



STATE OF OHIO  
OFFICE OF THE AUDITOR

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JIM PETRO, AUDITOR OF STATE

**Southern Local School District**  
Meigs County

Financial Forecast  
For The Fiscal Year Ending June 30, 2002

Southern Local School District  
Meigs County

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and

Board of Education  
Southern Local School District  
P.O. Box 176  
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**CERTIFICATION**

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Division of the Auditor of State's Office has examined the financial forecast of the General Fund of the Southern Local School District, Meigs County, Ohio. This forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating deficit for the fiscal year ending June 30, 2002 of \$421,000 after meeting the statutory cash reserves of \$40,000. The cash reserve consists of \$40,000 for a disadvantaged pupil impact aid reserve.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2003 scheduled property tax settlements. The potential advances have been excluded due to the District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The projected operating deficit could be reduced to the extent tax advances are received prior to June 30, 2002 and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2002.

Christine L. Hansen, CPA  
Chief of Local Government Services

January 28, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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### **Independent Accountant's Report**

We have examined the accompanying forecasted schedule of revenues, expenditures and changes in fund balance of the general fund of the Southern Local School District for the fiscal year ending June 30, 2002. The Southern Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the forecasted schedules referred to above are presented in conformity with the guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after its date.

The historical financial statements for the years ended June 30, 1999 and 2000 were audited by the Auditor of State's Office and we rendered qualified opinions on those financial statements in reports dated March 9, 2000, October 4, 2000. Both years' qualifications were due to the District's failure to report textbook and capital improvement reserves. The 2001 financial statements had a scope limitation, as we were unable to obtain adequate assurance that the combined statement of disbursements and encumbrances compared with expenditure authority accurately reflected appropriations. The historical financial statements for the year ended June 30, 2001 were audited by the Auditor of State's Office and we rendered an unqualified opinion on those financial statements in a report dated September 6, 2001. We have not performed any auditing procedures since.

JIM PETRO  
Auditor of State

January 28, 2002

**SOUTHERN LOCAL SCHOOL DISTRICT**  
**MEIGS COUNTY**  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEARS ENDED JUNE 30, 1999, 2000 AND 2001 ACTUAL;  
FISCAL YEAR ENDING JUNE 30, 2002 FORECASTED  
GENERAL FUND

	Fiscal Year 1999 Actual	Fiscal Year 2000 Actual	Fiscal Year 2001 Actual	Fiscal Year 2002 Forecasted
<b>Revenues</b>				
General Property Tax (Real Estate)	\$1,467,000	\$1,438,000	\$1,410,000	\$1,342,000
Tangible Personal Property Tax	42,000	48,000	58,000	83,000
Unrestricted Grants-in-Aid	2,061,000	2,322,000	2,402,000	2,874,000
Restricted Grants-in-Aid	206,000	254,000	297,000	508,000
Property Tax Allocation	115,000	117,000	121,000	121,000
All Other Revenues	56,000	37,000	86,000	95,000
<i>Total Revenues</i>	<u>3,947,000</u>	<u>4,216,000</u>	<u>4,374,000</u>	<u>5,023,000</u>
<b>Other Financing Sources</b>				
State Emergency Loans and Advancements	0	627,000	766,000	0
Advances-In	113,000	0	0	11,000
<i>Total Other Financing Sources</i>	<u>113,000</u>	<u>627,000</u>	<u>766,000</u>	<u>11,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>4,060,000</u>	<u>4,843,000</u>	<u>5,140,000</u>	<u>5,034,000</u>
<b>Expenditures</b>				
Personal Services	2,486,000	2,552,000	2,500,000	2,720,000
Employees' Retirement/Insurance Benefits	911,000	995,000	1,058,000	1,266,000
Purchased Services	254,000	194,000	264,000	279,000
Supplies and Materials	127,000	135,000	188,000	206,000
Capital Outlay	72,000	192,000	105,000	246,000
Debt Service:				
Principal - State Loan	0	0	314,000	696,000
Principal - Asbestos	12,000	12,000	12,000	12,000
Principal - HB 264 Loans	40,000	40,000	45,000	45,000
Interest and Fiscal Charges	19,000	16,000	14,000	11,000
Other Objects	227,000	413,000	340,000	326,000
<i>Total Expenditures</i>	<u>4,148,000</u>	<u>4,549,000</u>	<u>4,840,000</u>	<u>5,807,000</u>
<b>Other Financing Uses</b>				
Operating Transfers-Out	5,000	0	0	50,000
Advances-Out	0	114,000	11,000	0
<i>Total Other Financing Uses</i>	<u>5,000</u>	<u>114,000</u>	<u>11,000</u>	<u>50,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>4,153,000</u>	<u>4,663,000</u>	<u>4,851,000</u>	<u>5,857,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under)</i> <i>Expenditures and Other Financing Uses</i>	(93,000)	180,000	289,000	(823,000)
<i>Cash Balance July 1</i>	<u>102,000</u>	<u>9,000</u>	<u>189,000</u>	<u>478,000</u>
<i>Cash Balance June 30</i>	<u>9,000</u>	<u>189,000</u>	<u>478,000</u>	<u>(345,000)</u>
Estimated Encumbrances June 30	0	15,000	43,000	36,000
Reservation of Fund Balance				
Budget Stabilization	0	25,000	37,000	0
Disadvantage Pupil Impact Aid	0	0	0	40,000
<i>Unencumbered/Unreserved Fund Balance/(Deficit) June 30</i>	<u>\$9,000</u>	<u>\$149,000</u>	<u>\$398,000</u>	<u>(\$421,000)</u>

See accompanying summary of significant forecast assumptions and accounting policies, and accountant's report.

Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

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**Note 1 - Nature and Limitations of the Forecast**

This financial forecast presents, to the best of the Southern Local School District Board of Education and the Financial Planning and Supervision Commission's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of January 28, 2002, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

The accompanying forecast was prepared for the purpose of determining whether the Southern Local School District will incur an operating deficit for the current fiscal year under Section 3316.08 of the Ohio Revised Code and should not be used for any other purpose.

**Note 2 - Nature of the Presentation**

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund.

For presentation in the forecast, the general fund has been adjusted to include the financial activity and balances of the disadvantaged pupil impact aid (DPIA) and textbook subsidy funds, and the activity of the debt service fund related to the general fund supported debt. The inclusion of this activity has generated differences from the audited financial statements for the fiscal years ended June 30, 1999, 2000, and 2001. These differences are as follows:

	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001
<u>Revenues and Other Sources</u>			
General Fund as Previously Reported	\$3,634,000	\$4,469,000	\$4,450,000
Removal of Intrafund Transfers	0	(32,000)	0
DPIA	343,000	338,000	305,000
Textbook Subsidy	12,000	0	0
Debt Service Activity Related to General Fund Supported Debt	71,000	68,000	385,000
Total Revenues and Other Sources per Forecast	4,060,000	4,843,000	5,140,000
			Continued

Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001
<u>Expenditures and Other Uses</u>			
General Fund as Previously Reported	\$ 3,727,000	\$ 4,292,000	\$ 4,151,000
Removal of Intrafund Transfers	0	(32,000)	0
DPIA	343,000	328,000	315,000
Textbook Subsidy	12,000	7,000	0
Debt Service Activity Related to General Fund Supported Debt	71,000	68,000	385,000
Total Expenditures and Other Uses per Forecast	<u>4,153,000</u>	<u>4,663,000</u>	<u>4,851,000</u>
Excess of Revenues and Other Sources Over(Under) Expenditures and Other Uses	(93,000)	180,000	289,000
Cash Fund Balance at Beginning of Fiscal Year	<u>102,000</u>	<u>9,000</u>	<u>189,000</u>
Cash Fund Balance at End of Fiscal Year	9,000	189,000	478,000
Encumbrances at Fiscal Year End	<u>0</u>	<u>(15,000)</u>	<u>(43,000)</u>
Unencumbered Fund Balance at Fiscal Year End	<u>\$9,000</u>	<u>\$174,000</u>	<u>\$435,000</u>

**Note 3 - Summary of Significant Accounting Policies**

**A. - Basis of Accounting**

This financial forecast has been prepared on a basis of cash receipts and disbursements which is consistent with the cash basis of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**B. - Fund Accounting**

The School District maintains its accounting 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 segregation 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 class of funds are as follows:

**Governmental Funds**

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

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

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

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

**Proprietary Funds**

Enterprise Funds - Enterprise funds 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.

**Fiduciary Funds**

Trust and Agency Funds - Trust and agency funds 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. These include (a) expendable trust funds, (b) non-expendable trust funds, and (c) agency funds.

**C. - Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations 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.

Tax Budget - A tax budget of estimated cash receipts and disbursements is submitted to the Meigs County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

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. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any 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.



Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

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Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

**Note 4 - General Operating Assumptions**

The Southern Local School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

**Note 5 - Significant Assumptions for Revenues and Other Financing Sources**

**A. - General and Tangible Personal Property Taxes**

Property taxes consist of real estate, public utility real and personal property, and tangible personal property taxes. Advances may be requested from the Meigs County Auditor as the tax is collected. When settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times.

State law allows for certain reductions in the form of rollbacks and homestead exemption for real estate taxes and exempts from taxation the first \$10,000 of tangible personal property. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is included in the forecasted amount for property tax allocation.

Property taxes are levied and collected on a calendar year basis. Settlements that occur in the second half of the year are recorded as revenue in next fiscal year. New and /or expiring levies result in one-half of the annual revenue being recorded in the first and/or last year of collection.

The property tax revenues for the School District are generated from several levies. The type of levies, the year approved, last year of collection, and the full tax rate are as follows:

Tax Levies	Year Approved	Last Year of Collection	Full Tax Rate (Mills)
Inside Ten Mill Limitation	n/a	n/a	\$3.50
Continuing Operating	Prior to 1976	n/a	16.50
Continuing Operating	1982	n/a	3.00
Current Operating	2000	2003	4.00
Total Tax Rate			<u>\$27.00</u>

Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

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General Property Tax (Real Estate) - General property tax revenue includes real estate taxes, public utility property taxes, and manufactured home taxes. The amounts shown in the revenue section of the forecast schedule represents gross property tax revenue. The general property tax revenue estimate is based upon actual receipts and information provided by the Meigs County Auditor. Amounts forecasted for the rollback and homestead exemption are included under the property tax allocation account. Based upon these estimates, the School District anticipates receiving \$1,342,000 in real estate tax revenue, a \$68,000 decrease from the previous fiscal year. This decrease is caused by the effect of natural gas and electric utility deregulation, which will result in a \$12,539,982 loss in tax value. This loss will be offset by a reimbursement of \$338,580 per year. \$167,000 of the reimbursement will be received in fiscal year 2002.

Tangible Personal Property Tax - Tangible personal property tax revenues are generated from the property used in business (except for public utilities). As with general property taxes, tangible personal property tax revenues are based upon information provided by the Meigs County Auditor. Based upon these estimates, the School District anticipates receiving \$83,000 in tangible personal property tax revenue, a \$25,000 increase from the previous fiscal year. This is due to increased taxable personal property in the County.

**B. - Unrestricted Grants-in-Aid**

State foundation payments established by Chapter 3317 of the Ohio Revised Code are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM) and classroom teacher ratios plus other factors. The funds are distributed on a semi-monthly basis. Deductions from the monthly payments for contributions to the two school retirement systems are included in the expenditure section. Unrestricted grants-in-aid includes formula aid, special education aid, training and experience of classroom teachers funding, unrestricted disadvantaged pupil impact aid, extended service, gifted aid, transportation, vocational education, and electric and gas deregulation reimbursement.

In 1998, State law set the base cost per pupil at \$4,063 and increased the rate each year thereafter, based on annual rate of inflation of two and eight-tenths percent, to \$4,177 for fiscal year 2000, and \$4,294 for fiscal year 2001. State law set the base cost per pupil at \$4,814 for fiscal year 2002.

Beginning in tax year 2001, there will be significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123<sup>rd</sup> General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. To replace this money, new state consumption taxes have been enacted, a kilowatt-hour tax on electricity and a thousand cubic foot tax on natural gas. Money from these new taxes will be used to reimburse school districts for property tax revenue loss. Reimbursements are to be made twice a year starting in February 2002. The school district anticipates \$170,000 in electric and gas deregulation reimbursements during fiscal year 2002.

The anticipated revenue for fiscal year 2002 is based on current estimates provided by the Ohio Department of Education and the Ohio Department of Taxation (electric and gas deregulation reimbursement). The anticipated increase of \$472,000 is based on the following:

- An increase in special education funding;
- An increase in ADM and recognized valuation;
- The addition of charge-off supplement funding due to the state mandated increase in the salary schedule being higher than the district's negotiated increase in fiscal year 2002. This supplement funding is provided through the school district's foundation; and

Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

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- The addition of the electric and gas deregulation reimbursement in the amount of \$167,000.

**C. - Restricted Grants-in-Aid**

Restricted grants-in-aid consists of the following:

Revenue Source	Actual Fiscal Year 2001	Forecast Fiscal Year 2002	Variance Increase (Decrease)
Bus Purchase Allowance	\$27,000	\$83,000	\$56,000
Driver Education Reimbursement	2,000	2,000	0
Extended Learning	16,000	0	(16,000)
Parity Aid	0	76,000	76,000
DPIA	252,000	347,000	95,000
Totals	<u>\$297,000</u>	<u>\$508,000</u>	<u>\$211,000</u>

The anticipated increase in restricted grants-in-aid are based on the following:

- The addition of parity aid;
- The reimbursement for a handicapped bus in FY 2002; and
- An increase in the restricted percentage of DPIA funding from 83 percent to 100 percent.

**D. - Property Tax Allocation**

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the above (rollback and homestead).

Property tax allocation revenue, based on information provided by the Meigs County Auditor, is anticipated to remain \$121,000.

**E. - All Other Revenues**

All other revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2001	Forecast Fiscal Year 2002	Variance Increase (Decrease)
Manufactured Home Tax	\$37,000	\$30,000	(\$7,000)
Interest on Investments	21,000	24,000	3,000
Classroom Materials and Fees	4,000	7,000	3,000
Tuition	7,000	7,000	0
Miscellaneous	17,000	27,000	10,000
Totals	<u>\$86,000</u>	<u>\$95,000</u>	<u>\$9,000</u>

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Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

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Interest on investments is expected to increase by \$3,000. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the balance recorded to the general fund.

The increase in miscellaneous revenue is due to an auction that the school district had at the beginning of the fiscal year to sell items from the closed elementary schools.

**F. - Advances In**

Advances in represents amounts loaned to other funds in the current or prior fiscal year which are being repaid to the general fund in the forecast year. The general fund will receive \$11,000 which represents the repayment of an advance from the Summer Intervention special revenue fund.

**Note 6 - Significant Assumptions For Expenditures and Other Financing Uses**

**A. - Personal Services**

Personal service expenditures represent the salaries and wages paid to certified and classified staff, supplemental contracts, substitutes, severance pay, and board members' compensation. All employees receive their compensation on a bi-weekly basis. Historically, the certified, classified, and administrative staff levels have remained the same.

Certified (teacher) staff salaries and classified employee salaries are based on a contract with their respective bargaining units. The contracts covers the period of July 1, 2001, to June 30, 2002. Both contracts include a base increase of 6.72 percent, due to a state mandate requiring the School District to increase the base certified salary from \$18,740 to \$20,000, as well as step increases and educational incentives. Administrative salaries are set by the Board of Education.

The School District offers severance pay to its employees with twenty or more years of service in the Southern Local School District of up to one-fourth of the accumulated sick leave to a maximum of 240 days, depending on years of service. Also, unused personal leave is to be paid at the employee's current per diem rate upon retirement.

Presented below is a comparison of salaries and wages for the fiscal year 2001 and the forecast period.

<u>Personal Services</u>	Actual Fiscal Year 2001	Forecast Fiscal Year 2002	Variance Increase (Decrease)
Certified Salaries	\$1,834,000	\$1,977,000	\$143,000
Classified Salaries	513,000	569,000	56,000
Substitute Salaries	92,000	79,000	(13,000)
Supplemental Contracts	32,000	50,000	18,000
Severance Pay	15,000	15,000	0
Other Salaries and Wages	14,000	30,000	16,000
Totals	<u>\$2,500,000</u>	<u>\$2,720,000</u>	<u>\$220,000</u>

Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

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The increase in salaries is due to the 6.72 percent base increase, step increases, and an additional teacher being hired in January 2002. Substitute salaries will decrease as a result of a part-time custodian being paid out of substitute salaries in FY 2001.

**B. - Employees' Retirement/Insurance Benefits**

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers' contribution rate of 14 percent for STRS and SERS. Payments are made based upon estimated salary and wages for each fiscal year; therefore, retirement costs may not increase in the same increment as salaries. Adjustments resulting from over/under estimates are prorated over the next fiscal year.

Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, and the monthly premiums. The School District participates in a traditional health plan and pays 100 percent of the premiums. The School District will experience an increase of 34 percent in health insurance premiums, a 10 percent increase in vision insurance premiums, and a 11 percent increase in dental insurance premiums during fiscal year 2002.

Medicare benefits are based on the employers' rate of 1.45 percent and the payroll costs for contributing staff.

Workers' compensation premiums are based on the School District's rate and the anticipated salaries for the fiscal year. The School District was granted a 75 percent reduction in its workers' compensation rate for fiscal year 2002.

Presented below is a comparison of fiscal year 2001 and the forecast period:

	Actual Fiscal Year 2001	Forecast Fiscal Year 2002	Variance Increase (Decrease)
Employer's Retirement	\$358,000	\$363,000	\$5,000
Health Care Insurance	663,000	873,000	210,000
Workers' Compensation	15,000	4,000	(11,000)
Surcharge	8,000	8,000	0
Medicare	14,000	18,000	4,000
Totals	<u>\$1,058,000</u>	<u>\$1,266,000</u>	<u>\$208,000</u>

The significant changes in employees' retirement and insurance benefits are based on the following:

- The 34 percent increase in health insurance premiums, a 10 percent increase in vision insurance premiums, and a 8 percent increase in dental insurance premiums;
- An increase in employee retirement costs due to salary increases offset by variances in the estimated and actual salary data provided to the pension systems; and,
- A 75 percent reduction in workers' compensation premiums for the forecasted year.

Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

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**C. - Purchased Services**

Purchased service expenditures forecasted in the amount of \$279,000 are comprised of the following:

	Actual Fiscal Year 2001	Forecast Fiscal Year 2002	Variance Increase (Decrease)
Professional and Technical Services	\$13,000	\$36,000	\$23,000
Property Services	46,000	65,000	19,000
Travel and Meeting Expenses	13,000	15,000	2,000
Communication Costs	20,000	26,000	6,000
Utility Services	146,000	113,000	(33,000)
Tuition Payments	10,000	8,000	(2,000)
Pupil Transportation	15,000	15,000	0
Other Purchased Services	1,000	1,000	0
<b>Totals</b>	<b>\$264,000</b>	<b>\$279,000</b>	<b>\$15,000</b>

Purchased services are anticipated to increase, based on the following:

- An increase in professional and technical services as a result of maintenance relating to the equipment in the new school, hiring a professional firm to record fixed assets, and an increase in liability insurance;
- An increase in property and fleet insurance;
- An increase in communication costs due to the cost of a new phone system installed in the new elementary school; and
- A decrease in utility services as a result of lower fuel prices and consumption since moving to new school building.

**D. - Supplies and Materials**

Supplies and materials are comprised of the following:

	Actual Fiscal Year 2001	Forecast Fiscal Year 2002	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$37,000	\$63,000	\$26,000
Operations, Maintenance, and Repair	83,000	78,000	(5,000)
Textbooks	68,000	65,000	(3,000)
<b>Totals</b>	<b>\$188,000</b>	<b>\$206,000</b>	<b>\$18,000</b>

Significant increases are based on the following:

- An increase in teacher supplies due to the supplying of the new school building; and
- An increase in expenditures for library books.

Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

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**E. - Capital Outlay**

Property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these general fixed assets as the purpose of the financial statements for the general government services is to report the expenditure of resources, not costs.

Capital outlay expenditures are forecasted in the amount of \$246,000, an increase of \$141,000 from the previous fiscal year. This is primarily due to the purchase of three new buses in FY 02 (only one bus will be fully reimbursed by the State).

**F. - Debt Service**

General fund supported debt consists of a school district solvency assistance fund advance, an asbestos abatement loan, and energy conservation notes. The forecasted changes in the general fund obligations are as follows:

	Interest Rate	Balance 6/30/2001	Issued	Retired	Balance 6/30/2002
State Solvency Assistance Advance 2000	0.00%	\$313,000	\$0	\$313,000	\$0
State Solvency Assistance Advance 2001	0.00%	766,000	0	383,000	383,000
Asbestos Abatement Loan 1995	5.75%	200,000	0	45,000	155,000
Energy Conservation Note 1995	0.00%	136,000	0	12,000	124,000
Total		<u>\$1,415,000</u>	<u>\$0</u>	<u>\$753,000</u>	<u>\$662,000</u>

**G. - Other Objects**

Other objects include dues, fees, liability insurance, and county educational service center costs. The School District is forecasting \$195,000 in dues and fees, a \$29,000 decrease from fiscal year 2001 due to a decrease in educational service center fees. The School District is also forecasting \$126,000 in open enrollment costs, an increase of \$7,000 from fiscal year 2001 due to more students leaving the School District to attend school at neighboring districts. Miscellaneous other objects account for \$6,000 of the forecast amount.

**H. - Operating Transfers and Advances Out**

The School District expects to make a transfer from the general fund to the lunchroom fund in the amount of \$50,000 during fiscal year 2002. The advance in during fiscal year 2002 represents the repayment of cash flow borrowing by the summer intervention special revenue fund.

**Note 7 - Encumbrances**

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund balance.

Historically, the School District has very limited encumbrances at the end of a fiscal year. The amount forecasted for fiscal year 2002 represents the State Teacher's Retirement System advance in the amount of \$28,000, \$5,000 in purchased services, and \$3,000 in supplies and materials.

Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

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**Note 8 - Reservations of Fund Balance**

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues 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 the future years. The School District is not required to set aside money for budget stabilization. In prior years, the School District did not have reserves to report for textbooks and instructional materials or capital acquisition and improvements.

**A. - Textbooks and Instructional Materials**

The School District is required to set aside annually three percent of certain revenues for the purchase of textbooks and instructional materials. The set aside amount for fiscal year 2002 is \$99,000. There was a negative carryover of \$42,000 from fiscal year 2001. Qualifying expenditures in the amount of \$118,000 are anticipated; therefore, no textbook and instructional materials reserve is required.

**B. - Capital Acquisition and Improvements**

The School District is also required to set aside annually three percent of certain revenues for capital acquisition and improvements. The set aside amount for fiscal year 2002 is \$99,000. There was a negative carryover of \$10,000 from fiscal year 2001. In fiscal year 2002, \$71,000 in off-sets from a tax levy and \$7,800,000 in qualifying disbursements for building construction are anticipated; therefore, no reserve is anticipated.

**C. - Budget Reserve**

The School District had a carry over budget reserve of \$37,000, which represented a workers' compensation refund. The money in the budget reserve will be used to reduce the projected deficit.

**D. - Disadvantaged Pupil Impact Aid (DPIA)**

The School District anticipates receiving \$347,000 in restricted DPIA monies during fiscal year 2002. The School District also anticipates spending \$307,000 in the current fiscal year. Therefore, a reserve of \$40,000 is anticipated at June 30, 2002.



Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

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**Note 9 - Levies**

The School District does not plan to place any levies on the ballot during fiscal year 2002. In the past ten years the School District has placed several levies on the ballot. The type of levy, rate, term, and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
November 1992	Bond Issue	5.3 mills	23 Years	Failed
May 1994	Operating	4 mills	Continuing	Failed
November 1994	Operating	4 mills	3 Years	Passed
March 1996	Bond Issue	5.6 mills	23 Years	Failed
August 1996	Bond Issue	4.92 mills	23 Years	Failed
November 1997	Operating/Renewal	4 mills	3 Years	Passed
May 1998	Bond Issue	4.89 mills	23 Years	Passed
November 2000	Operating/Renewal	4 mills	3 Years	Passed

**Note 10 - Pending Litigation**

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.

**Note 11 - State School Funding Decision**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006. The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of January 28, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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  
MARCH 7, 2002**