



Mary Taylor, CPA
Auditor of State

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
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, 2007. 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 2007 are as follows:

- In total, net assets of governmental activities increased \$792,481, which represents a 38.17% increase from 2006.
- General revenues accounted for \$17,645,571 in revenue or 81.72% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$3,946,823 or 18.28% of total revenues of \$21,592,394.
- The District had \$20,799,913 in expenses related to governmental activities; only \$3,946,823 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 \$17,645,571 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 \$17,887,807 in revenues and \$17,195,593 in expenditures and other financing uses. During fiscal year 2007, the general fund's fund deficit balance decreased \$692,214 from a deficit of \$2,762,879 to a deficit of \$2,070,665.
- The permanent improvement fund had \$759,900 in revenues and \$952,104 in expenditures. During fiscal 2007, the permanent improvement fund's fund balance decreased \$192,204 from \$1,743,442 to \$1,551,238.

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, 2007
UNAUDITED

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 2007?" 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 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, 2007
UNAUDITED

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.

	Net Assets	
	Governmental Activities 2007	Governmental Activities 2006
<u>Assets</u>		
Current and other assets	\$ 14,705,362	\$ 14,049,759
Capital assets, net	<u>5,056,512</u>	<u>4,746,902</u>
Total assets	<u>19,761,874</u>	<u>18,796,661</u>
<u>Liabilities</u>		
Current liabilities	13,638,427	13,137,595
Long-term liabilities	<u>3,254,720</u>	<u>3,582,820</u>
Total liabilities	<u>16,893,147</u>	<u>16,720,415</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	5,052,078	4,738,116
Restricted	1,951,099	2,034,983
Unrestricted (deficit)	<u>(4,134,450)</u>	<u>(4,696,853)</u>
Total net assets	<u>\$ 2,868,727</u>	<u>\$ 2,076,246</u>

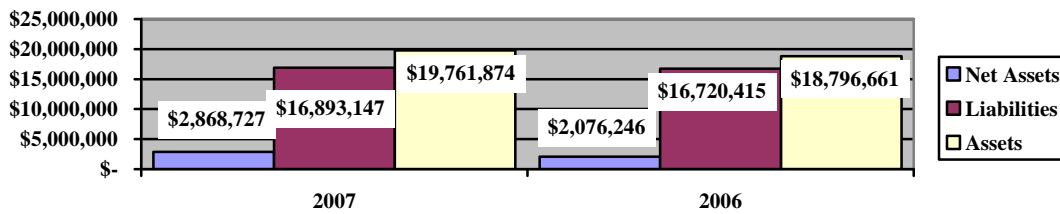
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$2,868,727. A portion of the District's net assets, \$1,951,099, represents resources that are subject to external restriction on how they may be used.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED

At fiscal year-end, capital assets represented 25.59% 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, 2007, were \$5,052,078. These capital assets are used to provide services to the students and are not available for future spending.

Governmental Activities



The table below shows the change in net assets for fiscal years 2007 and 2006.

Change in Net Assets

	Governmental Activities 2007	Governmental Activities 2006
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,060,397	\$ 1,279,527
Operating grants and contributions	2,815,342	2,019,694
Capital grants and contributions	71,084	-
General revenues:		
Property taxes	9,258,815	10,461,934
Grants and entitlements	7,990,038	7,979,876
Investment earnings	96,603	100,816
Other	300,115	572,328
Total revenues	21,592,394	22,414,175

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED

Change in Net Assets

	Governmental Activities 2007	Governmental Activities 2006
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	7,788,261	9,478,973
Special	2,520,794	2,719,687
Vocational	536,700	658,353
Adult/Continuing	549,748	521,056
Other	1,579,438	1,370,251
Support services:		
Pupil	804,718	954,530
Instructional staff	583,741	669,919
Board of education	31,080	64,461
Administration	1,444,629	1,983,090
Fiscal	729,421	662,188
Business	27,390	14,892
Operations and maintenance	2,018,100	2,197,940
Pupil transportation	675,930	571,789
Central	254,841	240,790
Operations of non-instructional services		
Non-instructional services	124,937	144,278
Food service operations	475,644	697,073
Extracurricular activities	602,004	706,942
Interest and fiscal charges	52,537	24,555
Total expenses	20,799,913	23,680,767
Change in net assets	792,481	(1,266,592)
Net assets at beginning of year	2,076,246	3,342,838
Net assets at end of year	\$ 2,868,727	\$ 2,076,246

Governmental Activities

Net assets of the District's governmental activities increased \$792,481. Total governmental expenses of \$20,799,913 were offset by program revenues of \$3,946,823 and general revenues of \$17,645,571. Program revenues supported 18.98 % of the total governmental expenses.

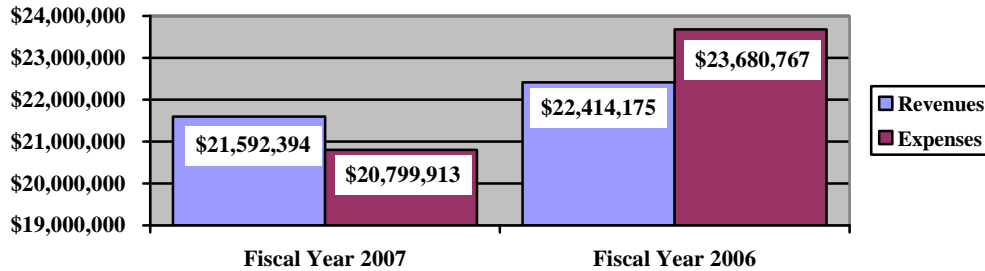
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 79.88% of total governmental revenue.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2007 and 2006.

Governmental Activities - Revenues and Expenses



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.

Governmental Activities

	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
Program expenses				
Instruction:				
Regular	\$ 7,788,261	\$ 7,076,367	\$ 9,478,973	\$ 8,844,188
Special	2,520,794	1,022,493	2,719,687	1,656,534
Vocational	536,700	461,157	658,353	658,353
Adult/Continuing	549,748	66,282	521,056	325,293
Other	1,579,438	1,554,883	1,370,251	1,063,027
Support services:				
Pupil	804,718	788,289	954,530	948,761
Instructional staff	583,741	571,978	669,919	647,100
Board of education	31,080	31,080	64,461	64,461
Administration	1,444,629	1,349,889	1,983,090	1,912,377
Fiscal	729,421	726,133	662,188	662,188
Business	27,390	11,154	14,892	14,892
Operations and maintenance	2,018,100	2,006,200	2,197,940	2,191,572
Pupil transportation	675,930	654,488	571,789	571,789
Central	254,841	219,933	240,790	207,017
Operations of non-instructional services				
Non-instructional services	124,937	12,571	144,278	34,986
Food service operations	475,644	(123,121)	697,073	83,161
Extracurricular activities	602,004	370,777	706,942	471,292
Interest and fiscal charges	52,537	52,537	24,555	24,555
Total expenses	<u>\$ 20,799,913</u>	<u>\$ 16,853,090</u>	<u>\$ 23,680,767</u>	<u>\$ 20,381,546</u>

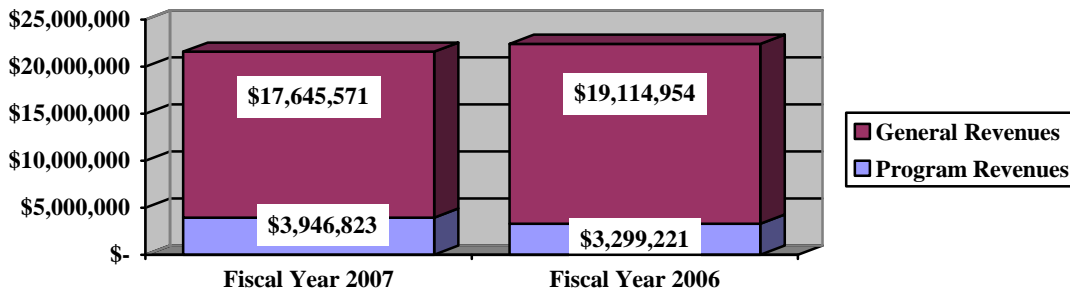
**SALEM CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED

The dependence upon tax and other general revenues for governmental activities is apparent, 78.47% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.02%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2007 and 2006.

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 \$202,074, which is lower than last year's deficit balance of \$700,458. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance/(Deficit) <u>June 30, 2007</u>	Fund Balance/(Deficit) <u>June 30, 2006</u>	Increase/ (Decrease)
General	\$ (2,070,665)	\$ (2,762,879)	\$ 692,214
Permanent Improvement	1,551,238	1,743,442	(192,204)
Other Governmental	<u>317,353</u>	<u>318,979</u>	<u>(1,626)</u>
Total	<u>\$ (202,074)</u>	<u>\$ (700,458)</u>	<u>\$ 498,384</u>

General Fund

The District's general fund deficit balance decreased \$692,214. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED

	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>		<u>Change</u>
<u>Revenues</u>				
Taxes	\$ 8,795,154	\$ 9,569,315	\$ (774,161)	(8.09)
Tuition	355,955	411,273	(55,318)	(13.45)
Earnings on investments	96,603	94,806	1,797	1.90
Intergovernmental	8,387,032	7,919,445	467,587	5.90
Other revenues	<u>253,063</u>	<u>417,142</u>	<u>(164,079)</u>	<u>(39.33)</u>
Total	<u>\$ 17,887,807</u>	<u>\$18,411,981</u>	<u>\$ (524,174)</u>	<u>(2.85)</u>
<u>Expenditures</u>				
Instruction	\$ 10,725,674	\$12,424,414	\$(1,698,740)	(13.67)
Support services	5,997,040	6,904,234	(907,194)	(13.14)
Operation of non-instructional services	5,750	2,431	3,319	136.53
Extracurricular activities	372,701	398,138	(25,437)	(6.39)
Facilities acquisitions and construction	-	160	(160)	(100.00)
Principal retirement	4,352	13,056	(8,704)	(66.67)
Interest and fiscal charges	<u>52,823</u>	<u>22,354</u>	<u>30,469</u>	<u>136.30</u>
Total	<u>\$ 17,158,340</u>	<u>\$19,764,787</u>	<u>\$ (2,606,447)</u>	<u>(13.19)</u>

The most significant percentage change in revenues from fiscal 2006 to fiscal 2007 was taxes and intergovernmental revenue. The decrease in taxes was due to the reduction of taxes collected during the fiscal year. Intergovernmental revenues increase due to additional grants provided to the District. There were a few significant changes in the expenditures. Instructional services decreased by \$1,698,740 due to a large number of retiree's during the fiscal year. Support services decreased \$907,194 due to the reduction of student enrollment during the fiscal year.

Permanent Improvement Fund

The permanent improvement fund had \$759,900 in revenues and \$952,104 in expenditures. During fiscal 2007, the permanent improvement fund's fund balance decreased \$192,204 from \$1,743,442 to \$1,551,238.

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 \$18,308,527, which is lower than the original budgeted revenues estimate of \$18,820,311. Actual revenues and other financing sources for fiscal 2007 was \$18,302,986. This represents a \$5,541 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$17,834,793 were decreased to \$17,762,499 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$17,769,436, which was \$6,937 more than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the District had \$5,056,512 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 fiscal 2007 balances compared to the amounts in 2006:

Capital Assets at June 30 (Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2007</u>	<u>2006</u>
Land	\$ 609,577	\$ 609,577
Land improvements	204,274	220,103
Building and improvements	3,448,928	3,329,295
Furniture and equipment	319,838	237,085
Vehicles	<u>473,895</u>	<u>350,842</u>
Total	<u>\$ 5,056,512</u>	<u>\$ 4,746,902</u>

Total additions to capital assets for 2007 were \$738,344. The District recorded \$428,734 in depreciation expense for fiscal 2007.

Debt Administration

At June 30, 2007, the District had \$4,434 in asbestos removal loans and \$1,300,000 in tax anticipation notes outstanding. Of this total, \$437,434 is due within one year and \$867,000 is due in greater than one year. The following table summarizes the notes and loans outstanding.

Outstanding Debt, at Year End		
	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
Asbestos removal loan	\$ 4,434	\$ 8,786
Tax anticipation note	<u>1,300,000</u>	<u>1,300,000</u>
Total	<u>\$ 1,304,434</u>	<u>\$ 1,308,786</u>

At June 30, 2007, the District's overall legal debt margin was \$24,785,134 with an unvoted debt margin of \$275,390. 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, 2007
UNAUDITED

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 stagnate 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 2006 and Fiscal Year 2007 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.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,915,253
Receivables:	
Taxes	12,552,744
Intergovernmental	191,552
Prepayments	37,679
Materials and supplies inventory.	8,134
Capital assets:	
Land	609,577
Depreciable capital assets, net	4,446,935
Total capital assets, net.	5,056,512
 Total assets.	 19,761,874
 Liabilities:	
Accounts payable.	66,468
Accrued wages and benefits	1,538,629
Pension obligation payable.	371,216
Intergovernmental payable	135,185
Unearned revenue.	11,145,685
Accrued interest payable	1,915
Claims payable	379,329
Long-term liabilities:	
Due within one year.	842,967
Due in more than one year	2,411,753
 Total liabilities	 16,893,147
 Net Assets:	
Invested in capital assets, net of related debt.	5,052,078
Restricted for:	
Capital projects	1,612,021
Locally funded program.	55,611
State funded program	57,898
Federally funded program	144,248
Student activities.	44,509
Other purposes	36,812
Unrestricted (deficit).	(4,134,450)
 Total net assets	 \$ 2,868,727

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, 2007

	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	\$ 7,788,261	\$ 357,034	\$ 339,539	\$ 15,321	\$ (7,076,367)
Special	2,520,794	-	1,498,172	129	(1,022,493)
Vocational	536,700	-	75,543	-	(461,157)
Adult/Continuing.	549,748	289,910	193,556	-	(66,282)
Other	1,579,438	-	24,555	-	(1,554,883)
Support services:					
Pupil.	804,718	-	16,002	427	(788,289)
Instructional staff	583,741	-	11,763	-	(571,978)
Board of education	31,080	-	-	-	(31,080)
Administration	1,444,629	15,628	78,309	803	(1,349,889)
Fiscal.	729,421	-	153	3,135	(726,133)
Business.	27,390	-	-	16,236	(11,154)
Operations and maintenance	2,018,100	-	2,591	9,309	(2,006,200)
Pupil transportation	675,930	473	3,452	17,517	(654,488)
Central	254,841	-	34,908	-	(219,933)
Operation of non-instructional services					
Non-instructional services.	124,937	-	112,366	-	(12,571)
Food service operations	475,644	253,739	345,026	-	123,121
Extracurricular activities.	602,004	143,613	79,407	8,207	(370,777)
Interest and fiscal charges	52,537	-	-	-	(52,537)
Totals	\$ 20,799,913	\$ 1,060,397	\$ 2,815,342	\$ 71,084	(16,853,090)
General Revenues:					
Property taxes levied for:					
General purposes					8,670,344
Capital projects					588,471
Grants and entitlements not restricted to specific programs					7,990,038
Investment earnings					96,603
Miscellaneous					300,115
Total general revenues					17,645,571
Change in net assets					792,481
Net assets at beginning of year					2,076,246
Net assets at end of year.					\$ 2,868,727

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ -	\$ 1,170,044	\$ 471,141	\$ 1,641,185
Receivables:				
Taxes.	11,734,172	818,572	-	12,552,744
Intergovernmental	-	-	191,552	191,552
Due from other funds	-	395,940	-	395,940
Prepayments	37,290	-	389	37,679
Materials and supplies inventory	-	-	8,134	8,134
Advances from other funds	3,033	-	-	3,033
Total assets	<u>\$ 11,774,495</u>	<u>\$ 2,384,556</u>	<u>\$ 671,216</u>	<u>\$ 14,830,267</u>
Liabilities:				
Accounts payable	\$ 4,933	\$ 35,784	\$ 25,751	\$ 66,468
Accrued wages and benefits	1,375,607	-	163,022	1,538,629
Compensated absences payable	246,757	-	7,093	253,850
Pension obligation payable.	336,138	-	35,078	371,216
Intergovernmental payable	119,713	-	15,472	135,185
Advances to other funds.	-	-	3,033	3,033
Due to other funds.	395,626	-	314	395,940
Deferred revenue	957,452	60,783	104,100	1,122,335
Unearned revenue	10,408,934	736,751	-	11,145,685
Total liabilities	<u>13,845,160</u>	<u>833,318</u>	<u>353,863</u>	<u>15,032,341</u>
Fund Balances:				
Reserved for encumbrances	36,111	111,964	68,753	216,828
Reserved for underground storage	11,000	-	-	11,000
Reserved for materials and supplies inventory.	-	-	8,134	8,134
Reserved for property tax unavailable for appropriation	317,760	21,038	-	338,798
Reserved for prepayments	37,290	-	389	37,679
Reserved for advances	3,033	-	-	3,033
Unreserved, undesignated (deficit), reported in:				
General fund	(2,475,859)	-	-	(2,475,859)
Special revenue funds.	-	-	240,077	240,077
Capital projects funds.	-	1,418,236	-	1,418,236
Total fund balances (deficit).	<u>(2,070,665)</u>	<u>1,551,238</u>	<u>317,353</u>	<u>(202,074)</u>
Total liabilities and fund balances	<u>\$ 11,774,495</u>	<u>\$ 2,384,556</u>	<u>\$ 671,216</u>	<u>\$ 14,830,267</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, 2007

Total governmental fund balances		\$ (202,074)
<i>Amounts reported for governmental activities in 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.		5,056,512
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent property taxes	\$ 1,018,235	
Intergovernmental revenue	<u>104,100</u>	
Total		1,122,335
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 in the statement of net assets.		(105,261)
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable	(1,915)	
Compensated absences	(1,696,436)	
Asbestos abatement loan	(4,434)	
Tax anticipation note	<u>(1,300,000)</u>	
Total		<u>(3,002,785)</u>
Net assets of governmental activities		<u><u>\$ 2,868,727</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, 2007

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes.	\$ 8,795,154	\$ 603,656	\$ -	\$ 9,398,810
Tuition.	355,955	-	290,518	646,473
Transportation fees.	473	-	20	493
Charges for services.	-	-	248,589	248,589
Earnings on investments.	96,603	-	25,646	122,249
Extracurricular.	-	-	143,613	143,613
Classroom materials and fees.	-	-	73,618	73,618
Other local revenues.	252,590	47,525	111,624	411,739
Intergovernmental - State.	8,387,032	108,719	264,950	8,760,701
Intergovernmental - Federal.	-	-	1,851,563	1,851,563
Total revenues.	<u>17,887,807</u>	<u>759,900</u>	<u>3,010,141</u>	<u>21,657,848</u>
Expenditures:				
Current:				
Instruction:				
Regular.	7,267,873	134,173	236,680	7,638,726
Special.	1,327,549	1,134	1,157,030	2,485,713
Vocational.	535,324	-	5,502	540,826
Adult/Continuing.	-	-	539,043	539,043
Other.	1,594,928	-	5,676	1,600,604
Support Services:				
Pupil.	769,113	3,741	64,778	837,632
Instructional staff.	570,011	-	10,624	580,635
Board of education.	31,080	-	-	31,080
Administration.	1,279,340	7,033	96,457	1,382,830
Fiscal.	712,554	27,453	200	740,207
Business.	10,706	-	16,236	26,942
Operations and maintenance.	1,764,737	81,523	2,701	1,848,961
Pupil transportation.	634,588	153,402	1,080	789,070
Central.	224,911	-	26,145	251,056
Food service operations.	-	-	559,280	559,280
Operation of non-instructional services.	5,750	-	119,839	125,589
Extracurricular activities.	372,701	-	204,708	577,409
Facilities acquisition and construction.	-	543,645	-	543,645
Debt service:				
Principal retirement.	4,352	-	-	4,352
Interest and fiscal charges.	52,823	-	-	52,823
Total expenditures.	<u>17,158,340</u>	<u>952,104</u>	<u>3,045,979</u>	<u>21,156,423</u>
Excess (deficiency) of revenues over (under) expenditures.	729,467	(192,204)	(35,838)	501,425
Other financing sources (uses):				
Transfers in.	-	-	37,253	37,253
Transfers (out).	(37,253)	-	-	(37,253)
Total other financing sources (uses).	<u>(37,253)</u>	<u>-</u>	<u>37,253</u>	<u>-</u>
Net change in fund balances.	692,214	(192,204)	1,415	501,425
Fund balances (deficit) at beginning of year	(2,762,879)	1,743,442	318,979	(700,458)
Decrease in reserve for inventory.	-	-	(3,041)	(3,041)
Fund balances (deficit) at end of year.	<u>\$ (2,070,665)</u>	<u>\$ 1,551,238</u>	<u>\$ 317,353</u>	<u>\$ (202,074)</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, 2007

Net change in fund balances - total governmental funds	\$	501,425
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Capital outlays exceed depreciation expense in the current period accordingly.		
Capital asset additions	738,344	
Current year depreciation	(428,734)	
		309,610
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	(139,995)	
Intergovernmental	74,541	
		(65,454)
 Governmental funds report expenditures for inventory when purchased. However, in the statement of activities they are reported as an expense when consumed.		
		(3,041)
 Repayment of loan principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets.		
		4,352
 In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.		
		286
 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.		
		87,237
 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.		
		(41,934)
Change in net assets of governmental activities	\$	792,481

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, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 9,412,899	\$ 9,162,000	\$ 9,162,000	\$ -
Tuition	365,703	355,955	355,955	-
Transportation fees	486	473	473	-
Earnings on investments	99,248	86,521	96,603	10,082
Other local revenues	131,821	128,257	128,307	50
Intergovernmental - State	8,758,131	8,524,685	8,509,012	(15,673)
Total revenues	<u>18,768,288</u>	<u>18,257,891</u>	<u>18,252,350</u>	<u>(5,541)</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,577,451	7,549,683	7,549,683	-
Special	1,432,736	1,427,486	1,427,486	-
Vocational	543,183	541,192	541,192	-
Other	1,842,907	1,836,154	1,836,154	-
Support Services:				
Pupil	788,434	785,545	785,545	-
Instructional staff	571,219	569,125	569,125	-
Board of education	32,112	31,994	31,994	-
Administration	1,448,637	1,436,479	1,443,328	(6,849)
Fiscal	752,071	749,284	749,315	(31)
Business	10,958	10,862	10,918	(56)
Operations and maintenance	1,786,143	1,779,597	1,779,598	(1)
Pupil transportation	626,034	623,740	623,740	-
Central	5,207	5,188	5,188	-
Operation of non-instructional	8,211	8,181	8,181	-
Extracurricular activities	372,100	370,736	370,736	-
Total expenditures	<u>17,797,403</u>	<u>17,725,246</u>	<u>17,732,183</u>	<u>(6,937)</u>
Excess of revenues over expenditures	<u>970,885</u>	<u>532,645</u>	<u>520,167</u>	<u>(12,478)</u>
Other financing sources (uses):				
Transfers (out)	(37,390)	(37,253)	(37,253)	-
Advances in	52,023	50,636	50,636	-
Total other financing sources (uses)	<u>14,633</u>	<u>13,383</u>	<u>13,383</u>	<u>-</u>
Net change in fund balance	985,518	546,028	533,550	(12,478)
Fund balance (deficit) at beginning of year	(974,519)	(974,519)	(974,519)	-
Prior year encumbrances appropriated	4,299	4,299	4,299	-
Fund balance (deficit) at end of year	<u>\$ 15,298</u>	<u>\$ (424,192)</u>	<u>\$ (436,670)</u>	<u>\$ (12,478)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 274,068
Total assets	<u>274,068</u>
Liabilities:	
Claims payable	<u>379,329</u>
Total liabilities	<u>379,329</u>
Net assets:	
Unrestricted (deficit)	<u>(105,261)</u>
Total net assets (deficit)	<u><u>\$ (105,261)</u></u>

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, 2007

	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:	
Sales/charges for services.	\$ 3,329,941
Total operating revenues	<u>3,329,941</u>
Operating expenses:	
Claims expense.	<u>3,371,875</u>
Total operating expenses.	<u>3,371,875</u>
Change in net assets	(41,934)
Net assets (deficit) at beginning of year . .	<u>(63,327)</u>
Net assets (deficit) at end of year	<u><u>\$ (105,261)</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, 2007

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from sales/charges for services.	\$ 3,326,860
Cash payments for purchased services	(5,515)
Cash payments for claims expenses	(3,320,678)
	667
Net cash provided by operating activities	667
Net increase in cash and cash equivalents	667
Cash and cash equivalents at beginning of year. . .	273,401
Cash and cash equivalents at end of year	\$ 274,068
	274,068
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (41,934)
Changes in assets and liabilities:	
Decrease in accounts payable.	(8,596)
Increase in claims payable.	51,197
	667
Net cash provided by operating activities	\$ 667
	667

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2007

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 36,244
Total assets	\$ 36,244
Liabilities:	
Intergovernmental payable	\$ 1
Due to students	36,243
Total liabilities	\$ 36,244

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

