include unspent resources set-aside for unclaimed monies, 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. See Note 18 for additional information regarding set asides.

Interfund Balances

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

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 and construction in progress, 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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

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

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, 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.

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.

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.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

Bond Premiums

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

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.

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.

Budgetary Data

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

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 3 – Change in Accounting Principles

Change in Accounting Principles

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 59, “Financial Instruments Omnibus. GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments by updating and improving existing standards regarding financial reporting of certain financial instruments and external investment pools. The implementation of this statement did not result in any change in the School District’s financial statements.

Note 4 – Fund Balances

Fund balance is classified as restricted, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Ohio School Facilities	Locally Funded Initiatives Building	Other Governmental Funds	Total
<i>Nonspendable</i>						
Unclaimed Monies	\$59	\$0	\$0	\$0	\$0	\$59
<i>Restricted for</i>						
Textbook and Instructional Materials	393,548	0	0	0	0	393,548
Bus Purchase	20,889	0	0	0	0	20,889
Food Service Operations	0	0	0	0	90,264	90,264
Scholarships and Awards	0	0	0	0	50,957	50,957
Art and Technology	0	0	0	0	3,454	3,454
Athletics	0	0	0	0	25,539	25,539
Classroom Facilities Maintenance	0	0	0	0	360,765	360,765
Instructional Services	0	0	0	0	18,141	18,141
Debt Service Payments	0	485,930	0	0	0	485,930
Capital Improvements	0	0	3,966,510	1,302,731	192,406	5,461,647
<i>Total Restricted</i>	<u>414,437</u>	<u>485,930</u>	<u>3,966,510</u>	<u>1,302,731</u>	<u>741,526</u>	<u>6,911,134</u>
<i>Committed to</i>						
Future Severance Payments	368	0	0	0	0	368
<i>Assigned to</i>						
Other Purposes	1,001,867	0	0	0	0	1,001,867
<i>Unassigned (Deficit)</i>	<u>(286,836)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(50,276)</u>	<u>(337,112)</u>
<i>Total Fund Balances</i>	<u><u>\$1,129,895</u></u>	<u><u>\$485,930</u></u>	<u><u>\$3,966,510</u></u>	<u><u>\$1,302,731</u></u>	<u><u>\$691,250</u></u>	<u><u>\$7,576,316</u></u>

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Advances-In and Advances-Out are operating transaction (budget) as opposed to balance sheet transactions (GAAP).
5. Budgetary revenues and expenditures of the public school support fund and uniform school support fund are classified to the general fund for GAAP Reporting.

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	\$276,392
Net Adjustment for Revenue Accruals	31,887
Advances In	14,295
Net Adjustment for Expenditure Accruals	(43,815)
Advances Out	(25,600)
Excess of revenues under expenditures:	
Public School Support	4,525
Uniform School Supply	5,897
Encumbrances	(101,919)
Budget Basis	\$161,662

Note 6 - Deposits and Investments

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

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

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

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

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, \$7,504,160 of the School District's bank balance of \$8,230,565 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.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District's 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 year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 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 year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 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 year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

The amount available as an advance at June 30, 2011 was \$7,773 in the general fund, \$2,105 in the bond retirement debt service fund and \$393 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2010 was \$27,623 in the general fund, \$7,022 in the bond retirement debt service fund, \$1,341 in the classroom facilities maintenance special revenue fund. The difference was in the timing and collection by the County Auditor.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$63,146,330	97.62 %	\$63,370,700	97.55 %
Public Utility Personal	1,447,930	2.24	1,508,930	2.32
Tangible Personal Property	89,220	0.14	85,420	0.13
Total	<u>\$64,683,480</u>	<u>100.00 %</u>	<u>\$64,965,050</u>	<u>100.00 %</u>
Full Tax rate per \$1,000 of assessed valuation	\$50.75		\$50.75	

Note 8 - Receivables

Receivables at June 30, 2011, consisted of taxes, intergovernmental grants and Ohio School Facilities Commission (OSFC) monies. All receivables 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 are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Education Jobs Grant	\$105,150
Title VI-B Grant	28,048
Title I Grant	25,691
Title II-A Grant	585
Bureau of Workers Compensation	319
Total	<u>\$159,793</u>

Note 9 - Contingencies

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, 2011.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Nondepreciable Capital Assets				
Land	\$222,980	\$0	\$0	\$222,980
Construction in Progress	8,375,704	10,894,431	0	19,270,135
<i>Total Nondepreciable Capital Assets</i>	<u>8,598,684</u>	<u>10,894,431</u>	<u>0</u>	<u>19,493,115</u>
Depreciable Capital Assets				
Buildings and Improvements	1,995,783	0	0	1,995,783
Furniture, Fixtures and Equipment	588,745	35,386	(28,472)	595,659
Vehicles	499,202	0	0	499,202
<i>Total Depreciable Capital Assets</i>	<u>3,083,730</u>	<u>35,386</u>	<u>(28,472)</u>	<u>3,090,644</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(1,569,809)	(21,314)	0	(1,591,123)
Furniture, Fixtures and Equipment	(489,016)	(35,135)	28,472	(495,679)
Vehicles	(297,729)	(30,084)	0	(327,813)
<i>Total Accumulated Depreciation</i>	<u>(2,356,554)</u>	<u>(86,533) *</u>	<u>28,472</u>	<u>(2,414,615)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>727,176</u>	<u>(51,147)</u>	<u>0</u>	<u>676,029</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$9,325,860</u>	<u>\$10,843,284</u>	<u>\$0</u>	<u>\$20,169,144</u>

* Depreciation expense was charged to governmental activities as follows:

Instruction	
Regular	\$48,522
Special	1,231
Support Services	
Instructional Staff	4,941
Board of Education	299
Operation and Maintenance of Plant	8,964
Pupil Transportation	21,065
Operation of Non-Instructional Services	778
Extracurricular Activities	733
Total Depreciation Expense	<u>\$86,533</u>

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 11 – Long-Term Obligations

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

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

The changes in the School District’s long-term obligations during fiscal year 2011 were as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>6/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/11</u>	<u>Due in</u>
					<u>One Year</u>
Governmental Activities					
<i>General Obligation Bonds:</i>					
2008 Classroom Facilities					
Serial Bonds	\$2,910,000	\$0	\$100,000	\$2,810,000	\$195,000
Term Bonds	4,890,000	0	0	4,890,000	0
Unamortized Premium	183,401	0	7,145	176,256	0
<i>Total General Obligation Bonds</i>	7,983,401	0	107,145	7,876,256	195,000
<i>Other Long-Term Obligations</i>					
Compensated Absences	322,730	126,270	170,736	278,264	93,405
Total Long-Term Liabilities	\$8,306,131	\$126,270	\$277,881	\$8,154,520	\$288,405

Compensated absences will be paid from the general fund and the food service, education jobs, 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:

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

The School District's overall legal debt margin was (\$1,374,903) with an unvoted debt margin of \$64,880 at June 30, 2011. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2011 are as follows:

	Serial Bonds		Term Bonds	
	Principal	Interest	Principal	Interest
2012	\$195,000	\$93,593	\$0	\$232,582
2013	200,000	87,668	0	232,582
2014	205,000	81,593	0	232,582
2015	215,000	75,293	0	232,582
2016	220,000	68,768	0	232,582
2017-2021	1,215,000	270,136	0	1,162,910
2022-2026	560,000	50,197	935,000	1,107,804
2027-2031	0	0	1,900,000	759,763
2032-2036	0	0	2,055,000	267,375
Total	\$2,810,000	\$727,248	\$4,890,000	\$4,460,762

Note 12 - Defined Benefit Pension Plans

School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$70,629, \$77,457 and \$58,070, respectively. For fiscal year 2011, 92.62 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can 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 multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$278,133 and \$347 for the fiscal year ended June 30, 2011, \$305,681 and \$454 for the fiscal year ended June 30, 2010, and \$293,105 and none for the fiscal year ended June 30, 2009. For fiscal year 2011, 92.62 percent has been contributed for the DB plan and 92.62 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2011 were \$1,167 made by the School District and \$834 made by the plan members. In addition, member contributions of \$248 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

Note 13 - Postemployment Benefits

School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated 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 obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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 105(e). For fiscal year 2011, 1.43 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 fiscal year 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$8,952 in surcharge.

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's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$17,504, \$11,941 and \$26,575, respectively. For fiscal year 2011, 92.62 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009, were \$4,545, \$4,606 and \$4,791 respectively. For fiscal year 2011, 92.62 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$20,923, \$22,740 and \$22,855 respectively. For fiscal year 2011, 83.69 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Note 14 - Other Employee Benefits

Compensated Absences

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

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

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

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.

Health Insurance Benefits

The School District provides employee medical and surgical plans through Medical Mutual of Ohio. Employees may choose between these three 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.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 15 - Risk Management

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 2011, the School District has addressed these various types of risk by purchasing a comprehensive insurance policy through Schools of Ohio Risk Sharing Authority (Note 17).

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 \$13,767,449.

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.

Worker's Compensation

For fiscal year 2011, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). 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.

Note 16 - 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 \$9,347 to NEOMIN during fiscal year 2011.

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 2011. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446-4603.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

Note 17 – Public Entity Risk Sharing Pools

Insurance Purchasing Pool

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 Past 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.

Risk Sharing Pool

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing insurance pool. The pool consists of sixty-two school districts, joint vocational schools, and educational service centers throughout Ohio who pool risk for property, crime, liability, boiler and machinery, and public official liability coverage. SORSA is governed by a board of trustees elected by members. The School

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

District pays an annual premium to SORSA for this coverage. Reinsurance is purchased to cover claims exceeding this amount and for all claims related to equipment breakdown coverage.

Note 18 - Set Aside Calculation

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

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

	Improvements Reserve	Materials Reserve
Set-Aside Reserve Balance as of June 30, 2010	(\$725,295)	\$313,675
Current Year Set-aside Requirement	97,880	97,880
Offsets	(430,600)	0
Qualifying Disbursements	(40,694)	(18,007)
Total	(\$1,098,709)	\$393,548
Set-aside Balance Carried Forward to Future Fiscal Years	\$0	\$0
Set-aside Reserve Balance as of June 30, 2011	\$0	\$393,548

Although the School District had qualifying disbursements during the fiscal year that reduced the capital acquisition set-aside amounts below zero, these amounts may not be used to reduce the set-aside requirements of future years. Effective July 1, 2011, the textbook set aside is no longer required and has been removed from existing law. This balance is therefore not presented as being carried forward to future fiscal years. The total reserve balance for the two set-asides at the end of the fiscal year was \$393,548.

Note 19 – Interfund Transfers and Balances

Interfund Transfers

The general fund transferred \$17,000 to the athletics and music special revenue fund to help provide funding for fiscal year 2011.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Interfund Balances

Interfund balances at June 30, 2011, consist of an interfund receivable/payable between the general fund and the athletics and music, the title VI-B and title I special revenue funds. The interfund payable consists of \$300 in the athletics and music, \$10,600 in the title IV-A and \$10,700 in the title I special revenue funds. The interfund receivables and payables were due to the timing of the receipt of grant monies received by the various funds. The general fund provides temporary funding of the program until the grant dollars are received. All interfund receivables will be repaid within one year.

Note 20 – Construction and Other Significant Commitments

At June 30, 2011, the School District’s significant contractual commitments consisted of:

Company	Contract Amount	Amount Paid	Remaining on Contract
Foti Contracting	\$9,691,431	\$8,936,654	\$754,777
The Conti Corporation	1,222,978	1,179,277	43,701
Continental Office Equipment	670,585	552,608	117,977
Valley Electrical Consolidated	2,777,339	2,575,719	201,620
Miller Yount Paving	438,367	412,731	25,636
Soehnlen Piping Company	2,577,955	2,492,016	85,939
Fire Foe	254,760	232,784	21,976
Total	\$17,633,415	\$16,381,789	\$1,251,626

Note 21 – Accountability

At June 30, 2011, the following funds had deficit fund balances:

Title VI-B	\$48,833
Title I	1,443

The deficits are due to adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, rather than when accruals occur.

SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through The Ohio Department of Education.</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	n/a	10.553	\$ 26,875	\$ -	\$ 26,875	\$ -
National School Lunch Program	n/a	10.555	82,495	11,457	82,495	\$11,457
Total -- Nutrition Cluster			109,370	11,457	109,370	11,457
Total U.S. Department of Agriculture			109,370	11,457	109,370	11,457
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through The Ohio Department of Education.</i>						
<i>Title One Cluster:</i>						
Grants to Local Educational Agencies						
Title I School Subsidy	2010	84.010	19,258		27,673	
	2011		103,426		99,489	
ARRA Title I School Subsidy	ARRA 2010	84.389	(6,814)		-	
	ARRA 2011		26,100		22,738	
Total -- Title I Cluster			141,970		149,900	
<i>Special Education Grants to States - (IDEA Part B)</i>						
<i>Special Education Cluster:</i>						
Title VI-B	2010	84.027	12,446		16,434	
	2011		89,150		99,668	
ARRA Title VI-b	ARRA 2010	84.391	5,340		8,866	
	ARRA 2011		57,289		57,289	
Total -- Special Education Cluster Cluster			164,225		182,257	
Education Jobs Fund	2011	84.410	42,569		25,413	
Title IV-A Safe and Drug Free Schools	2010	84.186	156		-	
Title II-D -- Technology Literacy Challenge Fund Grants	2010	84.318	139		-	
	2011		372		372	
Total - Technology Literacy Challenge Fund Grants			511		372	
Title II, Part A -- Improving Teacher Quality	2010	84.367	3,137		3,894	
	2011		25,872		22,450	
Total - Title II Part A			29,009		26,344	
ARRA State Fiscal Stabilization Fund	2010	84.394	-		64,973	
	2011		217,126		217,126	
Total - State Fiscal Stabilization Fund			217,126		282,099	
Total -- U.S. Department of Education			595,566		666,385	
Totals			\$ 704,936	\$ 11,457	\$ 775,755	\$ 11,457

The accompanying notes to this schedule are an integral part of this schedule.

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Southington Local School District (the District) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the entitlement value.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE E – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2010 to 2011 programs:

<u>CFDA#</u>	<u>Program Title</u>	<u>Grant Year</u>	<u>Transfer Out</u>	<u>Transfer In</u>
84.389	Title One ARRA	2010	6,814	
84.389	Title One ARRA	2011		6,814

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Dave Yost • Auditor of State

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

Southington Local School District
Trumbull County
2482 St. Rt. 534,
Southington, Ohio 44470

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southington Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2011 which collectively comprise the District's basic financial statements and have issued our report thereon dated February 21, 2012. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-01 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 21, 2012.

We intend this report solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

February 21, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Southington Local School District
Trumbull County
2482 St. Rt. 534,
Southington, Ohio 44470

To The Board of Education:

Compliance

We have audited the compliance of Southington Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Southington Local School District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

As described in finding 2011-02 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding allowable costs/cost principals applicable to its Title I major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirement applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Southington Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

The results of our auditing procedures also disclosed another instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as Finding 2011-02.

Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-02 to be a material weakness.

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 21, 2012

We intend this report solely for the information and use of the Board of Education, others within the entity federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

February 21, 2012

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list): State Fiscal Stabilization Fund ARRA Title One and Title One ARRA	CFDA Number(s) 84.394 84.010 and 84.389
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2010-01

Significant Deficiency

Ohio Administrative 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.

The District has an asset schedule; however, it has not been updated with new purchases and disposals since 2005. We also noted that the District does maintain a list of new assets acquired each year, however, some of these assets are below the capitalization threshold set in the District's policy, which is \$2,000 per item with a life of five years. This can lead to inaccuracy in the financial statements balances and in the depreciation expense each year.

We recommend the District update their asset schedule annually. This could consist of contacting the valuation company for a download of the asset schedule 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. These deficiencies indicate an ineffective system of internal accounting controls over capital assets. Errors, irregularities, and misappropriation of assets may occur and not be detected timely, which could potentially misstate the financial statements.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Time and Effort Logs – Allowable Costs/Cost Principals

Finding Number	2011-002
CFDA Title and Number	Title I – 84.010 and 84.389
Federal Award Number / Year	2011
Federal Agency	U. S. Department of Education
Pass-Through Agency	Ohio Department of Education

QUESTIONED COST, NONCOMPLIANCE and MATERIAL WEAKNESS

A State Educational Agency (SEA) or Local Educational Agency (LEA) that consolidates Federal administrative funds under Sections 9201 or 9203 of ESEA (20 USC 7821 or 7823) is not required to keep separate records by individual program. The SEA or LEA may treat the consolidated administrative cost objective as a "dedicated function."

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Time and Effort Logs – Allowable Costs/Cost Principals (Continued)

According to OMB Circular A-87 (codified in 2 CFR 225), Attachment B, paragraphs 8.h.(4), (5), and (6), an employee who works in part on a single cost objective (i.e., the consolidated administrative cost objective) and in part on a Federal program whose administrative funds have not been consolidated or on activities funded from other revenue sources must maintain time and effort distribution records documenting the portion of time and effort dedicated to:

- a. The single cost objective, and
- b. Each program or other cost objective supported by non-consolidated Federal funds or other revenue sources.

The salaries for two full time Title I instructors were charged to the District's Title I and IDEA-B funds. Total salaries charged to the Title I and IDEA-B funds for these employees for fiscal year 2011 were \$9,863 and \$57,179, respectively. We noted that teacher lesson plans were being used to comply with the timesheets requirement; however, the timesheets were not signed by the teachers attesting to the work performed for the Title One and IDEA-B programs. In addition, the lesson plans did not clearly indicate which time period was being charged to each program. We therefore are questioning \$9,863 of the Title I and \$57,179 in IDEA-B expenditures.

We recommend in accordance with OMB Circular A-87 (codified in 2 CFR 225) that applicable District employees complete individual semi-annual certifications when teachers work on a single federal program, and time and effort logs, or signed bi-weekly lesson plans indicating which federal funds are being charge for the teachers services when multiple federal programs are being charged and upon completion of these documents that the employee and supervisor sign the form documenting the hours worked for the federal programs.

Official's Responses: The District did not provide any formal written responses to the findings.

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**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Capital asset accounting records	No	Not corrected, repeated as finding 2011-001.
2010-002	Cash Management -- State Fiscal Stabilization Funds must be expended within 30 days.	No	Partially Corrected, last 5 months were in compliance repeated as Management Letter Comment in 2011.

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**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)**

JUNE 30, 2011

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-001	An effort has been made to update and maintain an asset schedule manually. As the District moves into the new K-12 building currently under construction, a new asset schedule and valuation will be scheduled to start fresh. This service will be priced with annual updates to keep abreast of any changes to the asset schedule. The district hired Valuation Engineers to compile a new asset schedule they started working on project January 17, 2012	4/1/12	Janet K. Ward, Treasurer
2011-002	The District will complete the time and effort documentation as required by the Ohio Department of Education.	3/1/2012	Janet K. Ward, Treasurer

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Southington Local School District
Trumbull County
2482 State Route 534
Southington, Ohio 44470

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

1. We noted the Board amended its anti-harassment policy at its meeting on February 9, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 21, 2012

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SOUTHINGTON LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 8, 2012**