



**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Southern Local School District
Meigs County
Box 176, Elm Street
Racine, Ohio 45771

To the Board of Education:

We have audited the accompanying financial statements of the Southern Local School District, Meigs County, Ohio (the School District), as of and for the year ended June 30, 2000, as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code § 117-02-1 (now Ohio Administrative Code Section 117-2-03(B)) requires the School District to file its annual financial report pursuant to generally accepted accounting principles. However, as discussed in Note 1, the School District prepares and files its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

The notes to the financial statements referred to above do not include all of the House Bill 412 reserve amounts, as defined, resulting from certain set asides of general fund revenue amounts as required by Ohio Rev. Code §3315.17-.171 and Ohio Admin. Code §3301-92-01(textbooks); and Ohio Rev. Code §3315.18-.181 and Ohio Admin. Code §3301-92-02 (capital).

We were not able to obtain adequate assurance that the combined statement of disbursements and encumbrances compared with expenditure authority accurately reflects appropriations as amended by the School District's Board of Education.

In our opinion, except for omission of the financial statement note disclosure described in paragraph four, and except for such adjustments to appropriations that may have been required had we been able to examine sufficient evidence (described in paragraph five), the financial statements referred to above present fairly, in all material respects, the combined cash, investments and combined fund cash balances of the Southern Local School District, Meigs County, as of June 30, 2000, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

The accompanying financial statements have been prepared assuming the School District will continue as a going concern. As discussed in Note 1 to the financial statements, the School District has forecast an operating deficit of \$504,692 for the fiscal year ending June 30, 2001. In addition, the Ohio Department of Education and the State of Ohio Auditor's Office declared the School District to be in fiscal emergency on November 8, 1999, which raises substantial doubt about its ability to continue as a going concern. The financial statements do not included any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2000, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements of the School District, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the management, the Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

October 4, 2000

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND
CASH BALANCES - ALL FUND TYPES
AS OF JUNE 30, 2000**

Cash and Cash Equivalents	\$ 2,064,423
Investments	
STAROhio	<u>3,448,831</u>
Total	<u>\$ 5,513,254</u>

CASH BALANCES BY FUND TYPE

Governmental Funds:	
General Fund	\$ 178,506
Special Revenue Funds	163,651
Debt Service Fund	108,765
Capital Projects Funds	5,014,138
Proprietary Funds:	
Enterprise Funds	27,586
Internal Service Fund	
Fiduciary Funds:	
Agency Funds	<u>20,608</u>
Total	<u>\$ 5,513,254</u>

The notes to the financial statements are an integral part of this statement.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR FISCAL ENDED JUNE 30, 2000**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Receipts:					
Receipts from Local Sources					
Taxes	\$ 1,417,972	\$ 50,811	\$ 372,266	\$ 211,738	\$ 1,841,049
Earnings on Investment	16,557			211,738	228,295
Extracurricular Activities	125	110,015			110,140
Classroom Material & Fees	5,191				5,191
Miscellaneous	14,790	21,820		7,730	44,340
Receipts from State Sources					
Unrestricted Grants-In-Aid	2,328,242	126,654	26,991	2,760	2,484,647
Restricted Grants-In-Aid	26,517	231,317		1,332,290	1,590,124
Receipts from Federal Sources					
Restricted Grants-In-Aid		408,041			408,041
Total Receipts	3,809,394	948,658	399,257	1,554,518	6,711,827
Disbursements:					
Instruction:					
Regular	1,692,956	312,581		60,987	2,066,524
Special	353,368	282,945			636,313
Vocational Education	171,489				171,489
Adult/Continuing Education		4,614			4,614
Other Instruction	192,653				192,653
Supporting Services:					
Pupils	46,269	116,564			162,833
Instructional Staff	167,334	90,774			258,108
Board of Education	13,077				13,077
Administration	422,938	7,383			430,321
Fiscal Services	177,429	1,711	10,670	461	190,271
Operation and Maintenance - Plant	457,743				457,743
Pupil Transportation	385,652				385,652
Operation of Noninstructional Services:					
Community Services		4,000			4,000
Extracurricular Activities:					
Academic and Subject Oriented Activities	64,550	14,079			78,629
Sports Oriented		35,408			35,408
Facilities Acquisition and Construction Services:					
Architecture and Engineering				162,736	162,736
Building Acquisition and Construction				422,541	422,541
Other				630	630
Debt Service:					
Repayment of Debt			360,578		360,578
Total Disbursements	4,145,458	870,059	371,248	647,355	6,034,120
Excess of Receipts Over/(Under) Disbursements	(336,064)	78,599	28,009	907,163	677,707
Other Financing Sources/(Uses):					
Advance From State Solvency Assistance	627,000				627,000
Advances-In	33,000	1,162	80,000		114,162
Advances-Out	(147,162)				(147,162)
Total Other Financing Sources/(Uses)	512,838	1,162	80,000		594,000
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing (Uses)	176,774	79,761	108,009	907,163	1,271,707
Fund Cash Balances, July 1, 1999	1,732	83,890	756	4,106,975	4,193,353
Fund Cash Balances, June 30, 2000	\$ 178,506	\$ 163,651	\$ 108,765	\$ 5,014,138	\$ 5,465,060

The notes to the financial statements are an integral part of this statement.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
Operating Receipts:				
Food Service	\$ 78,827	\$	\$ 33,025	\$ 78,827
Extracurricular Activities			33,025	33,025
Classroom Materials and Fees	9,294			9,294
Total Operating Receipts	<u>88,121</u>		<u>33,025</u>	<u>121,146</u>
Operating Disbursements:				
Personal Services - Salaries	97,116			97,116
Employees' Retirement and Insurance	53,296			53,296
Purchased Services	2,859	72,359	34	75,252
Supplies and Materials	120,703		29,887	150,590
Capital Outlay	4,908			4,908
Other	665		585	1,250
Total Operating Disbursements	<u>279,547</u>	<u>72,359</u>	<u>30,506</u>	<u>382,412</u>
Operating Income/(Loss)	<u>(191,426)</u>	<u>(72,359)</u>	<u>2,519</u>	<u>(261,266)</u>
Nonoperating Receipts:				
Miscellaneous	558	72,359	1,278	74,195
State Unrestricted Grants-In-Aid	12,750			12,750
Federal Unrestricted Grants-In-Aid	163,682			163,682
Total Nonoperating Receipts	<u>176,990</u>	<u>72,359</u>	<u>1,278</u>	<u>250,627</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Advances	(14,436)		3,797	(10,639)
Advances-In	33,000			33,000
Net Income/(Loss)	18,564		3,797	22,361
Fund Cash Balances, July 1, 1999	9,022	0	16,811	25,833
Fund Cash Balances, June 30, 2000	<u>\$ 27,586</u>	<u>\$ 0</u>	<u>\$ 20,608</u>	<u>\$ 48,194</u>

The notes to the financial statements are an integral part of this statement.

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**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
ALL BUDGETED FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$ 4,499,387	\$ 4,469,394	\$ (29,993)
Special Revenue	877,847	949,820	71,973
Debt Service	400,284	479,257	78,973
Capital Projects	7,333,001	1,554,518	(5,778,483)
Proprietary			
Enterprise	298,112	298,111	(1)
Internal Service	72,359	72,359	0
Fiduciary			
Agency	<u>34,803</u>	<u>34,303</u>	<u>(500)</u>
Totals (Memorandum Only)	<u>\$ 13,515,793</u>	<u>\$ 7,857,762</u>	<u>\$ (5,658,031)</u>

The notes to the financial statements are an integral part of this statement.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY - ALL BUDGETED FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
Governmental			
General	\$ 617,680	\$ 3,755,418	\$ 4,373,098
Special Revenue	39,882	988,306	1,028,188
Debt Service	68,200	304,723	372,923
Capital Projects	3,714	10,231,620	10,235,334
Proprietary			
Enterprise	57,622	233,395	291,017
Internal Service	80,000	80,000	160,000
Fiduciary			
Agency	<u>4,930</u>	<u>42,800</u>	<u>47,730</u>
Totals (Memorandum Only)	<u>\$ 872,028</u>	<u>\$ 15,636,262</u>	<u>\$ 16,508,290</u>

The notes to the financial statements are an integral part of this statement.

<u>Disbursements</u>	<u>Encumbrances Outstanding 6/30/00</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 4,292,620	\$ 14,833	\$ 4,307,453	\$ 65,645
870,059	18,966	889,025	139,163
371,248		371,248	1,675
647,355	800,647	1,448,002	8,787,332
279,547		279,547	11,470
72,359		72,359	87,641
<u>30,506</u>	<u>290</u>	<u>30,796</u>	<u>16,934</u>
<u>\$ 6,563,694</u>	<u>\$ 834,736</u>	<u>\$ 7,398,430</u>	<u>\$ 9,109,860</u>

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**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

1. SUMMARY OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Southern Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and/or local guidelines.

The School District is staffed by 62 certificated employees and 50 non-certificated employees who provide services to 788 students. The School District currently operates three elementary schools, one junior high and one high school.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate for the School District. For Southern Local School District, this includes general operations, food service, student related activities and an internal service fund for self-insurance claims.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also included organizations that are fiscally dependent on the School District in that the District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the School District. The School District is associated with the Southeast Ohio Voluntary Educational Consortium, which is defined as a jointly governed organization, and the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 11 and 12.

The Auditor of the State of Ohio declared the School District to be in fiscal emergency on November 8, 1999. A financial planning and supervision commission has been established to develop and oversee a financial recovery plan which must be submitted to the State Superintendent of Public Instruction. Once developed, the Southern Local School District Board will be prohibited from taking any action which is contrary to or not authorized by the plan. As of October 4, 2000, the recovery plan was still in the developmental stage and the School District Board of Education has not initiated preliminary cost-cutting measures.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although required by Ohio Administrative Code § 117-02-1 (now Ohio Administrative Code §117-2-03(B)) to file its annual financial report pursuant to generally accepted accounting principles, the School District chooses to prepare and file its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

B. Pooled Cash and Investments

The School District Treasurer invests all available funds of the School District in interest-bearing checking accounts with commercial banks.

The School District also has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2000. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2000.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings.

C. Fund Accounting

The School District maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds.

The restrictions associated with each type of fund are as follows:

1. Governmental Fund Types:

General Fund

The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

1. Governmental Fund Types: (Continued)

Special Revenue Funds

The Special Revenue Funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, these funds have been classified into the proper groups, if practicable.

Capital Projects Funds

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

2. Proprietary Fund Types:

Enterprise Funds

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

Internal Service Fund

The Internal Service Fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the School District, on a cost reimbursement basis.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include agency funds. Agency funds are purely custodial and thus do not involve measurement of results of operations.

D. Budgetary Process

1. Budget

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 appropriation 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 primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

2. 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 the Meigs County Budget Commission for rate determination.

3. Estimated Resources

The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

3. Estimated Resources

Prior to June 30, the School District must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 1999, unencumbered fund balances. However, those fund balances are available for appropriations

4. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

5. Encumbrances

The School District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

6. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

E. Property, Plant and Equipment

Fixed assets acquired or constructed for the School District are recorded as disbursements. Depreciation is not recorded for these fixed assets.

F. Accumulated Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

3. EQUITY IN POOLED CASH AND INVESTMENTS

The School District maintains a cash and investment pool which is used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash, Investments and Fund Cash Balances" as "Cash Balances by Fund Type."

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, 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.

- a. 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;
- b. 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;

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

- c. 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;
- d. Bonds and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- f. The State Treasurer's investment pool (STAROhio);
- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
- h. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 with five years from the date of purchase unless matched to a specific obligation or debt of the School 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$2,064,423 and the bank balance was \$2,211,223. Of the bank balance, \$100,000 was covered by federal deposit insurance, and \$2,075,000 was collateralized by securities held by a third party bank in the School District's name, and \$36,223 was uninsured and Uncollateralized.

Investments - Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2000. The School District's investment in the STAROhio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

<u>Investments:</u>	<u>Carrying Value</u>	<u>Market Value</u>
STAROhio	<u>\$3,448,831</u>	<u>\$3,448,831</u>

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

4. BUDGETARY COMPLIANCE

The following funds/special cost centers had appropriations in excess of available resources at year-end, contrary to Section 5705.39, Ohio Revised Code:

Special Revenue Fund:	
Jr. High Student Council	\$1,256
Jr. High Basketball Warmups	1,419
Jr. High CCTV & Newspaper	561
Portland Elementary	15,000
½ Mill Maintenance	15,403
Cheerleaders	1,005
Glee Club	7,183
Jr. High Athletics	1,125
Entry Year Programs	4,000
Ohio Reads	2,000
Title I, 1999-2000	56,550
Title VI	10
Title 6R Grant	12,771
Capital Projects Fund:	
Building	111,948
Schoolnet, 1998-1999	32
Schoolnet, 1999-2000	19,000
Appalachia Vocational Education	5,111
Enterprise Fund:	
Uniform Supplies	7,101
Internal Service Fund:	
Employee Benefits	87,641
Agency Fund:	
Class of 2000	602
Class of 2002	2,128
Class of 2003	517
Student Council	923
Tornado Towncenter	1,476
FHA	3,349

5. PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Education. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

5. PROPERTY TAXES (Continued)

Public utilities are also taxed on personal and real property located within the District.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

6. DEBT OBLIGATIONS

The District's long-term obligations at June 30, 2000 were as follows:

	Principal	Interest Rate
Asbestos School Hazard Loan	\$147,652	0.000%
School Energy Conservation Bonds	245,000	5.750%
Solvency Assistance Advance Fund	627,000	0.000%
School Facilities Construction and Improvement Bonds	3,940,000	4.625%
	\$4,959,652	

Asbestos School Hazard Loan

On May 25, 1993, the School District obtained a loan, in the amount of \$212,618, for removing asbestos. The loan was obtained under the authority of Ohio Rev. Code § 3317.22 for a twenty year period, with the first payment due in fiscal year 1995 and the final maturity in fiscal year 2013. The loan is being retired through the Bond Retirement Debt Service Fund.

School Energy Conservation Bonds

On August 15, 1994, the School District issued \$430,000 general obligation bonds for school energy conservation in the school buildings. The bonds were issued under the authority of Ohio Rev. Code §133.06 (G) without a vote of the people for a ten year period, with final maturity in fiscal year 2005. The bonds are being retired through the Bond Retirement Debt Service Fund.

School Facilities Construction and Improvement Bonds

On December 1, 1998, the School District issued \$4,042,000 in voted general obligation bonds for constructing, renovating, and adding to buildings; furnishing and equipping such buildings; and improving School District sites. The bond issue included serial and term bonds, in the amount of \$1,432,000 and \$2,610,000 respectively. The bonds were issued for a twenty-three fiscal year period, with final maturity date during fiscal year 2022.

Solvency Assistance Fund Advance

On January 18, 2000, the School District obtained a loan, in the amount of \$627,000, from the State of Ohio Department of Education Solvency Assistance Fund. The loan was obtained under the authority of Ohio Rev. Code § 3316.20 for a three year period, with the first payment due in August, 2000 and the final payment due in June, 2002. The loan is being retired through bi-monthly deductions from the District's State Foundation Settlements.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

6. DEBT OBLIGATIONS (Continued)

The annual requirements to amortize debt outstanding as of June 30, 2000, including interest payments, are as follows:

Year Ending June 30	Asbestos School Hazard Loan	School Energy Conservation Bonds	Solvency Assistance Fund Advance	School Facilities Construction and Improvement Bonds	Total
2001	\$11,812	\$59,087	\$313,500	\$291,935	\$676,334
2002	11,812	56,500	313,500	293,171	674,983
2003	11,812	58,913	0	294,120	364,845
2004	11,812	56,038	0	294,771	362,621
2005	11,812	58,162	0	290,211	360,185
2006-2010	64,967	0	0	1,447,484	1,512,451
2011-2015	23,624	0	0	1,453,594	1,477,218
2016-2020	0	0	0	1,442,672	1,442,672
2021-2022	0	0	0	575,669	575,669
Total	<u>\$147,65</u>	<u>\$288,700</u>	<u>\$627,000</u>	<u>\$6,383,627</u>	<u>\$7,446,97</u>

7. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year ending June 30, 2000 the School District contracted with Owners Insurance Company for property insurance and Inland Marine coverage. The policies include a \$500 deductible for the property insurance and \$100 for Inland Marine coverage.

Professional and general liability is protected by Nationwide Insurance with a \$2,000,000 single occurrence limit with \$5,000,000 aggregate and no deductible. Vehicles are covered by Nationwide Insurance and hold a \$100 deductible for collision. Vehicle liability had a \$5,000,000 combined single limit of liability. Boiler insurance is provided by the Hartford Steam Boiler Inspection and Insurance Company. Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 salaries. This rate is calculated based on accident history and administrative costs.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

7. RISK MANAGEMENT (Continued)

Prior to June 30, 1999 the School District had established a risk financing fund for risks associated with the employee medical insurance plan. The risk financing fund was accounted for as an Internal Service Fund where assets are set aside for claims and settlements. Medical Claims Services Incorporated acted as a third party to administer the activity. A premium was charged to each fund that accounted for part-time and full-time employees. The total allocated to each of the funds (the allocation is based upon the percentage of each fund's current-year payroll as it relates to total payroll of the School District) was calculated using trends in actual claims experience. The School District also purchased a stop-loss coverage of \$10,000 per employee. Subsequent to June 30, 1999, the District provided medical insurance through a commercial carrier, Central Benefits(See Note 10). The activity presented on the financial statements in the Internal Service Fund for fiscal year 2000 is associated with the final claim payments.

8. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$135,057, \$250,666 and \$238,513, respectively; 100 percent has been contributed for fiscal year 2000, 1999 and 1998.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1999, 7.7 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$36,385, \$51,094 and \$62,729, respectively; 100 percent has been contributed for fiscal year 2000, 1998 and 1999.

9. POST-EMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$180,075 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$63,024.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

10. OTHER EMPLOYEE BENEFITS

The School District provides medical insurance for all eligible employees through Central Benefits. The School District pays monthly premiums of \$582.50 for family and \$215.63 for individual coverage. The policy also provides life insurance and accidental death and dismemberment insurance for all eligible employees in the amount of \$10,000 at a premium cost to the District of \$2.60 per employee. Premiums are paid from the same funds that pay the employees' salaries.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Coresource in the amount of \$25,000 for certified employees and \$30,000 for non-certified employees.

Dental coverage is provided through the SEOVEC Insurance Advisory Committee. Premiums for this coverage are \$44.24 monthly for family and individual coverage. The School District also provides vision insurance to its employees through Vision Plus. The monthly premium for this coverage is \$16.10 for employees with dependents and \$6.09 for employees without dependents.

11. JOINTLY GOVERNED ORGANIZATION

Southeast Ohio Voluntary Educational Consortium (SEOVEC)

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC's governing board is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. To obtain financial information write to the Southeast Ohio Voluntary Educational Consortium, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

12. INSURANCE PURCHASING POOL

Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

13. STATUTORY RESERVES

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve
Set-Aside Reserve Balance as of June 30, 2000	\$0	\$0	\$0
Current Fiscal Year Set-Aside Requirement	0	0	24,836
Offset Credits	0	0	0
Qualifying Expenditures	0	0	0
Set-Aside Balance Carried to Future Fiscal Years	\$0	\$0	\$24,836
Set-Aside Reserve Balance as of June 30, 2000	\$0	\$0	\$24,836

The School District did not calculate or set aside general fund revenue amounts contrary to Ohio Rev. Code §3315.17-.171 and Ohio Admin. Code §301-92-01(textbooks); and Ohio Rev. Code §3315.18-.181 and Ohio Admin. Code §3301-92-02 (capital). The amount set-aside for the budget stabilization reserve represents a refund from the Ohio Bureau of Workers' Compensation. No other contributions to the budget stabilization reserve were required because the District was in fiscal emergency during fiscal 2000.

14. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$2,231,086 of school foundation support for its general fund.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

14. STATE SCHOOL FUNDING DECISION (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

15. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

16. RESTATEMENT OF PRIOR YEAR BALANCE

The following adjustment has been made to restate the beginning year fund cash balance in the Capital Projects fund to correct an adjusting entry that was made during the year to reclassify property tax receipts from the Capital Projects Fund to the Special Revenue Fund.

	<u>Balance at 06/30/99</u>	<u>Adjustment</u>	<u>Balance at 7/1/99</u>
Capital Projects Fund	<u>\$4,126,695</u>	<u>(\$19,720)</u>	<u>\$4,106,975</u>

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

17. CONTRACTUAL COMMITMENTS

The School District has entered into the following contractual agreements which had an outstanding balance as of June 30, 2000.

Vendor	Contract Amount	Amount Paid as of 6/30/00	Outstanding Balance
Quandel Group, Inc.	\$499,234	\$187,361	\$311,873
Marr Knapp Crawfis Associates	398,923	327,830	71,093
Anco Mining Company	258,369	216,753	41,616
Geiger Brothers Mechanical	1,969,300	32,100	1,937,200
Wesam Construction	2,315,910	128,448	2,187,462
Capitol Aluminum	167,704	0	167,704
Farnham Equipment	425,000	0	425,000
Polstar	141,197	0	141,197
Cabling Concepts	50,731	0	50,731
Brewer & Company	145,880	0	145,880
J.J. Morley Enterprises	204,100	0	204,100
D.V. Weber	108,394	0	108,394
Lang Masonry	1,440,850	0	1,440,850
KAL Electric	814,500	0	814,500
Total	<u>\$8,940,092</u>	<u>\$892,492</u>	<u>\$8,047,600</u>

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
U.S. Department of Agriculture						
Pass Through Ohio Department of Education:						
Child Nutrition Cluster:						
Food Distribution Program (Commodities)	N/A	10.550	\$	\$19,749	\$	\$21,985
School Breakfast Program	05-PU-99	10.553	6,922		6,922	
	05-PU-00		42,962		42,962	
Total School Breakfast Program			49,884	0	49,884	0
National School Lunch Program	03-PU-99	10.555	2,662		2,662	
	03-PU-00		14,894		14,894	
	04-PU-99		14,938		14,938	
	04-PU-00		81,305		81,305	
Total National School Lunch Program			113,799	0	113,799	0
Total Nutrition Cluster			163,683	19,749	163,683	0
Total U.S. Department of Agriculture			163,683	19,749	163,683	21,985
U.S. Department of Education						
Pass Through Ohio Department of Education:						
Title I - Grants to Local Educational Agencies	C1-S1-99	84.010	37,540		45,541	
	C1-S1-00		218,815		196,587	
Total Title I - Grants to Local Educational Agencies			256,355	0	242,128	0
Special Education - Grants to States	6B-SF-99P	84.027			7,019	
	6B-SF-99P		61,849		54,558	
Total Special Education - Grants to States			61,849	0	61,577	0
Safe and Drug-Free Schools and Communities Grants	DR-S1-99	84.186	4,366		4,366	
	DR-S1-00		3,330		1,118	
Total Safe and Drug Free Schools			7,696	0	5,484	0
GOALS 2000 - State and Local Education Systemic Improvement Grants	G2-S1-99	84.276			17,501	
	G2-S1-00		35,018		27,380	
Total GOALS 2000 Program			35,018	0	44,881	0
Eisenhower Professional Development State Grants	MS-S1-99	84.281	6,273		6,273	
	MS-S1-00		6,266			
Total Eisenhower Professional Development			12,539	0	6,273	0
Innovative Education Program Strategies	C2-S1-99	84.298	3,801		3,802	
	C2-S1-00		3,982		1,528	
Total Innovative Education Program Strategies			7,783	0	5,330	0
Pass Through Ohio University:						
Appalachian Rural Systemic Initiative		84.001	2,000		1,765	
Class Size Reduction	CR-S1-00	84.340	24,711		25,874	
Total U.S. Department of Education			407,951	0	393,312	0
Total Federal Awards Receipts and Expenditures			\$571,634	\$19,749	\$556,995	\$21,985

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the School District had no significant food commodities in inventory.



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

Southern Local School District
Meigs County
Box 176, Elm Street
Racine, Ohio 45771

To the Board of Education:

We have audited the financial statements of the Southern Local School District, Meigs County, Ohio (the School District), as of and for the year ended June 30, 2000, and have issued our report thereon dated October 4, 2000, wherein we noted that the School District had not adopted generally accepted accounting principles, and wherein we noted we were unable to obtain sufficient evidence to support appropriation amounts in the Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority. We also disclosed that the District is in Fiscal Emergency (as defined by the Ohio Revised Code) and expressed significant doubt about its ability to continue as a going concern. Except as described above regarding evidence to support appropriations, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2000-10753-001 through 2000-10753-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated October 4, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2000-10753-002 and 2000-10753-004 through 2000-10753-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable conditions described above are material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated October 4, 2000.

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

Jim Petro
Auditor of State

October 4, 2000



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

Southern Local School District
Meigs County
Box 176, Elm Street
Racine, Ohio 45771

To the Board of Education:

Compliance

We have audited the compliance of the Southern Local School District, Meigs County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated October 4, 2000.

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

Jim Petro
Auditor of State

October 4, 2000

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies, CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

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

Finding Number 2000-10753-001

Noncompliance Citation

Ohio Admin. Code § 117-02-1(now Ohio Administrative Code § 117-02-03(B)) requires the School District to file its annual financial report pursuant to generally accepted accounting principles.

However, the School District prepared and filed its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other legal administrative remedies may be taken against the School District.

We recommend the School District take the necessary steps to ensure that the annual financial report is prepared and filed pursuant to generally accepted accounting principles.

Finding Number 2000-10753-002

Noncompliance Citation and Material Weakness

Ohio Revised Code § 5705.10 requires that money paid into any fund shall be used only for the purposes of which such fund is established.

Although no negative fund balances existed at June 30, 2000, throughout the audit period, several of the School District's funds had negative cash balances. The most significant negative fund balances were the month-end General Fund balances from September 1999 through January 2000. The negative General Fund balances for that period were (\$49,533), (\$228,381), (\$387,514), (\$459,149), and (\$19,300) respectfully. There were also various instances noted where Special Revenue Funds had negative balances during the audit period.

Since the School District uses a cash/investment pool for all funds, a negative fund cash balance indicates cash from one fund was used to pay the obligation of another. We recommend the School District not pay obligations of one fund with monies from another fund. We also recommend the Board take steps to control spending or increase revenue sources in these funds to help prevent the deficit fund cash balances, and closely review the School District's financial activity. This review should include beginning fund balances, receipts, disbursements, and ending fund balances, on a monthly basis, as well as budgeted and actual revenues and expenditures.

Finding Number 2000-10753-003

Noncompliance Citation

Ohio Rev. Code §5705.29(H) and Ohio Admin. Code §3301-92-03 and §117-2-24 (budgetary stabilization);Ohio Rev. Code §315.17 - .171 and Ohio Admin. Code §3301-92-01(textbooks); and Ohio Rev. Code §3315.18 - .181 and Ohio Admin. Code §3301-92-02 (capital) require that the School District establish reserves which are to be calculated and set aside annually. These reserves must be represented by restricted cash at year-end and must be accounted for in the general fund. The reserves are to be calculated as specified percentages of the base as defined by the Codes.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number 2000-10753-003 (Continued)

Noncompliance Citation (Continued)

The School District did not calculate the base amount as defined by the Code, nor did the School District properly account for the textbooks and capital reserves in the General Fund. The reserves were not represented by restricted cash at fiscal year end nor was the information disclosed in the accompanying financial statements. The School District also did not summarize qualifying disbursements against the reserves.

We recommend that the School District's management become familiar with the requirements of House Bill 412 and properly calculate and set aside the required reserves as specified by the Ohio Revised Code and Ohio Administrative Code.

Finding Number 2000-10753-004

Noncompliance Citation and Material Weakness

Ohio Rev. Code §5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the official or amended official estimate of total revenues.

On November 1, 1999, the County Auditor certified that ten funds(at the special cost center level) had appropriations that exceeded total estimated revenue, (refer to Note 4 to the financial statements). As of June 30, 2000, the School District had not amended their appropriations for these funds. Noncompliance can result in fund deficits occurring.

We recommend the School District compare appropriations to estimated resources throughout the period and make the necessary budgetary adjustments to ensure that appropriations do not exceed estimate resources. This comparison should be performed whenever amendments are approved by the Board and posted to the system.

Finding Number 2000-10753-005

Noncompliance Citation and Material Weakness

Ohio Rev. Code §5705.40 states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

Supplemental amendments approved by the Board were not always posted properly to the School District's accounting system. Inaccurate appropriation amounts in the School District's accounting system can result in fund deficits.

We recommend that the School District compare approved appropriation amounts to the amounts posted in the accounting system. This comparison should be performed whenever amendments are approved by

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

There were no findings related to federal awards.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid
1999-10753-001	A noncompliance citation was issued under Ohio Rev. Code Section 135.18 for depository balances exceeding pledged securities.	No	Not Corrected. Citation moved to Management Letter.
1999-10753-002	A noncompliance citation was issued under Ohio Rev. Code Section 5705.36 for not excluding the amounts reserved for budgetary stabilization from the certificate of estimated resources filed with the County Auditor.	No	Finding no longer valid; the School District is in fiscal emergency.
1999-10753-003	A noncompliance citation was issued under Ohio Rev. Code Section 5705.39 for allowing appropriations to exceed estimated resources in several funds.	No	Not Corrected
1999-10753-004	A noncompliance citation was issued under Ohio Rev. Code Section 5705.391 and Ohio Admin Code Section 3301-92-04 for not adopting a spending plan.	Yes	Corrected
1999-10753-005	A noncompliance citation was issued under Ohio Rev. Code Section 5705.391(B) for incorrect five year projection.	Yes	Corrected
1999-10753-006	A noncompliance citation was issued under Ohio Rev. Code Section 5705.412 for not attaching 412 certifications to salary schedules, school bus purchases, and other contracts.	Yes	Finding not valid for fiscal year 2000; the School District is in fiscal emergency. The School District is currently issuing 412 certificates.
1999-10753-007	A noncompliance citation was issued under Ohio Admin. Code Section 117-2-01 for not preparing financial reports in accordance with GAAP.	No	Not Corrected

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid
1999-10753-008	A reportable condition was issued for the School District authorizing a cash advance from the Debt Service Fund and the Food Service Fund to the General Fund.	Yes	Finding not valid for fiscal year 2000; the advance was paid back to the Food Service Fund and the Debt Service Fund during fiscal year 2000.
1999-10753-009	A noncompliance citation was issued under Ohio Rev. Code §5705.29(H) and Ohio Admin. Code §301-92-03 and §117-1-24 (budgetary stabilization); Ohio Rev. Code §3315.17-.171 and Ohio Admin. Code §301-92-01(textbooks); and Ohio Rev. Code §3315.18-.181 and Ohio Admin. Code §3301-92-02 (capital); the School District did not accurately calculate the base amount as defined by the Code, nor did the School District properly account for the reserves in the general fund.	No	Partially Corrected; the School District has set-aside the appropriate budgetary stabilization reserve. The School District did not accurately calculate the base amount as defined by the Code, nor properly account for the textbook reserve or capital maintenance reserve.
1999-10753-010	A federal noncompliance citation was issued under Title I, Part A, IASA requiring the School District to perform a physical inventory of Title I equipment once every two years and that the physical inventory be reconciled with the equipment records. The School District did not take a physical inventory.	Yes	Corrected



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SOUTHERN LOCAL SCHOOL DISTRICT

MEIGS 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
DECEMBER 5, 2000**