

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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REPORT OF INDEPENDENT ACCOUNTANTS

Southington Local School District
Trumbull County
4432 State Route 305, N.W.
Southington, Ohio 44470

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Southington Local School District, Trumbull County, (the Government) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Government's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Southington Local School District, Trumbull County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 1999 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.


Jim Petro
Auditor of State

December 10, 1999

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Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Totals 1999 (Memorandum) (Only)
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Trust and Agency	General	Fixed Assets	Long Term Debt	General		
											Equity in Pooled Cash and Cash Equivalents	
\$	79,963	22,741	59	114,122	26,002	89,207	0	0	0	0	0	\$ 332,094
	29,487	0	0	0	0	0	0	0	0	0	0	29,487
	782,986	411,577	4,941	54,000	0	0	0	0	0	0	0	1,253,504
	50,000	0	0	0	0	0	0	0	0	0	0	50,000
	200	0	0	0	97	0	0	0	0	0	0	297
	15,424	3,156	0	0	70	221	0	0	0	0	0	18,871
	392	0	0	0	463	0	0	0	0	0	0	855
	0	0	0	0	2,245	0	0	0	0	0	0	2,245
	0	0	0	0	53,690	0	0	3,054,059	0	0	0	3,107,749
	0	0	0	0	(38,145)	0	0	0	0	0	0	(38,145)
	0	0	0	0	0	0	0	0	0	0	59	59
	0	0	0	0	0	0	0	0	0	519,103	0	519,103
\$	958,452	437,474	5,090	168,122	44,422	89,428	3,054,059	519,162	\$	5,276,119		

(Continued)

Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 1999

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types			Account Groups			Totals
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Trust and Agency	Fixed Assets	General	Long Term Debt	1999		(Memorandum)	
										General	Debit		
Liabilities:													
Interfund Payable	\$ 0	0	0	50,000	0	0	0	0	0	0	0	\$	50,000
Intergovernmental Payable	49,811	1,375	0	0	4,823	47,094	0	26,154	0	0	0		129,257
Accounts Payable	2,473	3,003	0	0	0	500	0	0	0	0	0		5,976
Accrued Salaries and Benefits	323,087	8,815	0	0	10,929	0	0	0	0	0	0		342,831
Deferred Revenue	767,760	400,997	4,941	54,000	1,541	0	0	0	0	0	0		1,229,239
Due to Others	0	0	0	0	0	14,959	0	0	0	0	0		14,959
Capital Leases Payable	0	0	0	0	0	0	0	19,853	0	0	0		19,853
Asbestos Loan Payable	0	0	0	0	0	0	0	20,845	0	0	0		20,845
Compensated Absences Payable	9,715	0	0	0	7,443	0	0	452,310	0	0	0		469,468
Total Liabilities	1,152,846	414,190	4,941	104,000	24,736	62,553	0	519,162	0	0	0		2,282,428
Fund Equity and Other Credits:													
Investment in General Fixed Assets	0	0	0	0	0	0	0	3,054,059	0	0	0		3,054,059
Contributed Capital	0	0	0	0	15,884	0	0	0	0	0	0		15,884
Retained Earnings	0	0	0	0	3,802	4,400	0	0	0	0	0		8,202
Retained Earnings-Reserved	0	0	0	0	0	22,430	0	0	0	0	0		22,430
Fund Balances:													
Reserved For Inventory	392	0	0	0	0	0	0	0	0	0	0		392
Reserved For Budget Stabilization	18,681	0	0	0	0	0	0	0	0	0	0		18,681
Reserved For Textbook Expenditure	9,929	0	0	0	0	0	0	0	0	0	0		9,929
Reserved For Capital Expenditures	877	0	0	0	0	0	0	0	0	0	0		877
Reserved for Future Appropriation	15,226	10,580	0	0	0	0	0	0	0	0	0		25,806
Unreserved Fund Balance	(239,499)	12,704	59	64,122	0	45	0	0	0	0	0		(162,569)
Total Fund Equity	(194,394)	23,284	59	64,122	0	45	0	3,054,059	0	0	0		(106,864)
Total Fund Balances/Retained Earnings and Other Credits	(194,394)	23,284	59	64,122	19,686	26,875	0	3,054,059	0	0	0		2,993,691
Total Liabilities, Fund Equity, and Other Credits	\$ 958,452	437,474	5,000	168,122	44,422	89,428	519,162	\$ 5,276,119	\$	519,162	\$		5,276,119

See Accompanying Notes to the General Purpose Financial Statements.

Combined Statement of Revenues, Expenditures, and Changes in Fund Balance
All Governmental Fund Types and Similar Fiduciary Fund Type
Year Ended June 30, 1999

	Governmental Fund Types				Fiduciary	Totals (Memorandum) (Only)
	General	Special Revenue	Debt Service	Capital Project	Expendable Trust	
REVENUES:						
Taxes	\$ 684,313	436,612	4,000	55,566	0	\$ 1,180,491
Tuition	3,837	0	0	0	0	3,837
Transportation Fees	7,119	0	0	0	0	7,119
Earnings on Investments	19,231	0	0	0	0	19,231
Extracurricular Activities	0	76,290	0	0	0	76,290
Miscellaneous	10,332	1,359	0	0	254	11,945
Revenue from State Sources						
Unrestricted Grants-in-Aid	2,172,371	51,713	0	6,674	0	2,230,758
Restricted Grants-in-Aid	18,564	22,925	0	526,259	0	567,748
Revenue for/on Behalf of District	4,737	0	0	0	0	4,737
Revenue from Federal Sources						
Restricted Grants-in-Aid	0	90,881	0	0	0	90,881
Total Revenue	2,920,504	679,780	4,000	588,499	254	4,193,037
EXPENDITURES:						
Current:						
Instruction						
Regular	1,292,200	390,364	0	1,000	0	1,683,564
Special	89,322	64,122	0	0	0	153,444
Vocational	56,051	0	0	0	0	56,051
Other Instruction	68,396	18,504	0	0	0	86,900
Supporting Services						
Pupils	148,544	0	0	0	0	148,544
Instructional Staff	44,270	0	0	0	0	44,270
Board of Education	167,404	0	0	0	0	167,404
Administration	246,924	0	0	0	0	246,924
Fiscal Services	125,120	7,534	0	987	500	134,141
Business	26,108	23,028	0	0	0	49,136
Operation & Maintenance-Plant	246,715	72,395	0	28,206	982	348,298
Pupil Transportation	270,641	0	0	0	0	270,641
Central	0	8,937	0	4,900	0	13,837
Food Service	19,363	0	0	0	0	19,363
Extracurricular Activities						
Academic & Subject Oriented	4,024	5,057	0	0	0	9,081
Sports Oriented	73,536	49,923	0	0	0	123,459
Co-Curricular Activities	0	25,959	0	0	0	25,959
Capital Outlay						
Site, Architecture & Building Improvement	0	0	0	500,000	0	500,000
Debt Service						
Repayment of Debt	0	0	5,480	0	0	5,480
Total Expenditures	2,878,618	665,823	5,480	535,093	1,482	4,086,496
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	41,886	13,957	(1,480)	53,406	(1,228)	106,541
Other Financing Sources and Uses:						
Sale & Loss of Assets						
Sale & Loss of Assets	5,865	0	0	0	0	5,865
Transfer-In						
Transfer-In	486	353	0	0	0	839
Other Revenues						
Other Revenues	25,058	0	0	0	0	25,058
Total Other Financing Sources and Uses	31,409	353	0	0	0	31,762
Excess (Deficiency) of Revenues and Other Sources Over Expenditure						
Disbursement and Other Uses	73,295	14,310	(1,480)	53,406	(1,228)	138,303
Increase in Inventory						
Increase in Inventory	(1,162)	0	0	0	0	(1,162)
Beginning Fund Balance						
Beginning Fund Balance	(266,527)	8,974	1,539	10,716	1,273	(244,025)
Ending Fund Balance	\$ (194,394)	23,284	59	64,122	45	\$ (106,884)

See Accompanying Notes to the General Purpose Financial Statements.

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Fund Type
Year Ended June 30, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 660,415	702,087	41,672	411,133	426,032	\$ 14,899
Tuition	3,400	3,787	387	0	0	0
Transportation Fees	18,000	7,119	(10,881)	0	0	0
Earnings on Investment	17,500	19,231	1,731	0	0	0
Extracurricular Activities	0	0	0	63,614	77,935	14,321
Classroom Materials and Fees	600	559	(41)	0	0	0
Miscellaneous	7,500	9,913	2,413	200	1,359	1,159
State Unrestricted Grants-in-Aid	1,721,249	2,172,371	451,122	51,000	51,713	713
State Restricted Grants-in-Aid	18,100	20,764	2,664	12,552	47,225	34,673
Revenue for/on Behalf of District	4,000	4,737	737	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	96,547	107,947	11,400
Total Revenue	2,450,764	2,940,568	489,804	635,046	712,211	77,165
Expenditures:						
Regular Instruction	1,392,585	1,312,219	80,366	391,093	390,364	729
Special Instruction	84,520	83,484	1,036	67,306	63,527	3,779
Vocational Instruction	68,756	64,577	4,179	0	0	0
Other Instruction	73,258	72,841	417	18,504	18,504	0
Support Services-Pupils	116,838	148,399	(31,561)	0	0	0
Support Services-Instructional Staff	45,538	45,044	494	0	0	0
Support Services-Board of Education	151,956	167,404	(15,448)	0	0	0
Support Services-Administration	245,572	253,028	(7,456)	0	0	0
Fiscal Services	128,566	126,894	1,672	7,920	7,534	386
Support Services-Business	27,036	26,108	928	23,028	23,028	0
Operation & Maintenance-Plant	244,973	246,103	(1,130)	70,748	71,864	(1,116)
Support Services-Transportation	271,475	277,173	(5,698)	0	0	0
Support Services-Central	0	0	0	8,936	8,696	240
Food Services Operations	20,000	19,363	637	0	0	0
Academic & Subject Oriented	0	4,024	(4,024)	5,057	5,057	0
Sports Oriented	64,465	73,550	(9,085)	51,678	49,193	2,485
Co-Curricular Activities	0	0	0	26,584	25,959	625
Building Improvement	0	0	0	0	0	0
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	2,935,538	2,920,211	15,327	670,854	663,726	7,128
Excess of Revenue Over (Under) Expenditures	(484,774)	20,357	505,131	(35,808)	48,485	84,293
Other Financing Sources (Uses):						
Safe and Loss of Assets	900	5,865	4,965	0	0	0
Advances-In	12,295	12,295	0	0	0	0
Transfers-In	0	486	486	15,340	353	(14,987)
Refund of Prior Years Expenditures/Receipts	3,000	14,817	11,817	0	0	0
Advances-Out	(50,000)	(50,000)	0	(12,295)	(12,295)	0
Transfer-Out	0	0	0	0	0	0
Total Other Sources (Uses)	(33,805)	(16,537)	17,268	3,045	(11,942)	(14,987)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(518,579)	3,820	\$22,399	(32,763)	36,543	69,306
Beginning Fund Balance	105,631	105,631	--	8,997	8,997	--
Prior Year Carry Over Encumbrances	0	0	--	0	0	--
Ending Fund Balance	\$ (412,948)	109,451	\$22,399	(23,766)	45,540	\$ 69,306

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Fund Type - Continued
Year Ended June 30, 1999

	Debt Service Funds			Capita Project Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 4,000	4,000	0	53,006	55,566	\$ 2,560
Tuition	0	0	0	0	0	0
Transportation Fees	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials and Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	0	0	0	6,208	6,674	466
State Restricted Grants-in-Aid	0	0	0	48,158	501,959	453,801
Revenue for/on Behalf of District	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	4,000	4,000	0	107,372	564,199	456,827
Expenditures:						
Regular Instruction	0	0	0	1,200	1,000	200
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	0	0	0	5,700	987	4,713
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	58,287	26,706	31,581
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	4,900	4,900	0
Food Services Operations	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Building Improvement	0	0	0	500,000	500,000	0
Repayment of Debt	5,539	5,480	59	0	0	0
Total Expenditures	5,539	5,480	59	570,087	533,593	36,494
Excess of Revenue Over (Under) Expenditures	(1,539)	(1,480)	59	(462,715)	30,606	493,321
Other Financing Sources (Uses):						
Sale and Loss of Assets	0	0	0	0	0	0
Advances-In	0	0	0	0	50,000	50,000
Transfers-In	0	0	0	0	0	0
Refund of Prior Years Expenditures/Receipts	0	0	0	0	0	0
Advances-Out	0	0	0	0	0	0
Transfer-Out	0	0	0	0	0	0
Total Other Sources (Uses)	0	0	0	0	50,000	50,000
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,539)	(1,480)	59	(462,715)	80,606	543,321
Beginning Fund Balance	1,539	1,539	--	10,529	10,529	--
Prior Year Carry Over Encumbrances	0	0	--	187	187	--
Ending Fund Balance	\$ 0	59	59	(451,999)	91,322	\$ 543,321

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Fund Type- Continued
Year Ended June 30, 1999

	Expendable Trust Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	0	0	0	1,128,554	1,187,685	\$ 59,131
Tuition	0	0	0	3,400	3,787	387
Transportation Fees	0	0	0	18,000	7,119	(10,881)
Earnings on Investment	0	0	0	17,500	19,231	1,731
Extracurricular Activities	0	0	0	63,614	77,935	14,321
Classroom Materials and Fees	0	0	0	600	559	(41)
Miscellaneous	250	254	4	7,950	11,526	3,576
State Unrestricted Grants-in-Aid	0	0	0	1,778,457	2,230,758	452,301
State Restricted Grants-in-Aid	0	0	0	78,810	569,948	491,138
Revenue for/on Behalf of District	0	0	0	4,000	4,737	737
Federal Restricted Grants-in-Aid	0	0	0	96,547	107,947	11,400
Total Revenue	250	254	4	3,197,432	4,221,232	1,023,800
Expenditures:						
Regular Instruction	0	0	0	1,784,878	1,703,583	81,295
Special Instruction	0	0	0	151,826	147,011	4,815
Vocational Instruction	0	0	0	68,756	64,577	4,179
Other Instruction	0	0	0	91,762	91,345	417
Support Services-Pupils	0	0	0	116,838	148,399	(31,561)
Support Services-Instructional Staff	0	0	0	45,538	45,044	494
Support Services-Board of Education	0	0	0	151,956	167,404	(15,448)
Support Services-Administration	0	0	0	245,572	253,028	(7,456)
Fiscal Services	250	0	250	142,436	135,415	7,021
Support Services-Business	0	0	0	50,064	49,136	928
Operation & Maintenance-Plant	1,000	982	18	375,008	345,655	29,353
Support Services-Transportation	0	0	0	271,475	277,173	(5,698)
Support Services-Central	0	0	0	13,836	13,596	240
Food Services Operations	0	0	0	20,000	19,363	637
Academic & Subject Oriented	0	0	0	5,057	9,081	(4,024)
Sports Oriented	0	0	0	116,143	122,743	(6,600)
Co-Curricular Activities	0	0	0	26,584	25,959	625
Building Improvement	0	0	0	500,000	500,000	0
Repayment of Debt	0	0	0	5,539	5,480	59
Total Expenditures	1,250	982	268	4,183,268	4,123,992	59,276
Excess of Revenue Over (Under) Expenditures	(1,000)	(728)	272	(985,836)	97,240	1,083,076
Other Financing Sources (Uses):						
Sale and Loss of Assets	0	0	0	900	5,865	4,965
Advance-In	0	0	0	12,295	62,295	50,000
Transfer-In	0	0	0	15,340	839	(14,501)
Refund of Prior Years Expenditures	0	0	0	3,000	14,817	11,817
Advances-Out	0	0	0	(62,295)	(62,295)	0
Transfer-Out	0	0	0	0	0	0
Total Other Sources (Uses)	0	0	0	(30,760)	21,521	52,281
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,000)	(728)	272	(1,016,596)	118,761	1,135,357
Beginning Fund Balance	1,273	1,273	--	127,969	127,969	--
Prior Year Carry Over Encumbrances	0	0	--	187	187	--
Ending Fund Balance	\$ 273	\$ 545	272	(888,440)	\$ 246,917	\$ 1,135,357

See Accompanying Notes to the General Purpose Financial Statements.

**Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types and Non-Expendable Trust Funds
Year Ended June 30, 1999**

	Proprietary Fund Types		Fiduciary Fund Types	
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Funds	Totals (Memorandum) (Only)
Operating Revenues:				
Food Service	\$ 103,444	0	0	\$ 103,444
Classroom Materials & Fees	16,113	0	0	16,113
Total Operating Revenue	<u>119,557</u>	<u>0</u>	<u>0</u>	<u>119,557</u>
Operating Expenses:				
Personal Services - Salary	47,612	0	0	47,612
Employee Benefits	7,717	0	0	7,717
Purchased Services	1,993	0	823	2,816
Supplies and Materials	82,481	0	0	82,481
Other Expenses	0	0	1,378	1,378
Depreciation	1,945	0	0	1,945
Total Operating Expenses	<u>141,748</u>	<u>0</u>	<u>2,201</u>	<u>143,949</u>
Operating Loss	(22,191)	0	(2,201)	(24,392)
Non-Operating Revenues:				
Miscellaneous	0	0	26,235	26,235
Earnings on Investment	183	0	600	783
State Unrestricted Grants-In-Aid	893	0	0	893
Federal Unrestricted Grants-In-Aid	18,736	0	0	18,736
Federal Restricted Grants-In-Aid	5,030	0	0	5,030
Total Non-Operating Revenues	<u>24,842</u>	<u>0</u>	<u>26,835</u>	<u>51,677</u>
Net Income Before Operating Transfers	2,651	0	24,634	27,285
Transfers-Out	0	(200)	(286)	(486)
Net Income (Loss)	<u>2,651</u>	<u>(200)</u>	<u>24,348</u>	<u>26,799</u>
Beginning Retained Earnings (as restated)	<u>1,151</u>	<u>200</u>	<u>2,482</u>	<u>3,833</u>
Retained Earnings at End of Year	<u>\$ 3,802</u>	<u>0</u>	<u>26,830</u>	<u>\$ 30,632</u>

See Accompanying Notes to the General Purpose Financial Statements.

Combined Statement of Cash Flow
All Proprietary Fund Types and Non-Expendable Trust Funds
Year Ended June 30, 1999

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>		Totals (Memorandum (Only))
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Funds		
Cash Flows from Operating Activities					
Operating Loss	\$ (22,191)	0	(2,201)	\$ (24,392)	
Adjustment to Reconcile Operating Loss					
To Net Cash used in Operating Activities:					
Depreciation	1,945	0	0	1,945	
Net (Increase) Decrease in Assets:					
Intergovernmental Receivable	(97)	0	0	(97)	
Accounts Receivable	326	0	(221)	105	
Inventory	(99)	0	0	(99)	
Net Increases (Decreases) in Liabilities:					
Accounts Payable	(82)	0	0	(82)	
Intergovernmental Payable	(501)	0	0	(501)	
Due to Other Funds	(95)	0	0	(95)	
Deferred Revenue	123	0	0	123	
Accrued Wages and Benefits	287	0	0	287	
Compensated Absences	3,130	0	0	3,130	
Total Adjustments	4,937	0	(221)	4,716	
Net Cash Used in Operating Activities	(17,254)	0	(2,422)	(19,676)	
Cash Flows from Noncapital Activities:					
Earnings on Investments	183	0	600	783	
Grants from State Sources	893	0	0	893	
Grants from Federal Sources	18,736	0	0	18,736	
Federal Commodities	5,030	0	0	5,030	
Transfers In/Out	0	(200)	(286)	(486)	
Miscellaneous	0	0	26,235	26,235	
Net Cash Provided by Noncapital Financing Sources	24,842	(200)	26,549	51,191	
Net Increase (Decrease) in Cash & Cash Equivalents	7,588	(200)	24,127	31,515	
Cash and Cash Equivalents at Beginning of Year	18,414	200	2,482	21,096	
Cash and Cash Equivalents at End of Year	<u>\$ 26,002</u>	<u>0</u>	<u>26,609</u>	<u>\$ 52,611</u>	

See Accompanying Notes to the General Purpose Financial Statements.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Average daily membership (ADM) as of October 1, 1998, was 640.5. The District employed five (5) administrative and supervisory personnel, 38 certified employees and 22 non-certificated employees. The District is supervised by the Trumbull County Educational Service Center, a separate entity.

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

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement 14, The Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the district is financially accountable. This report includes all activities considered by management to be part of the school by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

B. Fund Accounting

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

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

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

Governmental Fund Types

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Proprietary Fund Types

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

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

Internal Service Funds - These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

Fiduciary Fund Types

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

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

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

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

Account Groups

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

C. Measurement Focus/Basis of Accounting

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

- 1) Only current assets and current liabilities are generally included on their balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
 - a) Revenue accrued at the end of the year may include book fines, fees, interest and tuition.
 - b) Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate, and are not intended to finance fiscal year 1999 operations, have been recorded as deferred revenues.
- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budget and Budgetary Accounting

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

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at a board meeting in January.
- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in July. The Annual Appropriation Resolution is usually adopted at the July regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.
- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. During fiscal year 1999, investments were limited to a money market account. For the District, all investment earnings accrue to the General Fund, Food Service Fund and Trust Funds. Interest income earned in fiscal year 1999 totaled \$20,014.

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 1999. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available". "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 1999 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

G. Inventories

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Fixed Assets

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

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

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

J. Intergovernmental Revenues

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

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

Entitlements:

General Fund

State Foundation Program
School Bus Funding

Special Revenue Funds

Educational Management Information Systems

Non-Reimbursable Grants:

Special Revenue Funds

DPIA
Title I
Title VI
Title VI B
Professional Block Grant
Technical Training Grant

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SchoolNet Professional Development
Textbook Subsidy Grant
Telecommunications Act Grant

Capital Project Fund

School Net Plus
Technology Equity
Emergency School Building Repair Grant

Reimbursable Grants:

General Fund

Driver Education Reimbursement
Tutor Reimbursement

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 69% of the District's operating revenue during the 1999 fiscal year.

K. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds". Short-term interfund loans are classified as "interfund receivables/payables". At June 30, 1999, the District had no Due to Other Funds and \$50,000 "interfund receivables/payables".

L. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 1999 the District had no long-term interfund loans.

M. Compensated Absences

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

N. Contributed Capital

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

O. Long-Term Obligations

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

P. Interfund Transactions

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents (an intergovernmental receivable) set aside to establish a budget stabilization reserve, textbook reserve and capital improvement reserve. These reserves are required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1998, the District received a \$18,681 refund from the Bureau of Workers' Compensation which State statute required to be included in the budget stabilization reserve. Fund balance reserves have also been established.

R. Fund Balance Reserves

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

S. 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.

T. Memorandum Only - Total Columns

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. BUDGETARY BASIS OF ACCOUNTING

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

	Governmental Fund Types				
	General Fund	Special Revenue	Debt Service	Capital Project	Expendable Trust Funds
	Governmental Fund Types				
GAAP Basis	\$ 73,295	14,310	(1,480)	53,406	\$ (1,228)
Increase (Decrease):					
Due to Revenues:					
Net Adjustments to Revenue	20,064	32,431	0	(24,300)	0
Due to Expenditures:					
Net Adjustments to Expenditure	(41,593)	2,097	0	1,500	500
Due to Other Sources/Uses	(47,946)	(12,295)	0	50,000	0
Budget Basis	\$ 3,820	36,543	(1,480)	80,606	\$ (728)

3. ACCOUNTABILITY AND COMPLIANCE

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

4. FUND DEFICITS

Fund Deficits:

Fund balances and retained earnings at June 30, 1999, included the following individual deficits:

General Fund: (\$194,394)

Special Revenue Fund:
 Title I (\$ 6,411)

Capital Project Fund:
 Emergency Building School Repair (\$50,000)

Proprietary Fund Types:
 Food Service (\$20,438)

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

5. CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

5. CASH AND CASH EQUIVALENTS (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,

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

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

Deposits: At year end, the carrying amount of the District's deposits was \$361,581 and the bank balance was \$370,572. Of the bank balance:

1. \$104,630 was covered by federal depository insurance; and
2. \$265,942 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

6. PROPERTY TAX

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Trumbull County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 1993, an update was done in 1996. The next revaluation is scheduled for 1999. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due February 14, with the remainder payable June 20.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

6. PROPERTY TAX (continued)

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

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

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

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

The full tax rate at the fiscal year ended June 30, 1999 for operations was \$47.14 per \$1,000 of assessed valuation and \$2.00 per \$1,000 of assessed valuation for permanent improvements. The assessed values of real and tangible personal property on which the fiscal year 1999 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$	1,187,410
Real Property-Residential/Agricultural		31,390,270
Personal Property-General		815,925
Personal Property-Public Utilities		2,695,600
		36,089,205
Total Assessed Value	\$	36,089,205

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

7. RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
Drivers Education	\$ 200
Proprietary Funds:	
State Reimbursements	<u>97</u>
Grand Total	<u>\$ 297</u>

8. FIXED ASSETS

The following is a summary of the proprietary funds property, plant and equipment at June 30, 1999:

Furniture and Equipment	\$ 53,690
Less Accumulated Depreciation	<u>(38,145)</u>
Net Fixed Assets	<u>\$ 15,545</u>

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 1999:

	General Fixed Assets June 30, 1998	Additions	Deletions	General Fixed Assets June 30, 1999
Land and Improvements	\$ 22,380	0	0	\$ 22,380
Buildings	1,157,871	0	0	1,157,871
Improvements	23,949	0	0	23,949
Furniture and Equipment	1,417,329	19,476	19,167	1,417,638
Vehicles	399,771	47,450	15,000	432,221
Total General Fixed Assets	<u>\$ 3,021,300</u>	<u>66,926</u>	<u>34,167</u>	<u>\$ 3,054,059</u>

Fixed Assets at June 30, 1998 have been restated due to a District change in threshold from \$250 to \$500. There was no significant construction in progress at June 30, 1999.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

9. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$240,096, \$231,768, and \$216,768, respectively; 83.2 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$40,288 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1998 (the latest report available), 9.79 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$68,850, \$64,890, and \$52,962, respectively; 47.8 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$31,698 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

9. DEFINED BENEFIT PENSION PLANS (continued)

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. As of June 30, 1998, no members of the Board of Education have elected social security.

10. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998 (the latest report available) the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 3.5 percent. For the District, this amount equaled \$60,024 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$1,860 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$192,077,000 and STRS had 88,718 eligible benefit recipients.

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

For fiscal year 1998 (the latest report available), employer contributions to fund health care benefits were 4.21 percent of covered payroll, an increase from 3.5 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$97,429,197 and the target level was \$121.8 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$146.4 million. SERS has approximately 48,200 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$28,272 during the 1999 fiscal year.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

11. COMPENSATED ABSENCES

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

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

The Classified personnel accumulate vacation based on the following schedule:

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

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

Retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the District for a minimum of five years and has ten years of service with the State Retirement System at the time of retirement.

Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to seventy-six and one-fourth days. The Superintendent is entitled to severance on all accumulated and unused sick leave without limit per contract.

12. RISK MANAGEMENT

A. General Risk

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

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

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

The District maintains replacement cost insurance on buildings and contents in the amount of \$5,645,835.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

12. RISK MANAGEMENT (continued)

B. Workers Compensation-Public Entity Risk Pool

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA).

The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Shared Risk Pool

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

13. NOTES AND LONG-TERM DEBT

A summary of changes in long-term obligations for the year ended June 30, 1999, are as follows:

	Balance					Balance
	July 1, 1998	Additions	Deletions			June 30, 1999
Intergovernmental Payable	\$ 31,875	26,154	31,875	\$		26,154
Capital Leases Payable	27,596	0	7,743			19,853
Asbestos Loan Payable	25,845	0	5,000			20,845
Energy Notes Payable	536	0	536			0
Compensated Absences Payable	421,442	452,310	421,442			452,310
	<u>\$ 507,294</u>	<u>478,464</u>	<u>466,596</u>	<u>\$</u>		<u>519,162</u>

Capital Leases Payable:

The District has a capital lease for a copier. This equipment has been capitalized in the general fixed assets account group. This obligation provides for interest at a rate of 7%, with an outstanding balance of \$19,853 at June 30, 1999.

The following is a schedule of future minimum lease payments required under capital leases and present value of the minimum lease payments for the copier in the Governmental funds as of June 30, 1999:

	Year Ending June 30
FY2000	\$ 14,400
FY2001	14,400
FY2002	3,600
	<u>32,400</u>
Less interest:	(12,547)
Present Value of Minimum Lease Payments	<u>\$ 19,853</u>

Asbestos Loan Payable:

The District received an interest free grant and loan for Asbestos assistance with the United States Environmental Protection Agency. Under the Asbestos Schools Hazard Abatement Act of 1984, the District received a grant of \$16,979 and a loan of \$68,345 to assist in an asbestos removal project. The repayment schedule for the loan portion is \$2,500 every six months, with the first payment made in 1988 and the final amount due in 2,004.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

13. NOTES AND LONG-TERM DEBT (continued)

Payment for the installment purchase obligations as of June 30, 1999, and related interest.

	Payment
FY2000	\$ 5,000
FY2001	5,000
FY2002	5,000
FY2003	5,000
FY2004	845
	\$ 20,845

Energy Loan Payable:

The District issued Energy Conservation notes in the amount of \$58,836 in 1988 with an interest rate of 8%. The issues matured in December, 1998.

Debt Limitation:

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District has no unvoted debt, the District's unvoted debt margin is \$36,089. The voted debt margin at June 30, 1999 is \$3,248,028.

14. SEGMENTS OF ENTERPRISE ACTIVITIES

Key financial data for the District's Enterprise Funds for the year ended June 30, 1999, are as follows:

	Lunchroom Fund	Uniform School Supply Fund	Total
Operating Revenues	\$ 103,444	16,113	\$119,557
Operating Expenses:			
Depreciation	(1,945)	0	(1,945)
Other Expenses	(129,434)	(10,369)	(139,803)
Total Operating Expenses	(131,379)	(10,369)	(141,748)
Operating Gain (Loss)	(27,935)	5,744	(22,191)
Non Operating Revenues and			
Grants	24,659	0	24,659
Loss on Disposal of Assets	183	0	183

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Net Income (Loss)	\$ (3,093)	5,744	\$ 2,651
Net Working Capital	\$ (20,100)	24,241	\$ 4,141
Contributed Capital	\$ 15,884	0	\$ 15,884
Total Assets	\$ 20,183	24,240	\$ 44,423
Total Fund Equity	\$ (20,438)	24,240	\$ 3,802

15. INTERFUND TRANSACTIONS

At June 30, 1999, the District had short-term interfund loans which are classified as "interfund receivables/payables." Receivables and payables resulting from goods provided or services rendered are classified as "due from/to other funds." An analysis of interfund balances is as follows:

Interfund Receivable/Payable:

	Receivables	Payables
General Fund	\$ 50,000	\$ 0
Capital Project Funds	0	50,000
	<u>\$ 50,000</u>	<u>\$ 50,000</u>

16. JOINTLY GOVERNED ORGANIZATIONS

NORTH EASTERN OHIO MANAGEMENT INFORMATION NETWORK- (NEOMIN) is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts support NEOMIN based upon a per pupil charge. The District contributed \$7,968 to NEOMIN for fiscal year 1999.

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

The District was not represented on the Governing Board during fiscal year 1999. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

North East Ohio Special Education Regional Resource Center (NEOSERRC)

NEOSERRC provides special education services at a regional level, as determined by each of the participating local school districts.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

16. JOINTLY GOVERNED ORGANIZATIONS (continued)

North East Ohio Instructional Media Center (NEOIMC)

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

NEOIMC is governed by an advisory committee made up of a member from a parochial school, a joint vocational school, one county superintendent from each participating county, one city superintendent and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 1999, Southington Local District contributed \$922.60. Financial information may be obtained by contacting the Treasurer of the Trumbull Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

Trumbull County Joint Vocational School

The Trumbull County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. Financial information may be obtained by contacting the Treasurer of the Trumbull County Joint Vocational School, 528 Educational Highway, Warren, Ohio 44483.

17. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 1999.

B. Litigation

The District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 1999.

18. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$1,988,079 of school foundation support for its general fund.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

18. STATE SCHOOL FUNDING DECISION (continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution.

The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of this date, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

19. RESTATEMENT OF FIXED ASSETS

In prior years, the District reported assets with a capitalization threshold of \$250. The District has changed its capitalization threshold to \$500 effective with this reporting year. The effect of this change for the year ended June 30, 1999 is as follows:

	Proprietary Fixed Assets June 30, 1998	Restatement	Proprietary Fixed Assets June 30, 1998
Furniture and Equipment	\$ 58,054	\$ (4,364)	\$ 53,690
Less Accumulated	(40,064)	3,864	(36,200)
Net Fixed Assets	<u>\$ 17,990</u>	<u>\$ (500)</u>	<u>\$ 17,490</u>

	General Fixed Assets June 30, 1998	Restatement	General Fixed Assets June 30, 1998
Land and Improvements	\$ 22,380	0	\$ 22,380
Buildings	1,158,254	(383)	1,157,871
Improvements	23,949	0	23,949
Furniture and Equipment	1,546,253	(128,924)	1,417,329
Vehicles	399,771	0	399,771
Total General Fixed Assets	<u>\$ 3,150,607</u>	<u>(129,307)</u>	<u>\$ 3,021,300</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

20. STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance 7/1/1998	\$ 0	0	18,681	\$ 18,681
Required Set-Aside	49,674	49,674	0	99,348
Offset Credits	(874)	(42,225)	0	(43,099)
Qualifying Expenditures	(38,871)	(6,572)	0	(45,443)
Balance 6/30/1999	<u>\$ 9,929</u>	<u>877</u>	<u>18,681</u>	<u>\$ 29,487</u>
Cash Balance Carried Forward to FY2000	<u>\$ 9,929</u>	<u>877</u>	<u>18,681</u>	<u>\$ 29,487</u>
Amount Restricted	<u>\$ 9,929</u>	<u>877</u>	<u>18,681</u>	<u>\$ 29,487</u>

21. YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)). The District has buildings with power systems which have extensive efficiency utilization measures within the systems. Vendor compliance assurances are being requested.

The District utilizes Snyder Software for its financial reporting, payroll and employee benefits. Snyder Software is responsible for remediating these systems. The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

The District currently is assessing the changes needed in the power systems. Systems may have to be remediated, tested and validated.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success or related remediation efforts will not be fully determinable until the year 2000 and thereafter.

Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Government Center
242 Federal Plaza West, Suite 302
Youngstown, Ohio 44503

Telephone 330-797-9900
800-443-9271

Facsimile 330-797-9949

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

Southington Local School District
Trumbull County
4432 State Route 305, N.W.
Southington, Ohio 44470

To the Board of Education:

We have audited the financial statements of Southington Local School District, Trumbull County, as of and for the year ended June 30, 1999, and have issued our report thereon dated December 10, 1999. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance


As part of obtaining reasonable assurance about whether Southington Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Southington Local School District in a separate letter dated December 10, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southington Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Southington Local School District, in a separate letter dated December 10, 1999.

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

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State
December 10, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

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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.

By: _____

Susan Babbitt

Clerk of the Bureau

Date: _____

JAN 11 2000