



Mary Taylor, CPA
Auditor of State

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Salem City School District
Columbiana County
1226 East State Street
Salem, Ohio 44460

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 Salem City School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2008, 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 Salem City School District, Columbiana County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, 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 January 28, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

January 28, 2009

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The management's discussion and analysis of the Salem City School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

- In total, net assets of governmental activities increased \$1,981,602 which represents a 69.08% increase from 2007.
- General revenues accounted for \$18,878,546 in revenue or 83.94% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$3,612,282 or 16.06% of total revenues of \$22,490,828.
- The District had \$20,509,226 in expenses related to governmental activities; only \$3,612,282 of these expenses was offset by program specific charges for services or grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$18,878,546 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and permanent improvement fund. The general fund had \$19,140,063 in revenues and \$17,271,609 in expenditures and other financing uses. During fiscal year 2008, the general fund's fund deficit balance decreased \$1,868,454 from a restated deficit of \$3,372,580 to a deficit of \$1,504,126. See Note 3.B for details on the restatement.
- The permanent improvement fund had \$807,378 in revenues and other financing sources and \$1,248,150 in expenditures. During fiscal year 2008, the permanent improvement fund's fund balance decreased \$440,772 from \$1,551,238 to \$1,110,466.

Using the Basic Financial Statements (BFS)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire 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 District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance, pupil transportation, operation of non-instructional services, extracurricular activities, food service operations, and interest and fiscal charges.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in 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* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the 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* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical, dental and vision benefits. The basic proprietary fund financial statements can be found on pages 20-21 of this report.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-51 of this report.

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole. A comparative analysis for government-wide financial statements using the full accrual basis of accounting is presented below. Certain 2007 amounts have been reclassified to conform with 2008's presentation.

	Net Assets	
	Governmental Activities 2008	Governmental Activities 2007
<u>Assets</u>		
Current and other assets	\$ 14,690,399	\$ 14,705,362
Capital assets, net	<u>5,572,404</u>	<u>5,056,512</u>
Total assets	<u>20,262,803</u>	<u>19,761,874</u>
<u>Liabilities</u>		
Current liabilities	13,529,615	14,938,427
Long-term liabilities	<u>1,882,859</u>	<u>1,954,720</u>
Total liabilities	<u>15,412,474</u>	<u>16,893,147</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	5,567,970	5,052,078
Restricted	1,235,708	1,951,099
Unrestricted (deficit)	<u>(1,953,349)</u>	<u>(4,134,450)</u>
Total net assets	<u>\$ 4,850,329</u>	<u>\$ 2,868,727</u>

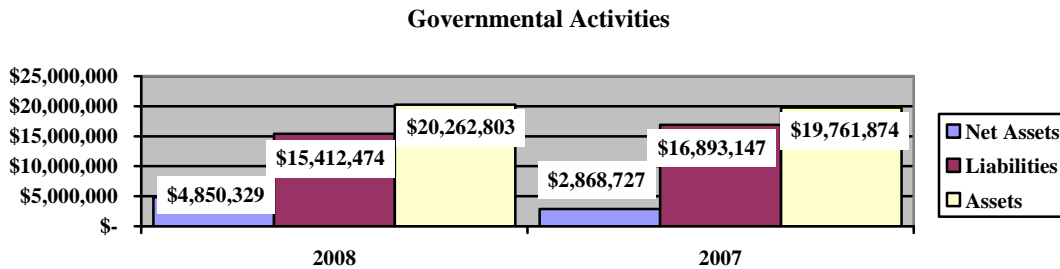
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$4,850,329. A portion of the District's net assets, \$1,235,708, represents resources that are subject to external restriction on how they may be used.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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At fiscal year-end, capital assets represented 27.50% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$5,567,970. These capital assets are used to provide services to the students and are not available for future spending.

The graphs below present the District's governmental net assets at June 30, 2008 and June 30, 2007.



The table below shows the change in net assets for fiscal years 2008 and 2007. Certain fiscal year 2007 amounts have been reclassified in order to conform to fiscal year 2008's presentation.

	Change in Net Assets	
	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,057,662	\$ 1,060,397
Operating grants and contributions	2,548,171	2,815,342
Capital grants and contributions	6,449	71,084
General revenues:		
Property taxes	9,613,559	9,258,815
Grants and entitlements	8,827,888	7,990,038
Income taxes	19,547	-
Investment earnings	68,180	96,603
Other	<u>349,372</u>	<u>300,115</u>
Total revenues	<u>22,490,828</u>	<u>21,592,394</u>

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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Change in Net Assets

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	7,404,781	7,788,261
Special	2,569,610	2,520,794
Vocational	486,675	536,700
Adult/continuing	546,896	549,748
Other	1,672,538	1,579,438
Support services:		
Pupil	872,806	804,718
Instructional staff	507,551	583,741
Board of education	20,060	31,080
Administration	1,389,911	1,444,629
Fiscal	663,543	729,421
Business	11,794	27,390
Operations and maintenance	2,041,266	2,018,100
Pupil transportation	730,397	675,930
Central	211,038	254,841
Operations of non-instructional services:		
Other non-instructional services	42,955	49,169
Food service operations	589,363	475,644
Extracurricular activities	607,122	602,004
Intergovernmental pass through	94,585	75,768
Interest and fiscal charges	46,335	52,537
Total expenses	<u>20,509,226</u>	<u>20,799,913</u>
Change in net assets	1,981,602	792,481
Net assets at beginning of year	<u>2,868,727</u>	<u>2,076,246</u>
Net assets at end of year	<u>\$ 4,850,329</u>	<u>\$ 2,868,727</u>

Governmental Activities

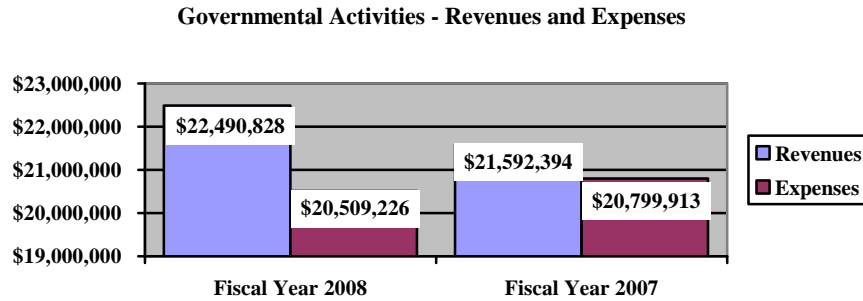
Net assets of the District's governmental activities increased \$1,981,602. Total governmental expenses of \$20,509,226 were offset by program revenues of \$3,612,282 and general revenues of \$18,878,546. Program revenues supported 17.61% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 82.00% of total governmental revenue.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.



The statement of activities shows the cost of program services and the charges for services and operating grants and contributions offsetting those services. The following table 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 grants and entitlements. Certain fiscal year 2007 amounts have been reclassified in order to conform to fiscal year 2008's presentation.

Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	\$ 7,404,781	\$ 6,883,993	\$ 7,788,261	\$ 7,076,367
Special	2,569,610	1,188,451	2,520,794	1,022,493
Vocational	486,675	437,321	536,700	461,157
Adult/continuing	546,896	42,103	549,748	66,282
Other	1,672,538	1,671,238	1,579,438	1,554,883
Support services:				
Pupil	872,806	794,280	804,718	788,289
Instructional staff	507,551	499,840	583,741	571,978
Board of education	20,060	20,060	31,080	31,080
Administration	1,389,911	1,301,257	1,444,629	1,349,889
Fiscal	663,543	663,543	729,421	726,133
Business	11,794	11,794	27,390	11,154
Operations and maintenance	2,041,266	2,029,799	2,018,100	2,006,200
Pupil transportation	730,397	680,122	675,930	654,488
Central	211,038	195,571	254,841	219,933
Operations of non-instructional services				
Other non-instructional services	42,955	19,026	49,169	6,268
Food service operations	589,363	(23,208)	475,644	(123,121)
Extracurricular activities	607,122	420,097	602,004	370,777
Intergovernmental pass through	94,585	15,322	75,768	6,303
Interest and fiscal charges	46,335	46,335	52,537	52,537
Total expenses	<u>\$ 20,509,226</u>	<u>\$ 16,896,944</u>	<u>\$ 20,799,913</u>	<u>\$ 16,853,090</u>

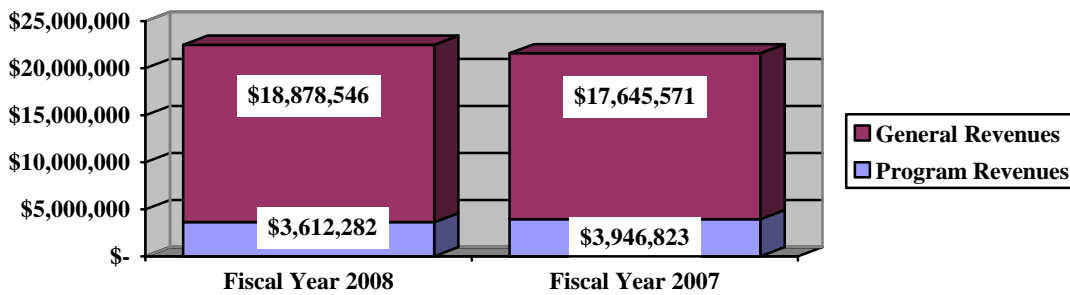
**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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The dependence upon tax and other general revenues for governmental activities is apparent, 80.62% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.39%. The District's taxpayers and unrestricted grants and entitlements from the State are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined deficit of \$276,306, which is higher than last year's deficit balance of \$1,503,989. The general fund's balance has been restated as described in Note 3.B. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance/(Deficit) June 30, 2008	Restated Fund Balance/(Deficit) June 30, 2007	Increase/ (Decrease)
General	\$ (1,504,126)	\$ (3,372,580)	\$ 1,868,454
Permanent Improvement	1,110,466	1,551,238	(440,772)
Other Governmental	<u>117,354</u>	<u>317,353</u>	<u>(199,999)</u>
Total	<u>\$ (276,306)</u>	<u>\$ (1,503,989)</u>	<u>\$ 1,227,683</u>

General Fund

The District's general fund deficit balance decreased \$1,868,454.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 9,275,477	\$ 8,795,154	\$ 480,323	5.46 %
Tuition	355,196	355,955	(759)	(0.21) %
Earnings on investments	68,180	96,603	(28,423)	(29.42) %
Intergovernmental	9,140,522	8,387,032	753,490	8.98 %
Other revenues	<u>300,688</u>	<u>253,063</u>	<u>47,625</u>	<u>18.82</u> %
Total	<u>\$ 19,140,063</u>	<u>\$ 17,887,807</u>	<u>\$ 1,252,256</u>	<u>7.00</u> %
<u>Expenditures</u>				
Instruction	\$ 10,918,208	\$ 10,725,674	\$ 192,534	1.80 %
Support services	5,917,359	5,997,040	(79,681)	(1.33) %
Operation of non-instructional services	2,008	5,750	(3,742)	(65.08) %
Extracurricular activities	351,713	372,701	(20,988)	(5.63) %
Principal retirement	-	4,352	(4,352)	(100.00) %
Interest and fiscal charges	<u>46,335</u>	<u>52,823</u>	<u>(6,488)</u>	<u>(12.28)</u> %
Total	<u>\$ 17,235,623</u>	<u>\$ 17,158,340</u>	<u>\$ 77,283</u>	<u>0.45</u> %

Overall revenues of the general fund increased \$1,252,256 or 7.00%. The most significant increases were in the areas of taxes and intergovernmental revenue. Tax revenue increased \$480,323 or 5.46% primarily due to increased collection of real estate and personal property taxes. Intergovernmental revenue increased \$753,490 or 8.98%. This increase is the result of greater funding from State foundation and a large increase in tangible personal property reimbursement receipts.

Expenditures of the general fund increased \$77,283 or 0.45%. The most significant increase was in the area of instructional expenditures. Instructional expenditures increased \$192,534 or 1.80%. This increase is due to scheduled contract increases for teachers.

Permanent Improvement Fund

The permanent improvement fund had \$807,378 in revenues and other financing sources and \$1,248,150 in expenditures. During fiscal year 2008, the permanent improvement fund's fund balance decreased \$440,772 from \$1,551,238 to \$1,110,466.

General Fund Budgeting Highlights

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

For the general fund, final budgeted revenues and other financing sources were \$19,168,068, which is higher than the original budgeted revenues estimate of \$19,104,227. Actual revenues and other financing sources for fiscal year 2008 was \$19,171,773. This represents a \$3,555 increase from final budgeted revenues.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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General fund original appropriations (appropriated expenditures plus other financing uses) of \$17,631,826 were increased to \$18,052,210 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$18,036,922.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2008, the District had \$5,572,404 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2008 balances compared to June 30, 2007:

Capital Assets at June 30 (Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2008</u>	<u>2007</u>
Land	\$ 609,577	\$ 609,577
Land improvements	348,344	204,274
Building and improvements	3,626,405	3,448,928
Furniture and equipment	434,016	319,838
Vehicles	<u>554,062</u>	<u>473,895</u>
Total	<u>\$ 5,572,404</u>	<u>\$ 5,056,512</u>

Total additions to capital assets for 2008 were \$882,325. The District recorded \$366,433 in depreciation expense for fiscal year 2008.

Debt Administration

At June 30, 2008, the District had \$4,434 in asbestos removal loans outstanding. All of this amount is due in one year. Outstanding debt at June 30, 2007 has been restated as described in Note 3.B. The following table summarizes the loans outstanding.

Outstanding Debt, at Year End		
	<u>Governmental Activities 2008</u>	<u>Restated Governmental Activities 2007</u>
Asbestos removal loan	<u>\$ 4,434</u>	<u>\$ 4,434</u>
Total	<u>\$ 4,434</u>	<u>\$ 4,434</u>

At June 30, 2008, the District's overall legal debt margin was \$26,344,125 with an unvoted debt margin of \$292,713. The District maintains an A-1 bond rating.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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Current Financial Related Activities

As the preceding information shows, the District relies heavily upon grants, entitlements and especially property taxes. The current decline in the overall economic status in combination with losses of State funding, tangible personal property tax phase out, and declining enrollment will continue to place an increasing financial strain upon the District.

The first challenge comes from phase out of the Tangible Personal Property tax over the next several years. While the State of Ohio officials have "guaranteed" reimbursement of those lost revenues, that period of time is finite and without future guarantees.

The community has also suffered a loss of over 600 manufacturing jobs in the last four years. These effects have stagnated property values resulting in potential stagnation of future District receipts.

Further complicating the District's outlook is the declining enrollment of our students. Enrollment has declined by approximately 400 students (about 15 percent) since 1998.

With property values staying stagnant and declining enrollment, the State foundation formula is no longer working for many Districts. The District is now in a state of Guarantee. The funds received from the State of Ohio are guaranteed to be what they were preceding year. By being in this state of guarantee, the funds will never grow and the gap will be filled with a number to bring the District to last years amounts. This phenomenon is occurring to many districts throughout the State. If the District should decide to secure more local dollars through a levy, the gap aid provided through the State will need to be included.

The Board of Education has addressed the deficit spending in fiscal year 2008 with staff reductions. These reductions will help balance a budget leaving small carryover for the next three fiscal years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Jill A. Rowe, Treasurer, at 1226 East State Street, Salem, Ohio 44460-2299.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 2,461,339
Cash with fiscal agent	243,911
Receivables:	
Taxes	11,876,054
Accounts	3,651
Intergovernmental	86,079
Prepayments	11,879
Materials and supplies inventory.	7,486
Capital assets:	
Land	609,577
Depreciable capital assets, net	4,962,827
Total capital assets, net.	5,572,404
 Total assets.	 20,262,803
 Liabilities:	
Accounts payable.	65,377
Accrued wages and benefits	1,304,487
Pension obligation payable.	344,021
Intergovernmental payable	94,631
Unearned revenue.	10,738,669
Notes payable	867,000
Accrued interest payable	2,412
Claims payable	113,018
Long-term liabilities:	
Due within one year.	330,445
Due in more than one year	1,552,414
 Total liabilities	 15,412,474
 Net Assets:	
Invested in capital assets, net of related debt.	5,567,970
Restricted for:	
Capital projects	1,156,934
Locally funded programs.	11,166
State funded programs	15,041
Federally funded programs	2,947
Student activities.	13,655
Other purposes	35,965
Unrestricted (deficit).	(1,953,349)
 Total net assets	 \$ 4,850,329

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 7,404,781	\$ 387,045	\$ 133,743	\$ -	\$ (6,883,993)
Special	2,569,610	14,861	1,366,298	-	(1,188,451)
Vocational	486,675	-	49,354	-	(437,321)
Adult/continuing	546,896	272,677	232,116	-	(42,103)
Other	1,672,538	-	1,300	-	(1,671,238)
Support services:					
Pupil	872,806	54,708	23,818	-	(794,280)
Instructional staff	507,551	-	7,711	-	(499,840)
Board of education	20,060	-	-	-	(20,060)
Administration	1,389,911	152	88,502	-	(1,301,257)
Fiscal	663,543	-	-	-	(663,543)
Business	11,794	-	-	-	(11,794)
Operations and maintenance	2,041,266	5,794	5,673	-	(2,029,799)
Pupil transportation	730,397	563	43,263	6,449	(680,122)
Central	211,038	-	15,467	-	(195,571)
Operation of non-instructional services:					
Other non-instructional services	42,955	-	23,929	-	(19,026)
Food service operations	589,363	204,662	407,909	-	23,208
Extracurricular activities	607,122	117,200	69,825	-	(420,097)
Intergovernmental pass-through	94,585	-	79,263	-	(15,322)
Interest and fiscal charges	46,335	-	-	-	(46,335)
Totals	\$ 20,509,226	\$ 1,057,662	\$ 2,548,171	\$ 6,449	(16,896,944)

General Revenues:	
Property taxes levied for:	
General purposes	9,032,624
Capital projects	580,935
Income taxes levied for:	
General purposes	19,547
Grants and entitlements not restricted to specific programs	
	8,827,888
Investment earnings	68,180
Miscellaneous	349,372
Total general revenues	18,878,546
Change in net assets	1,981,602
Net assets at beginning of year	2,868,727
Net assets at end of year	\$ 4,850,329

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments.	\$ 666,742	\$ 1,135,739	\$ 322,867	\$ 2,125,348
Receivables:				
Taxes.	11,095,086	780,968	-	11,876,054
Accounts	-	-	3,651	3,651
Intergovernmental	-	-	86,079	86,079
Interfund loans receivable	12,509	-	-	12,509
Due from other funds	94,005	-	-	94,005
Prepayments	11,879	-	-	11,879
Materials and supplies inventory	-	-	7,486	7,486
Advances from other funds	3,033	-	-	3,033
	<u>11,883,254</u>	<u>1,916,707</u>	<u>420,083</u>	<u>14,220,044</u>
Total assets	<u>\$ 11,883,254</u>	<u>\$ 1,916,707</u>	<u>\$ 420,083</u>	<u>\$ 14,220,044</u>
Liabilities:				
Accounts payable	\$ 6,130	\$ 45,968	\$ 13,279	\$ 65,377
Accrued wages and benefits	1,179,650	-	124,837	1,304,487
Compensated absences payable	180,555	-	9,037	189,592
Pension obligation payable.	307,332	-	36,689	344,021
Intergovernmental payable	85,291	-	9,340	94,631
Advances to other funds.	-	-	3,033	3,033
Interfund loan payable	-	-	12,509	12,509
Notes payable	867,000	-	-	867,000
Accrued interest payable	2,412	-	-	2,412
Due to other funds.	-	-	94,005	94,005
Deferred revenue	734,146	46,468	-	780,614
Unearned revenue	10,024,864	713,805	-	10,738,669
	<u>13,387,380</u>	<u>806,241</u>	<u>302,729</u>	<u>14,496,350</u>
Total liabilities	<u>13,387,380</u>	<u>806,241</u>	<u>302,729</u>	<u>14,496,350</u>
Fund Balances:				
Reserved for encumbrances	20,099	166,352	22,369	208,820
Reserved for underground storage	11,000	-	-	11,000
Reserved for materials and supplies inventory.	-	-	7,486	7,486
Reserved for property tax unavailable for appropriation	316,651	20,695	-	337,346
Reserved for prepayments	11,879	-	-	11,879
Reserved for advances	3,033	-	-	3,033
Unreserved, undesignated (deficit), reported in:				
General fund	(1,866,788)	-	-	(1,866,788)
Special revenue funds.	-	-	87,499	87,499
Capital projects fund.	-	923,419	-	923,419
	<u>(1,504,126)</u>	<u>1,110,466</u>	<u>117,354</u>	<u>(276,306)</u>
Total fund balances (deficit).	<u>(1,504,126)</u>	<u>1,110,466</u>	<u>117,354</u>	<u>(276,306)</u>
Total liabilities and fund balances	<u>\$ 11,883,254</u>	<u>\$ 1,916,707</u>	<u>\$ 420,083</u>	<u>\$ 14,220,044</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances (deficit)		\$	(276,306)
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			5,572,404
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			780,614
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.			466,884
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences	\$	(1,688,833)	
Asbestos abatement loan		<u>(4,434)</u>	
Total			<u>(1,693,267)</u>
Net assets of governmental activities		\$	<u><u>4,850,329</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 9,275,477	\$ 595,250	\$ -	\$ 9,870,727
Tuition	355,196	-	229,798	584,994
Transportation fees	563	-	3,211	3,774
Charges for services	-	-	204,662	204,662
Earnings on investments	68,180	-	1,513	69,693
Extracurricular	-	-	173,815	173,815
Classroom materials and fees	-	-	74,432	74,432
Other local revenues	300,125	10,822	113,619	424,566
Intergovernmental - state	9,130,922	157,087	236,292	9,524,301
Intergovernmental - federal	9,600	-	1,847,766	1,857,366
Total revenues	<u>19,140,063</u>	<u>763,159</u>	<u>2,885,108</u>	<u>22,788,330</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,090,323	97,394	370,304	7,558,021
Special	1,682,229	-	930,618	2,612,847
Vocational	500,031	-	-	500,031
Adult/continuing	-	-	580,008	580,008
Other	1,645,625	-	18,828	1,664,453
Support Services:				
Pupil	748,217	4,456	109,484	862,157
Instructional staff	521,046	-	11,317	532,363
Board of education	20,060	-	-	20,060
Administration	1,307,334	-	92,551	1,399,885
Fiscal	659,876	16,109	233	676,218
Business	11,794	-	-	11,794
Operations and maintenance	1,806,914	214,225	4,939	2,026,078
Pupil transportation	650,721	181,842	33,089	865,652
Central	191,397	-	15,856	207,253
Operation of non-instructional services:				
Other non-instructional services	2,008	-	40,616	42,624
Food service operations	-	-	592,551	592,551
Extracurricular activities	351,713	-	217,646	569,359
Intergovernmental pass-through	-	-	92,589	92,589
Facilities acquisition and construction	-	734,124	9,816	743,940
Debt service:				
Interest and fiscal charges	46,335	-	-	46,335
Total expenditures	<u>17,235,623</u>	<u>1,248,150</u>	<u>3,120,445</u>	<u>21,604,218</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,904,440</u>	<u>(484,991)</u>	<u>(235,337)</u>	<u>1,184,112</u>
Other financing sources (uses):				
Transfers in	-	-	35,986	35,986
Transfers (out)	(35,986)	-	-	(35,986)
Sale of capital assets	-	44,219	-	44,219
Total other financing sources (uses)	<u>(35,986)</u>	<u>44,219</u>	<u>35,986</u>	<u>44,219</u>
Net change in fund balances	1,868,454	(440,772)	(199,351)	1,228,331
Fund balances (deficit) at				
beginning of year (restated)	(3,372,580)	1,551,238	317,353	(1,503,989)
Decrease in reserve for inventory	-	-	(648)	(648)
Fund balances (deficit) at end of year	<u>\$ (1,504,126)</u>	<u>\$ 1,110,466</u>	<u>\$ 117,354</u>	<u>\$ (276,306)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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, 2008

Net change in fund balances (deficit) - total governmental funds \$ 1,228,331

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 costs of those assets are allocated over their estimated useful lives as depreciation expense. Capital outlays exceed depreciation expense in the current period accordingly.

Capital asset additions	\$ 882,325	
Current year depreciation	(366,433)	
Total		515,892

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(237,621)	
Intergovernmental	(104,100)	
Total		(341,721)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities they are reported as an expense when consumed. (648)

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. 7,603

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 572,145

Change in net assets of governmental activities \$ 1,981,602

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 9,276,113	\$ 9,307,111	\$ 9,307,111	\$ -
Tuition	354,013	355,196	355,196	-
Transportation fees	561	563	563	-
Earnings on investments	64,408	64,623	68,180	3,557
Other local revenues	266,187	267,077	267,075	(2)
Intergovernmental - state	9,133,078	9,163,598	9,163,598	-
Intergovernmental - federal	9,568	9,600	9,600	-
Total revenues	<u>19,103,928</u>	<u>19,167,768</u>	<u>19,171,323</u>	<u>3,555</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,074,291	7,248,360	7,248,744	(384)
Special	1,653,693	1,694,383	1,694,383	-
Vocational	499,908	512,209	512,209	-
Other	1,607,878	1,647,441	1,647,441	-
Support Services:				
Pupil	773,700	792,737	792,737	-
Instructional staff	499,592	511,885	511,885	-
Board of education	17,513	17,944	17,944	-
Administration	1,319,312	1,351,775	1,351,775	-
Fiscal	676,933	693,589	693,589	-
Business	11,692	11,980	11,980	-
Operations and maintenance	1,769,503	1,813,043	1,813,043	-
Pupil transportation	647,058	662,979	662,979	-
Central	186,801	191,397	191,397	-
Operation of non-instructional	1,960	2,008	2,008	-
Extracurricular activities	344,949	353,437	353,437	-
Debt service:				
Principal	433,000	433,000	433,000	-
Interest and fiscal charges	45,838	45,838	45,838	-
Total expenditures	<u>17,563,621</u>	<u>17,984,005</u>	<u>17,984,389</u>	<u>(384)</u>
Excess of revenues over expenditures	<u>1,540,307</u>	<u>1,183,763</u>	<u>1,186,934</u>	<u>3,171</u>
Other financing sources (uses):				
Refund of prior year expenditure	(150)	(150)	(150)	-
Refund of prior year (receipt)	(19,710)	(19,710)	(4,038)	15,672
Transfers (out)	(35,986)	(35,986)	(35,986)	-
Advances (out)	(12,509)	(12,509)	(12,509)	-
Sale of capital assets	449	450	450	-
Total other financing sources (uses)	<u>(67,906)</u>	<u>(67,905)</u>	<u>(52,233)</u>	<u>15,672</u>
Net change in fund balance	1,472,401	1,115,858	1,134,701	18,843
Fund balance (deficit) at beginning of year	(436,670)	(436,670)	(436,670)	-
Prior year encumbrances appropriated	41,044	41,044	41,044	-
Fund balance at end of year	<u>\$ 1,076,775</u>	<u>\$ 720,232</u>	<u>\$ 739,075</u>	<u>\$ 18,843</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	Governmental Activities - Internal Service Fund
Assets:	
Equity in pooled cash and cash equivalents	\$ 335,991
Cash with fiscal agent	243,911
	579,902
Liabilities:	
Claims payable	113,018
	113,018
Net assets:	
Unrestricted	466,884
	466,884
Total net assets.	\$ 466,884

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:	
Sales/charges for services.	\$ 4,022,232
Total operating revenues	<u>4,022,232</u>
Operating expenses:	
Claims expense.	<u>3,450,087</u>
Total operating expenses.	<u>3,450,087</u>
Operating income/change in net assets	572,145
Net assets (deficit) at beginning of year . .	<u>(105,261)</u>
Net assets at end of year	<u><u>\$ 466,884</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Cash received from sales/charges for services.	\$ 4,022,232
Cash payments for claims expenses	<u>(3,716,398)</u>
Net cash provided by operating activities	<u>305,834</u>
Net increase in cash and cash equivalents	305,834
Cash and cash equivalents at beginning of year. . .	<u>274,068</u>
Cash and cash equivalents at end of year	<u><u>\$ 579,902</u></u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 572,145
Changes in assets and liabilities:	
Decrease in claims payable.	<u>(266,311)</u>
Net cash provided by operating activities	<u><u>\$ 305,834</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2008

	<u>Agency</u>
Assets:	
Equity in pooled cash and investments.	\$ 68,107
Total assets	<u>\$ 68,107</u>
Liabilities:	
Due to students	\$ 68,107
Total liabilities	<u>\$ 68,107</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Salem City School District (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 City district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education and is responsible for providing public education to residents of the District.

The District ranks as the 255th largest by total enrollment among the 896 public and community school districts in the State. It is staffed by 129 certified employees and 62 non-certified employees who provided services to 2,078 students and other community members.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Education Service System (ACCESS)

Area Cooperative Education Service System (ACCESS) is a computer network which provides data services to twenty-three school districts. 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 governments of these schools supports ACCESS based upon a per pupil charge. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. All of ACCESS revenues are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Youngstown, Ohio 44512.

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan'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 Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Ohio Mid-Eastern Regional Educational Services Agency (OME-RESA)

The District is a participant with several other school districts in an insurance purchasing pool that forms the Ohio Mid-Eastern Regional Educational Services Agency (OME-RESA). OME-RESA was formed for the purpose of providing insurance. OME-RESA is governed by a Board of Directors consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board.

RELATED ORGANIZATION

Salem Public Library

The Salem Public Library (the "Library") is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Salem City School Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Salem Public Library, Mr. Bradley Stephens, Clerk/Treasurer, at 821 State Street, Salem, Ohio 44460.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and 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 District's major governmental funds:

General Fund - The general 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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent Improvement Fund - The permanent improvement fund is used to account for accumulation of resources for acquisition, construction or improvement of capital facilities.

Other governmental funds of the District are used to account for (a) food service operations; and (b) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical benefits to employees.

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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no private-purpose trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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 (i.e., revenues and other financing sources) and uses (i.e., 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.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for sales and services. Operating expenses for internal service funds include the claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donation. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

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 District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. 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.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2008, but which were levied to finance fiscal year 2009 operations and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue on the governmental fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with Columbiana County Budget Commission for rate determination.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final certificate of estimated resources issued during the fiscal year.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the fund level must be approved by the Board of Education. The District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

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 budget amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. 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 investments" on the basic financial statements.

During fiscal year 2008, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and shares of common stock (see below). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$68,180, which includes \$56,303 assigned from other District funds.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

While common stock is not an allowable investment according to Ohio Statute, the District has been endowed with a gift of stock to its education foundation fund (a nonmajor governmental fund). No public funds were used to acquire the stock. At June 30, 2008, the common stock value was \$52,195.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when received. Inventories are accounted for using the purchase method on the fund statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. 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 deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables." On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as "advances to/from other funds." On fund financial statements, receivables and payables resulting from short-term interfund loans between funds to cover cash deficits are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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, compensated absences 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 year. Loans and notes are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property taxes unavailable for appropriation, underground storage, and advances. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for the education foundation fund (a nonmajor governmental fund).

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset on the fund financial statements.

O. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Interfund Activity

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

Q. 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. Neither type of transaction occurred during fiscal year 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

B. Restatement of Fund Balance and Net Assets

A fund restatement is required to properly record the tax anticipation note and accrued interest payable associated with the note as fund liabilities.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

This fund restatement had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ (2,070,665)	\$ 1,551,238	\$ 317,353	\$ (202,074)
Tax anticipation note	(1,300,000)	-	-	(1,300,000)
Accrued interest payable	<u>(1,915)</u>	<u>-</u>	<u>-</u>	<u>(1,915)</u>
Restated fund balance at June 30, 2007	<u>\$ (3,372,580)</u>	<u>\$ 1,551,238</u>	<u>\$ 317,353</u>	<u>\$ (1,503,989)</u>

See Note 9 for the effect of the change on long-term liability balances as previously reported by the District at June 30, 2007.

C. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
General	\$ 1,504,126
<u>Nonmajor funds</u>	
Adult education	118,536
Poverty based assistance	301
Title VI-B	10,261
Title I	4,743

These funds, except the adult education fund, complied with State law, which does not permit a cash basis deficit at fiscal year-end. The deficit fund balances in the general fund, poverty based assistance, Title VI-B and Title I funds result from adjustments for accrued liabilities. The deficit fund balance in the adult education fund results from a loan for negative cash and accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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 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 moneys 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.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 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. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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 monies deposited with the institution.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At year-end, the District had \$6,600 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents.”

B. Cash Equivalents and Cash with Fiscal Agent

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The account held by the fiscal agent at June 30, 2008 was \$243,911 and is not included in the “Deposits with Financial Institutions” below.

C. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$2,306,305. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2008, \$2,441,758 of the District’s bank balance of \$2,541,758 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

D. Investments

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> <u>6 months or less</u>
STAR Ohio	\$ 164,346	\$ 164,346
Common stock	52,195	52,195
Total	<u>\$ 216,541</u>	<u>\$ 216,541</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 164,346	75.90
Common stock	<u>52,195</u>	<u>24.10</u>
Total	<u>\$ 216,541</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,306,305
Investments	216,541
Cash with fiscal agent	243,911
Cash on hand	<u>6,600</u>
Total	<u>\$ 2,773,357</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 2,705,250
Agency fund	<u>68,107</u>
Total	<u>\$ 2,773,357</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	<u>Amount</u>
Nonmajor governmental funds	\$ 35,986

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore no transfers are reported on the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B.** Due to/from other funds consisted of the following at June 30, 2008, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 94,005

The amount due to the adult education fund (a nonmajor governmental fund) is a result of negative cash at fiscal year-end. Interfund loans between governmental funds will be eliminated on the government-wide statements.

- C.** Advances to/from other funds consisted of the following at June 30, 2008, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 3,033

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances were interfund loans which were not repaid in the current fiscal year.

Advances to/from other governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2008 are reported on the statement of net assets.

- D.** Interfund loans receivable/payable consisted of the following at June 30, 2008, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 12,509</u>

The interfund loans were necessitated to cover costs in specific funds where revenues were not received by June 30. These interfund loans will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances are reported on the statement of net assets.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Columbiana County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent. The amount available as an advance at June 30, 2008 was \$316,651 in the general fund and \$20,695 in the permanent improvement capital projects fund. These amounts have been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$317,760 in the general fund, \$21,038 in the permanent improvement capital projects fund.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 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 unearned revenue.

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 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 267,588,210	84.59	\$ 284,641,150	89.44
Public utility personal	9,866,540	3.12	8,533,520	2.68
Tangible personal property	<u>38,878,650</u>	<u>12.29</u>	<u>25,078,510</u>	<u>7.88</u>
Total	<u>\$ 316,333,400</u>	<u>100.00</u>	<u>\$ 318,253,180</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$51.00		\$51.00	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes and accounts (billings for user charged services). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities	
Taxes	\$ 11,876,054
Accounts	3,651
Intergovernmental	<u>86,079</u>
Total	<u>\$ 11,965,784</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/08</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 609,577	\$ -	\$ -	\$ 609,577
<i>Capital assets, being depreciated:</i>				
Land improvements	1,030,991	177,980	-	1,208,971
Building and improvements	13,694,971	397,487	-	14,092,458
Furniture and equipment	1,336,577	157,689	-	1,494,266
Vehicles	<u>993,358</u>	<u>149,169</u>	-	<u>1,142,527</u>
Total capital assets, being depreciated	<u>17,055,897</u>	<u>882,325</u>	-	<u>17,938,222</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(826,717)	(33,910)	-	(860,627)
Building and improvements	(10,246,043)	(220,010)	-	(10,466,053)
Furniture and equipment	(1,016,739)	(43,511)	-	(1,060,250)
Vehicles	<u>(519,463)</u>	<u>(69,002)</u>	-	<u>(588,465)</u>
Total accumulated depreciation	<u>(12,608,962)</u>	<u>(366,433)</u>	-	<u>(12,975,395)</u>
Governmental activities capital assets, net	<u>\$ 5,056,512</u>	<u>\$ 515,892</u>	<u>\$ -</u>	<u>\$ 5,572,404</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 144,012
Special	11,773
Vocational	3,556

Support services:

Pupil	7,648
Instructional staff	3,545
Administration	18,857
Fiscal	268
Operations and maintenance	28,988
Pupil transportation	80,145
Central	3,785
Extracurricular activities	43,451
Food service operation	<u>20,405</u>
Total depreciation expense	<u>\$ 366,433</u>

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - LONG-TERM OBLIGATIONS

- A. Long-term obligations of the governmental activities have been restated to reclassify the tax anticipation note as a fund liability. During the fiscal year 2008, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/07</u>	Adjustment	Restated Balance Outstanding <u>06/30/07</u>	Additions	Reductions	Balance Outstanding <u>06/30/08</u>	Amounts Due in <u>One Year</u>
Governmental activities:							
<u>Loans and Notes Payable:</u>							
Asbestos removal loans	\$ 4,434	\$ -	\$ 4,434	\$ -	\$ -	\$ 4,434	\$ 4,434
Tax anticipation note	<u>1,300,000</u>	<u>(1,300,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total loans and notes payable	<u>\$ 1,304,434</u>	<u>\$ (1,300,000)</u>	<u>\$ 4,434</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,434</u>	<u>\$ 4,434</u>
<u>Other Long-Term Obligations:</u>							
Compensated absences	<u>\$ 1,950,286</u>	<u>\$ -</u>	<u>\$ 1,950,286</u>	<u>\$ 358,821</u>	<u>\$ (430,682)</u>	<u>\$ 1,878,425</u>	<u>\$ 326,011</u>
Total other long-term obligations	<u>\$ 3,254,720</u>	<u>\$ (1,300,000)</u>	<u>\$ 1,950,286</u>	<u>\$ 358,821</u>	<u>\$ (430,682)</u>	<u>\$ 1,878,425</u>	<u>\$ 326,011</u>

Asbestos Removal Loan: In prior years, the District received a loan from the U.S. Environmental Protection Agency for asbestos abatement projects. The loan is interest free as long as the District remains current on repayment. The loan is a general obligation of the District, for which the full faith and credit of the District is pledged for repayment. Payments are recorded as expenditures of the debt service fund, from current operating revenue.

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid, which are primarily the general fund and food service fund (a nonmajor governmental fund).

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$26,344,125 and an unvoted debt margin of \$292,713.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 10 - NOTES PAYABLE

On June 16, 2006, the District issued \$1,300,000 in tax anticipation notes in anticipation of collection of a portion of taxes to be received from the collection of an additional ad valorem property tax approved by voters of the District on May 2, 2006, for the purpose of providing for the emergency requirements of the District. This financing is authorized by the Ohio Revised Code Section 5705.194 through 5705.197. The notes bear an annual interest rate of 4.24% and mature December 1, 2009. Activity during the fiscal year was as follows:

	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2008</u>	<u>Due Within One Year</u>
Tax anticipation notes	\$ 1,300,000	\$ -	\$ (433,000)	\$ 867,000	\$ 433,000

Principal and interest requirements to amortize tax anticipation notes outstanding at June 30, 2008 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Tax Anticipation Note</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 433,000	\$ 27,581	\$ 460,581
2010	434,000	9,200	443,200
Total	<u>\$ 867,000</u>	<u>\$ 36,781</u>	<u>\$ 903,781</u>

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 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. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 300 days for classified employees and 270 for certified employees. Upon retirement, payment is made for twenty-five percent of accrued, but unused sick leave credit.

B. Life Insurance

The District provides life insurance in the amount of \$50,000 for all regular employees through SAFECO Insurance Company.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 10 - OTHER EMPLOYEE BENEFITS - (Continued)

C. Retirement Bonus

During fiscal year 2007, the District offered a “second chance” retirement bonus of 30% of annual salary, including applicable pick-up but excluding any overtime or supplemental contracts to employees who were eligible to retire through the School Employees Retirement System (SERS) and did not accept the 35% initiative when first eligible. The Superintendent must have received irrevocable notice of intent to retire by May 12, 2007 in order to receive the “second chance” incentive. A one time retirement bonus of 35% of annual salary is offered to employees in the year in which the employee becomes eligible for retirement including the applicable pick-up, but excluding any overtime or supplemental contracts, the bonus is available to employees who become first-time eligible for retirement or reach 30 years of service under SERS guidelines and retire effective at the end of the school year in which they qualify. Persons eligible include anyone who qualified under the SERS guidelines including the SERS rule 25/55 and/or SERS rule 5/60. If individuals choose not to retire when first eligible with less than 30 years of service, he/she would not become eligible again until reaching 30 years of SERS service. Two payments shall be made in equal amounts: the first payment was made in January 2008 and the second will be made in January 2009. Twelve employees eligible in 2007 took advantage of the retirement bonus. A liability for the retirement incentive has been recorded in the fund financial statements and the statement of net assets.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

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. During fiscal year 2008, the District contracted with Leonard Insurance Services for liability insurance. Coverage provided by Leonard Insurance Services is as follows:

Building and Contents - replacement cost (\$5,000 deductible)	\$60,319,030
Equipment Breakdown (\$5,000 deductible)	60,319,030
Crime Insurance/Employee Dishonesty (\$500 deductible)	10,000/50,000
Commercial Auto	1,000,000
Auto Medical Payments	5,000
Uninsured Motorists (\$500 deductible on Comp and Collision)	1,000,000
General Liability	2,000,000
Commercial Umbrella Liability	4,000,000
Inland Marine (\$250 deductible)	11,850
Miscellaneous Property Floater Coverage (\$500 deductible)	10,000 - 50,000

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

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Employee Medical Benefits

The District has elected to provide medical coverage through a self-insurance program. As of June 30, 2007, the Columbiana County School Employee Insurance Consortium disbanded. The District elected to move into the Ohio Mid-Eastern Regional Education Services Agency (OME-RESA) Insurance Consortium as of July 1, 2007. OME-RESA has stop loss coverage exceeding \$35,000 up to a maximum of \$400,000 of expected claims.

The claims liability of \$113,018 provided by a third party administrator and reported in the internal service fund at June 30, 2008, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2008	\$ 379,329	\$ 3,450,087	\$ (3,716,398)	\$ 113,018
2007	328,132	3,371,875	(3,320,678)	379,329

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$154,218, \$178,460 and 187,511, respectively; 41.23 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 12 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,042,287, \$1,106,054 and \$1,243,965, respectively; 83.89 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$6,505 made by the District and \$13,027 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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 obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 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 2008, this amount was \$35,800.

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 District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$108,004, \$96,878 and \$95,557, respectively; 41.23 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$11,112, \$12,135 and \$14,924, respectively; 41.23 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$80,176, \$85,081 and \$95,690, respectively; 83.89 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

	<u>General fund</u>
Budget basis	\$ 1,134,701
Net adjustment for revenue accruals	(31,260)
Net adjustment for expenditure accruals	727,094
Net adjustment for other sources/uses	16,247
Adjustment for encumbrances	21,672
GAAP basis	\$ 1,868,454

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is a party to other legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 16 - STATUTORY RESERVES

The 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. These amounts must be carried forward to be used for the same purposes in future years. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside balance as of June 30, 2007	\$ (46,801)	\$ (134,813)
Current year set-aside requirement	-	351,777
Current year offsets	-	(595,593)
Qualifying disbursements	-	<u>(144,099)</u>
Total	<u>\$ (46,801)</u>	<u>\$ (522,728)</u>
Balance carried forward to FY 2009	<u>\$ (46,801)</u>	<u>\$ -</u>

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero. The negative amount may be carried forward to the next year for the textbooks/instructional materials set-aside, however, the negative amount may not be carried forward for the capital maintenance set-aside.

The District was declared to be on fiscal watch during a prior fiscal year. The District elected to not meet the set-aside requirement for textbooks/instructional materials in accordance with Ohio Revised Code Section 3315.17(1).

NOTE 17 - FISCAL WATCH

On March 2, 2006, the District was declared to be in a state of "Fiscal Watch" by the Auditor of State. In accordance with this law, within sixty days of the Auditor's declaration of a fiscal watch, the Board of Education of the District has to prepare and submit to the Superintendent of Public Instruction a financial plan outlining the steps the Board will take to eliminate the District's current operating deficit and avoid future deficits.

SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program		10.550		\$44,039		\$44,039
Nutrition Cluster:						
School Breakfast Program		10.553	\$ 68,850		\$ 68,850	
National School Lunch Program		10.555	304,746		304,746	
Total Nutrition Cluster			373,596		373,596	
Total U. S. Department of Agriculture			<u>373,596</u>	<u>44,039</u>	<u>373,596</u>	<u>44,039</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1S1-2008 C1S1-2007	84.010	497,445 20,512		480,394 38,725	
Total Grants to Local Educational Agencies (ESEA Title I)			517,957		519,119	
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6BSF-2008 6BSF-2007	84.027	564,319 -		553,044 9,911	
Total Special Education Cluster			564,319		562,955	
Drug-Free Schools Grant	DRS1-2008 DRS1-2007	84.186	17,973 -		17,227 4,570	
Total Drug-Free Schools Grant			17,973		21,797	
Innovative Educational Program Strategies	C2S1-2008	84.298	4,652		4,291	
Education Technology State Grants	TJS1-2008	84.318	6,932		6,854	
Improving Teacher Quality State Grants	TRS1-2008 TRS1-2007	84.367	129,443 25,718		119,470 65,000	
Total Improving Teacher Quality State Grants			155,161		184,470	
Total U. S. Department of Education			<u>1,266,994</u>		<u>1,299,486</u>	
Totals			<u>\$1,640,590</u>	<u>\$44,039</u>	<u>\$1,673,082</u>	<u>\$44,039</u>

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

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.



Mary Taylor, CPA

Auditor of State

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

Salem City School District
Columbiana County
1226 East State Street
Salem, Ohio 44460

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 Salem City School District, Columbiana County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

We noted certain matters that we reported to the District's management in a separate letter dated January 28, 2009.

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 noncompliance or other matters that we reported to the District's management in a separate letter dated January 28, 2009.

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

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

Mary Taylor, CPA
Auditor of State

January 28, 2009



Mary Taylor, CPA

Auditor of State

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

Salem City School District
Columbiana County
1226 East State Street
Salem, Ohio 44460

To the Board of Education:

Compliance

We have audited the compliance of Salem City School District, Columbiana County (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 apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings 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 express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 those 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 those requirements.

In our opinion, the Salem City School District, Columbiana County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

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 requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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www.auditor.state.oh.us

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

Mary Taylor, CPA
Auditor of State

January 28, 2009

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<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 other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<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?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title VI-B (84.027) Nutrition Cluster (10.553/10.555)
<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?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Revised Code § 5705.10	Partially corrected	Management letter comment



Mary Taylor, CPA
Auditor of State

SALEM CITY SCHOOL DISTRICT

COLUMBIANA 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 10, 2009**