



Mary Taylor, CPA
Auditor of State

**Southern Local School District
Meigs County, Ohio
Fiscal Emergency Termination**

Local Government Services Section

**Southern Local School District
Meigs County**

Fiscal Emergency Termination

Table of Contents

	<u>Page</u>
Table of Contents	1
Certification	3
Report on Termination of the Southern Local School District Financial Planning and Supervision Commission	
The Declaration of Fiscal Emergency	5
Section 1 - Financial Accounting and Reporting System	5
Section 2 - Fiscal Emergency Conditions	12
Section 3 - Financial Recovery Plan	13
Section 4 - Five Year Forecast	13
Section 5 - Conclusion	13
Disclaimer	14
Appendix A	A1
Southern Local School District Financial Forecast For the Fiscal Years Ending June 30, 2009 through June 30, 2013	

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Mary Taylor, CPA

Auditor of State

CERTIFICATION

Pursuant to a request submitted to the Auditor of State by the Southern Local School District Financial Planning and Supervision Commission, the Auditor of State performed an analysis of the Southern Local School District to determine whether the Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated. Based on our analysis, the Auditor of State certifies that the Southern Local School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 3316.10 of the Revised Code has been implemented, that the Board of Education has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Southern Local School District Financial Planning and Supervision Commission and its role in the operation of the Southern Local School District is terminated as of April 22, 2009.

Accordingly, this report is hereby submitted to the Southern Local School District Board of Education, the Financial Planning and Supervision Commission, Ted Strickland, Governor, J. Pari Sabety, Director of the Office of Budget and Management, Mary T. Byer-Hill, Meigs County Auditor, and Deborah S. Delisle, State Superintendent of Public Instruction.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 22, 2009

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Southern Local School District – Meigs County

Report on Termination of the Southern Local School District Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission of the Southern Local School District (the Commission), Meigs County, Ohio, as provided by Section 3316.16(B) of the Ohio Revised Code, the Auditor of State has performed an analysis to determine whether this Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated.

The Declaration of Fiscal Emergency

On October 4, 1999, the Auditor of State certified an operating deficit in the amount of \$627,000 for the fiscal year ending June 30, 2000 for the Southern Local School District (the School District). The Auditor of State declared the School District in Fiscal Emergency on November 8, 1999, since the School District adopted a resolution dated October 11, 1999, acknowledging its inability to develop a financial recovery plan acceptable to the Superintendent of public Instruction and requesting that the Southern Local School District be placed in fiscal emergency. The state of Fiscal Emergency was declared under Section 3316.03(B)(2) of the Ohio Revised Code and a Financial Planning and Supervision Commission was created whose purpose is to direct the School District's return to financial stability.

Termination of Fiscal Emergency

Under Section 3316.16 of the Ohio Revised Code, a school district financial planning and supervision commission, once established, will continue in existence until the Auditor of State, or the commission itself, determines the following:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;
3. The objectives of the financial recovery plan are being met; and,
4. The school district has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and such forecast is, in the Auditor's opinion, "nonadverse".

The results of the analysis performed by the Auditor of State to determine if each of these four conditions has been satisfied follows.

Section 1 - Financial Accounting and Reporting System

When a school district is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the school district's financial accounting and reporting system. The Auditor of State, in accordance with Section 3316.10(A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Southern Local School District and issued a Report on Accounting Methods, dated February 8, 2000. The report identified areas where the School District's financial accounting and reporting system was not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

Southern Local School District – Meigs County

**Report on Termination of the Southern Local School District
Financial Planning and Supervision Commission**

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Financial Accounting Report. We confirmed whether the actions taken by management were sufficient to correct those issues identified in the Financial Accounting Report. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Governance

Auditor of State Comment from Report on Accounting Methods:

- The School District should establish an audit committee to act as an informed, vigilant, and effective overseer of the financial reporting process.

Implemented:

An audit committee has been established, consisting of two School Board members and three community members, appointed by the School Board President. The audit committee meets monthly.

Budgetary Process

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer should monitor revenues and expenditures on a monthly basis and compare them to revenue estimates in the current amended certificate and appropriations as adopted by the Board of Education.

Implemented:

The School Board has adopted policies that set forth the requirements of the Treasurer in regards to monthly financial reports to be submitted to the School Board and the monitoring of revenues and appropriations. Monitoring is done at least monthly beginning with the monthly reports submitted to the School Board.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer should compare appropriations to estimated resources to prevent the adoption of appropriations in excess of estimated resources.

Implemented:

The Treasurer is required by current policy to compare appropriations to estimated resources. This is done each time an amendment is made to either estimated receipts or appropriations.

Southern Local School District – Meigs County

**Report on Termination of the Southern Local School District
Financial Planning and Supervision Commission**

Auditor of State Comment from Report on Accounting Methods:

- The “Set-Bal” program should not be used for the purposes of adjusting estimated revenues and expenditures to actual at year-end.

Implemented:

“Set-Bal” is not used by the School District, per current policy.

Revenue Activity

Auditor of State Comment from Report on Accounting Methods:

- All receipts should be counted or verified by a second employee. The second individual should initial the source documents indicating all amounts are correct.

Implemented:

The Treasurer has implemented procedures requiring that receipts are verified by a second employee prior to deposit to the bank.

Auditor of State Comment from Report on Accounting Methods:

- Food Service, student activities, and yearbook sales revenue should be deposited with the Treasurer. The Treasurer should then make the deposits after a comparison of the receipt documents and the cash to be deposited.

Implemented:

The School District has developed procedures for the handling of food service, student activities, and yearbook sales. All receipts are deposited daily, with either a ticket sales report or copies of prenumbered receipts.

Auditor of State Comment from Report on Accounting Methods:

- The District should adopt an NSF check policy. The School District currently deals with this situation as it occurs.

Implemented:

The School District has adopted a policy for the handling of NSF checks. A payor responsible for an NSF check is given 60 days to repay the School District for the amount of the check and any fees assessed to the School District.

Southern Local School District – Meigs County

**Report on Termination of the Southern Local School District
Financial Planning and Supervision Commission**

Purchasing Process

Auditor of State Comment from Report on Accounting Methods:

- The School District needs to implement a policy pertaining to the payment of invoices that exceed the purchase order. When the amount materially exceeds the original purchase order, a “Then and Now” certificate should be signed by the Treasurer or, if the amount exceeds \$3,000, it should be presented to the School Board for approval. Currently, as long as the overage is reasonable the School District will pay it.

Implemented:

The School District has adopted a policy whereby the Treasurer will certify obligations that exceed the original purchase order or obligations without a purchase order. A “Then and Now” Certificate is issued certifying that funds were available at the time of the purchase and at the time the Certificate is signed.

Auditor of State Comment from Report on Accounting Methods:

- A policy should be implemented that would prohibit the approval of purchase orders when sufficient appropriations to cover the amount of the purchase order do not exist.

Implemented:

The School District updated its Fiscal Management policies to prohibit the approval of purchase orders if appropriations are not sufficient to cover the amount of the purchase order.

Cash Disbursements

Auditor of State Comment from Report on Accounting Methods:

- The School District should establish a procedure for determining which invoices are to be paid and when. The invoices could be filed by due date, which would allow the School District to take better advantage of vendor discounts.

Implemented:

The School District adopted procedures whereby accounts payable personnel will file and pay invoices by due date to prevent late fees and interest charges.

Auditor of State Comment from Report on Accounting Methods:

- The School District should assess adequate cross-training as it relates to the entire cash disbursement process, and most specifically the School District’s computerized disbursement program. In the absence of the Assistant Treasurer, the disbursement responsibilities often go untouched until she returns. The Treasurer, or other staff within the Treasurer’s office as appropriate, should become more familiar with these procedures to insure workflow continuity.

Implemented:

Employees within the Treasurer’s Office are cross trained to perform the activities outside daily routines.

Southern Local School District – Meigs County

**Report on Termination of the Southern Local School District
Financial Planning and Supervision Commission**

Payroll Processing

Auditor of State Comment from Report on Accounting Methods:

- A rotation of the reconciliation and the payroll preparation responsibilities should be coordinated between the Treasurer and Assistant Treasurer. Currently, the Assistant Treasurer is the only individual familiar with the payroll program used by the School District. The Treasurer should become more familiar with the overall process to ensure continuity in the absence of the Assistant Treasurer and to ensure adequate monitoring of programs.

Implemented:

Newly adopted policy provides that employees within the Treasurer’s Office will be cross trained to perform the activities outside daily routines. On an every other month basis the Treasurer and Assistant Treasurer will rotate the reconciliation of the payroll and payroll preparation.

Debt Activity

Auditor of State Comments from Report on Accounting Methods:

- The Treasurer should verify the accuracy of outstanding debt balances reported in the financial statements.

Implemented:

Debt balances in the School District’s financial statements are updated annually. Current procedures require a review of year-end debt balances to be reported in the financial statements.

Capital Assets and Supplies Inventory

Auditor of State Comments from Report on Accounting Methods:

- The School District needs to adopt a comprehensive policy regarding its capital assets. This policy should address a threshold for capitalization, periodic physical inventories, and accountability for capital assets.

Implemented:

The School District adopted a comprehensive Capital Assets policy which addresses the depreciation method, the estimated useful lives for capital assets, and other items such as capitalization threshold and periodic verification of the existence of capital assets.

Auditor of State Comments from Report on Accounting Methods:

- The School District needs to adopt procedures concerning consumable supplies.

Southern Local School District – Meigs County

**Report on Termination of the Southern Local School District
Financial Planning and Supervision Commission**

Implemented:

The School District has developed procedures for identifying material amounts of consumable supplies and annual valuation.

Cash Management and Investing

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer should complete monthly bank reconciliations. The reconciliation should include detailed explanations of all adjustments. These adjustments should be posted to the School District's books on a timely basis and the bank reconciliations should be presented to the School Board by the middle of the following month.

Implemented:

Monthly reconciliations are completed by the Treasurer and Assistant Treasurer and presented to the Board of Education at the meeting following the completion of the reconciliation.

Auditor of State Comment from Report on Accounting Methods:

- Someone other than the person preparing the reconciliation should review and approve all monthly bank reconciliations on a timely basis. The reviewer should initial and date the reviewed reconciliation.

Implemented:

The Treasurer and Assistant Treasurer review each other's reconciliations and the reconciliations are included with the monthly reports to the School Board.

Auditor of State Comment from Report on Accounting Methods:

- The School District should establish a formal interest allocation policy through School Board resolution. The policy should list the specific funds to receive interest and how the interest is to be allocated. The interest from StarOhio accounts currently resides in the Permanent Improvement Fund and is being used to pay contractor, consultant, and architect fees.

Implemented:

The School Board has adopted a policy whereby 99 percent of interest earnings are posted to the general fund. The remaining one percent is posted to the food service special revenue fund.

Financial Reporting

Auditor of State Comment from Report on Accounting Methods:

- The School District should develop and implement a comprehensive financial and accounting policies and procedures manual covering all aspects and functions of the Treasurer's office and how other departments account for monies, supplies, and property.

Southern Local School District – Meigs County

**Report on Termination of the Southern Local School District
Financial Planning and Supervision Commission**

Implemented:

The School Board has adopted policies that cover all aspects of Treasurer's office and all other departments that handle assets of the School District.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer and the School District should be taking steps toward the preparation of GAAP basis financial statements consistent with the Ohio Administrative Code.

Implemented:

The School District has been preparing GAAP basis financial statements since Fiscal Year 2007.

Recent Audit Report and Compliance and Management Letters

In addition to reviewing the actions taken to address the issues identified in the Report on Accounting Methods and before releasing a school district from fiscal emergency, the Auditor of State reviews the current audit report to determine if there are deficiencies in the school district's financial reporting or any significant failures to comply with the requirements of the Ohio Revised Code.

The Auditor of State released an audit report on the School District's financial statements for the fiscal year ended June 30, 2007, on August 8, 2008. The report expressed an unqualified opinion of the financial statements.

As part of the audit report, the School District receives letters on legal compliance and related internal controls and a management letter. These documents disclosed non-compliance issues with State laws, regulations, contracts, and grant requirements relating to the audit for 2007. The letters identified non-compliance issues with Budgetary law, investments, transfers and advances, account reconciliations, employee bonding, the use of executive sessions in school board meetings, and records retention. The letters also indicated violations of Federal law in regards to the remittance of payroll withholdings, the issuance of IRS Form 1099-MISC, as well as questioned costs in several Federal programs. The management letter for fiscal year 2007 included recommendations on monthly financial reports, posting of receipts, ticket accountability forms, fully depreciated assets, band booster donations, and indications of goods received.

The School District, however, has corrected the issues identified in the compliance and management letters; therefore, the Auditor of State has concluded that the issues identified in the Compliance and Management letters do not require that the School District's release from fiscal emergency be delayed.

Southern Local School District – Meigs County

**Report on Termination of the Southern Local School District
Financial Planning and Supervision Commission**

Section 2 - Fiscal Emergency Conditions

The Auditor of State shall issue an order, under Section 3316.03, Revised Code, declaring a school district to be in a state of fiscal emergency if the Auditor of State determines that a school district meets any of the criteria for fiscal emergency. The criteria are as follows:

1. An operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 15 percent of the school district's general fund revenue for the preceding fiscal year and a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year.
2. The school district board fails to submit a plan acceptable to the State Superintendent of Public Instruction within 120 days of the declaration of fiscal watch, or an updated plan no later than the anniversary of the date on which the first plan was approved.
3. The Superintendent of Public Instruction has reported to the Auditor of State that the school district is not materially complying with the provision of an original or updated plan as approved by the State Superintendent, and that the State Superintendent has determined a declaration of a state of fiscal emergency is necessary to prevent further fiscal decline, and the Auditor of State finds that the determination of the Superintendent is reasonable.
4. A declaration is made under Section 3316.04 of the Ohio Revised Code for a school district that has restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code; and,
5. The Auditor of State may issue an order declaring a school district to be in a state of fiscal emergency if (1) an operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 10 percent, but does not exceed 15 percent, of the school district's general fund revenue for the preceding fiscal year; (2) a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year; and, (3) the Auditor of State determines that a declaration of fiscal emergency is necessary to correct the district's fiscal problems and to prevent further fiscal decline.

In order to be released from fiscal emergency, a school district must have corrected or eliminated the fiscal emergency conditions that existed at the time of the emergency declaration and no new emergency conditions may have occurred.

The results of our analysis of the fiscal emergency conditions are as follows:

1. The School District no longer has an operating deficit in the general fund.
2. The State Superintendent of Public Instruction has not reported to the Auditor of State any material noncompliance with the original or amended financial recovery plan.
3. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.
4. The examination of the School District's five-year forecast includes a non-adverse opinion rendered by the Auditor of State.

Southern Local School District – Meigs County

Report on Termination of the Southern Local School District Financial Planning and Supervision Commission

Section 3 - Financial Recovery Plan

We obtained and reviewed a copy of the latest financial recovery plan of the School District, dated April 26, 2006. The Treasurer of the School District and the Chairperson of the Financial Planning and Supervision Commission provided us with a summary of the key provisions of the plan and the actions taken to achieve the provisions of the plan, which were confirmed by us. The key provisions of the financial plan are as follows:

1. The School District will continue to develop and maintain a five-year financial forecast that establishes the parameters of expenditures versus revenues for the School District. The forecast will be updated as required to reflect the changes in assumptions and the most likely course of the School District.
2. The Board of Education will contain expenditures within the five-year financial forecast and the Financial Recovery Plan.

Actions taken to achieve the provisions of the plan include the following:

1. Continued monitoring of operating expenditures;
2. Continued monitoring of personnel; and
3. Continued preparation by the School District of monthly reports of receipts, expenditures, and encumbrances, monitored by staff from the Fiscal Assistance Section of the Ohio Department of Education.

Section 4 - Five Year Forecast

The Auditor of State examined the School District's financial forecast for the fiscal years ending June 30, 2009 through 2013, for the purpose of determining whether the fiscal emergency conditions have been eliminated and whether any new fiscal emergency conditions are expected to occur during the forecast period.

The School Districts' five year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance for the five-year period ending June 30, 2013. The Auditor of State, in a report dated March 31, 2009, rendered a "nonadverse" opinion on the financial forecast.

Section 5 - Conclusion

Based on our review, the Auditor of State has determined the following:

1. The School District has adopted and implemented an effective accounting and reporting system;
2. The School District has corrected or eliminated all the fiscal emergency conditions, no new conditions have occurred, and it appears that, based on the five-year financial forecast, the School District will remain out of fiscal emergency during the forecast period;

Southern Local School District – Meigs County

**Report on Termination of the Southern Local School District
Financial Planning and Supervision Commission**

3. The School District has met the major objectives of the Financial Recovery Plan; and,
4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and the opinion expressed by the Auditor of State is “nonadverse”.

Therefore, the Auditor of State has determined that the Financial Planning and Supervision Commission of the Southern Local School District and its functions may be terminated.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

APPENDIX A

Southern Local School District
Meigs County, Ohio

Financial Forecast

For the Fiscal Years Ending June 30, 2009 through June 30, 2013

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Southern Local School District – Meigs County

Fiscal Emergency Termination

Table of Contents

	<u>Page</u>
Accountant’s Report	A-5
Statement of Revenues, Expenditures and Changes in Fund	
Balance for Fiscal Years Ending June 30, 2006 through 2008	
Actual; Fiscal Years Ending June 30, 2009 through 2013 Forecasted	A-6
Summary of Significant Accounting Policies and Forecast Assumptions	A-8

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Mary Taylor, CPA

Auditor of State

Board of Education
Southern Local School District
P.O. Box 176
Racine, OH 45771

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Southern Local School District for the fiscal years ending June 30, 2009 through 2013. 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 accompanying forecast is presented in conformity with 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 the date of this report.

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of the Southern Local School District for the fiscal years ended June 30, 2006, 2007 and 2008 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them. Management has elected to omit substantially all of the disclosures associated with the historical financial statements; these disclosures might influence a user's conclusions regarding the School District's results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

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

Mary Taylor, CPA
Auditor of State

March 31, 2009

Southern Local School District
Meigs County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2006 Through 2008 Actual;
For the Fiscal Years Ending June 30, 2009 Through 2013 Forecasted
General Fund

	Fiscal Year 2006 Actual	Fiscal Year 2007 Actual	Fiscal Year 2008 Actual	Fiscal Year 2009 Forecasted
Revenues				
General Property Tax	\$1,405,000	\$1,448,000	\$1,429,000	\$1,446,000
Tangible Personal Property Tax	49,000	39,000	32,000	21,000
Unrestricted Grants-in-Aid	3,649,000	3,694,000	3,842,000	3,953,000
Restricted Grants-in-Aid	440,000	453,000	262,000	228,000
Property Tax Allocation	194,000	139,000	211,000	207,000
All Other Revenues	213,000	318,000	319,000	268,000
<i>Total Revenues</i>	<u>5,950,000</u>	<u>6,091,000</u>	<u>6,095,000</u>	<u>6,123,000</u>
Other Financing Sources				
Refund of Prior Expenditures	0	0	5,000	0
Proceeds from Sale of Notes	350,000	0	0	0
Solvency Assistance Advance	41,000	0	0	0
Advances In	44,000	68,000	0	0
<i>Total Other Financing Sources</i>	<u>435,000</u>	<u>68,000</u>	<u>5,000</u>	<u>0</u>
<i>Total Revenues and Other Financing Sources</i>	<u>6,385,000</u>	<u>6,159,000</u>	<u>6,100,000</u>	<u>6,123,000</u>
Expenditures				
Personal Services	2,636,000	2,649,000	2,509,000	2,545,000
Employees' Retirement/Insurance Benefits	1,311,000	1,344,000	1,116,000	1,129,000
Purchased Services	964,000	1,225,000	1,155,000	1,329,000
Supplies and Materials	291,000	205,000	253,000	259,000
Capital Outlay	134,000	48,000	41,000	183,000
Debt Service:				
Principal - Tax Anticipation Notes	350,000	0	0	0
Principal - Solvency Assistance Advance	481,000	166,000	20,000	0
Principal - Asbestos Loan	12,000	6,000	18,000	12,000
Interest	5,000	0	0	0
Other Objects	206,000	108,000	149,000	133,000
<i>Total Expenditures</i>	<u>6,390,000</u>	<u>5,751,000</u>	<u>5,261,000</u>	<u>5,590,000</u>
Other Financing Uses				
Operating Transfers Out	17,000	25,000	43,000	25,000
Advances Out	2,000	8,000	0	60,000
<i>Total Other Financing Uses</i>	<u>19,000</u>	<u>33,000</u>	<u>43,000</u>	<u>85,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>6,409,000</u>	<u>5,784,000</u>	<u>5,304,000</u>	<u>5,675,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(24,000)	375,000	796,000	448,000
Cash Balance July 1	127,000	103,000	478,000	1,274,000
Cash Balance June 30	103,000	478,000	1,274,000	1,722,000
Encumbrances and Reserves:				
Actual/Estimated Encumbrances June 30	4,000	73,000	13,000	10,000
Reservations of Fund Balance for:				
Bus Purchase	4,000	19,000	17,000	0
<i>Total Encumbrances and Reserves of Fund Balance</i>	<u>8,000</u>	<u>92,000</u>	<u>30,000</u>	<u>10,000</u>
Unencumbered/Unreserved Fund Balance June 30	95,000	386,000	1,244,000	1,712,000
Revenue from Renewal Levies				
Property Tax - Renewal	0	0	0	0
Cumulative Balance of Renewal Levies	0	0	0	0
Unencumbered/Unreserved Fund Balance June 30	<u>\$95,000</u>	<u>\$386,000</u>	<u>\$1,244,000</u>	<u>\$1,712,000</u>

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

Fiscal Year 2010 Forecasted	Fiscal Year 2011 Forecasted	Fiscal Year 2012 Forecasted	Fiscal Year 2013 Forecasted
\$1,452,000	\$1,452,000	\$1,386,000	\$1,321,000
4,000	2,000	0	0
3,953,000	3,953,000	3,953,000	3,953,000
228,000	228,000	228,000	228,000
204,000	211,000	205,000	197,000
268,000	268,000	268,000	268,000
<u>6,109,000</u>	<u>6,114,000</u>	<u>6,040,000</u>	<u>5,967,000</u>
0	0	0	0
0	0	0	0
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>6,109,000</u>	<u>6,114,000</u>	<u>6,040,000</u>	<u>5,967,000</u>
2,617,000	2,687,000	2,773,000	2,871,000
1,136,000	1,192,000	1,250,000	1,313,000
1,326,000	1,351,000	1,378,000	1,405,000
267,000	275,000	284,000	295,000
167,000	212,000	128,000	100,000
0	0	0	0
0	0	0	0
12,000	12,000	12,000	6,000
0	0	0	0
133,000	133,000	133,000	133,000
<u>5,658,000</u>	<u>5,862,000</u>	<u>5,958,000</u>	<u>6,123,000</u>
10,000	10,000	10,000	10,000
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
<u>5,668,000</u>	<u>5,872,000</u>	<u>5,968,000</u>	<u>6,133,000</u>
441,000	242,000	72,000	(166,000)
<u>1,722,000</u>	<u>2,163,000</u>	<u>2,405,000</u>	<u>2,477,000</u>
<u>2,163,000</u>	<u>2,405,000</u>	<u>2,477,000</u>	<u>2,311,000</u>
10,000	10,000	10,000	10,000
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
2,153,000	2,395,000	2,467,000	2,301,000
<u>0</u>	<u>0</u>	<u>66,000</u>	<u>131,000</u>
<u>0</u>	<u>0</u>	<u>66,000</u>	<u>197,000</u>
<u>\$2,153,000</u>	<u>\$2,395,000</u>	<u>\$2,533,000</u>	<u>\$2,498,000</u>

Southern Local School District

Meigs County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

Note 1 – The School District

The Southern Local School District (the “School District”) is located in Meigs County and is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates two instructional and support facilities. The School District is staffed by 36 full and part-time non-certified employees, 55 certified full-time teaching personnel, and six administrators, who provide services to 714 students and other community members.

On November 8, 1999, the School District was declared to be in a state of “Fiscal Emergency” by the Auditor of State. Legislation effective September 1996, permitted this declaration due to the School District’s declining financial condition. In accordance with the law, a five member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction, and the Meigs County Auditor. The Commission’s primary charge is to develop, adopt, and implement a financial recovery plan. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activity of the School District must be in accordance with the plan. Based on this report, the operation of the Commission will be terminated.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Southern Local School District Board of Education'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 March 31, 2009, 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.

Note 3 – 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 poverty based assistance fund and general fund supported debt are included in the general fund.

Southern Local School District

Meigs County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

Note 4 - Summary of Significant Accounting Policies

A. - Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget (non-GAAP) basis of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenues 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 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 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 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.

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

Debt Service Funds - Debt service funds 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 account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Permanent Funds - Permanent funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the School District or its students.

Proprietary Funds

Enterprise Funds - Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

Southern Local School District

Meigs County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

Internal Service Funds – Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations or other government units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and 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 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.

Budget – A 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 fiscal 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.

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 fiscal year. The appropriation measure may be amended or supplemented during the fiscal 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.

Southern Local School District

Meigs County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

Note 5 - 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. The forecast is based on the Board's most likely course of action and does not include any changes that may be necessary to meet the proposed Ohio Evidence Based Education Model introduced in the Ohio General Assembly.

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property, manufactured homes and tangible personal property used in businesses which are located within the School District. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Meigs County Auditor as the taxes are collected. When final 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. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2008 (the collection year) for real and public utility property taxes represents collections of 2007 taxes (the tax year). Property tax payments received during calendar year 2008 for tangible personal property (other than public utility property) are for calendar year 2008 taxes. First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "property tax allocation." Beginning in tax year 2005, collection year 2006, the State of Ohio eliminated the ten percent rollback on commercial and industrial real property. The change increased real property taxes collected against commercial and industrial real property and decreased property tax allocation revenue.

The forecast excludes the receipt of any advances in June against the next fiscal year's scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to request any such advances for fiscal years 2009 through 2013.

The property tax revenues for the general fund are generated from several levies. The current levies being collected for the General Fund, the year approved, last year of collection, and the full tax rate are as follows:

Southern Local School District

Meigs County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

Tax Levies	Year Approved	Last Calendar Year of Collection	Full Tax Rate (per \$1,000 of assessed valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	\$3.50
Continuing Operating	Prior to 1976	n/a	16.50
Continuing Operating	1982	n/a	3.00
Continuing Operating (Renewal)	2006	2009	4.00
 Total Tax Rate			 \$27.00

The School District has other levies for bonded debt, classroom facilities maintenance, and permanent improvements totaling \$4.70 per \$1,000 of assessed valuation; \$4.20 is used for the payment of bonds issued for the construction of school facilities, and \$.50 is used for the upkeep and maintenance of a building constructed as part of a school facilities project. The School Districts total rate is \$31.70 per \$1,000 of valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. For all voted levies except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy) nor to tangible personal or public utility personal property levy rates. State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the General Fund, the effective residential and agricultural real property tax rate is \$20.00 per \$1,000 of assessed valuation and the effective commercial and industrial real property tax rate is \$23.71 per \$1,000 of assessed valuation for collection year 2009.

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, HB 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax - 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 represent gross property tax revenue and are based upon anticipated assessed valuations and existing tax levies. Assessed values for tax year 2008 (collection year 2009) increased slightly due to revaluation. Due to current economic conditions and the outlook in Meigs County, no increases or decreases in assessed values are anticipated for the remaining forecast periods.

Southern Local School District

Meigs County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

The School District will begin collecting tax revenues in calendar year 2010 from a coal mine that opened in the School District in fiscal year 2009. As of the forecast date, the assessed valuation of, and estimated revenue from the coal mine has not been determined, and therefore not included in the assessed values for fiscal year 2009 or beyond.

The School District has an operating levy expiring with the last year of collection in calendar year 2009. The voters in the School District approved renewal of the levy in November 2008. Beginning in fiscal year 2012, property taxes are anticipated to decrease due to the expiration of the operating levy. While the School District anticipates renewing this levy, voter approval is uncertain and the tax revenues have been excluded from the revenue section and presented under the heading Revenue from Renewal Levies.

Tangible Personal Property Tax – Tangible personal property tax was levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the 23 percent assessment rate on business inventory was to be reduced by two percent if the total statewide collections of personal property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it is completely phased out regardless of the growth in collections.

Beginning in 2006, House Bill 66 phased out, by 25 percent each year, tangible personal property tax on most business inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase out periods addressed above. No tangible personal property taxes will be levied or collected in calendar year 2009 from general business taxpayers (except telephone companies whose last year to pay tangible personal property tax is 2010). Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter is not subject to any tangible personal property tax. The School District, based on the last year of collections before the phase out period, will lose approximately \$70,000, annually, when the tangible personal property tax is completely phased out in 2010. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Property Tax Allocation below). The decrease in revenue during fiscal years 2007 through 2011 is a result of the tax changes above.

B. - Unrestricted and Restricted Grants-in-Aid

Unrestricted Grants-in-Aid represent State Foundation payments. State Foundation payments include formula aid and various categorical aid programs such as special and gifted education, career and technical education, and transportation. Other programs such as equity and parity aid, excess cost supplement, and transitional aid which are provided to address certain policy issues or correct flaws in formula aid are also included in this revenue.

The State's foundation program is established by Chapter 3317 of the Ohio Revised Code. The semi-monthly payments are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level, less the equivalent of 23 mills times the school district's taxable property valuation. In prior years, the per pupil foundation amount was increased by a regional cost of doing business factor. The cost of doing business factor was phased out over three years beginning in fiscal year 2006. The per pupil foundation level is set by the State Legislature. Historically, the per pupil amount has increased 2.2 percent since 2005. For fiscal years 2008 and 2009, State Legislature has increased per pupil funding by 3 percent each fiscal year. The School District anticipates the per pupil amount to remain consistent each fiscal year after fiscal year

Southern Local School District

Meigs County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

2009 because of proposed changes in State funding addressed below. Beginning in fiscal year 2008, the per pupil amount is increased by four base-supplements called "building blocks." The building blocks are funding for intervention, professional development, data based decision making and professional development for data based decision making.

The per pupil amount for fiscal years 2006 to 2009 are as follows:

<u>Fiscal Year</u>	<u>Per Pupil Foundation Level</u>	<u>Building Blocks</u>	<u>Total</u>
2006	\$5,283	\$0	\$5,283
2007	5,403	0	5,403
2008	5,565	49	5,614
2009	5,732	51	5,783

The anticipated unrestricted grants-in-aid for fiscal year 2009 are based on the current estimates from Ohio Department of Education. The most recent estimates for fiscal year 2009 are as follows:

	<u>Forecasted Fiscal Year 2009</u>
Formula Aid	\$2,610,000
Categorical Funding	298,000
Transportation	227,000
Excess Costs	53,000
Parity Aid	516,000
Charge Off Supplement	247,000
Foundation Adjustments	<u>2,000</u>
Totals	<u><u>\$3,953,000</u></u>

Formula aid increased from the prior fiscal year because of an increase in the per pupil foundation level, offset by an increase in recognized valuation. Categorical funding is anticipated to decrease in fiscal year 2009 due to decreases in Special Education and Weighted Aid. Transitional aid guarantee ensures that the School District will receive 100 percent of the base revenue as in the prior year when there are changes in formula aid resulting in a loss of revenue.

Restricted grants-in-aid consist of the bus purchase allowance, career tech monies and Poverty Based Assistance. For fiscal year 2009, the School District anticipates \$6,000 in bus purchase allowance, \$40,000 in career tech monies and \$182,000 in Poverty Based Assistance monies.

The State Foundation formula and the per pupil amount are subject to change every two years as the Governor and the General Assembly prepare the biennial budget for the State. The biennial budget introduced in the General Assembly for fiscal years 2010 and 2011 includes significant changes in the methodology for funding schools. Initial estimates indicate the School District may receive an increase in State funding. The proposed budget includes a guarantee that school districts will receive 100 percent of the funding received in the prior fiscal year in fiscal year 2010 and 98 percent in fiscal year 2011 and establishes limits on the amount of increases that can be received under the new funding method each fiscal year. Several components of the funding method may be phased in over a four year period. The

Southern Local School District

Meigs County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

biennial budget is subject to change as it is discussed in the General Assembly prior to approval and this forecast does not include any estimated revenue based on the proposed changes in State funding. Based on this information, unrestricted and restricted grants-in-aid are assumed to be the same amount for fiscal years 2010 through 2013 as in fiscal year 2009. The biennial budget is generally adopted in June prior to the start of the new fiscal year beginning July 1.

C. - 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 homeowners where the first \$25,000 in true value is not taxed. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Beginning in tax year 2005, the State eliminated the ten percent rollback on commercial and industrial real property and the corresponding reimbursement to local governments. Homestead and rollback revenue is anticipated to remain constant throughout the forecast period.

The State exempts the first \$10,000 in general business personal property from taxation and reimburses the School District for the lost revenue. In 2004, the State began phasing out the reimbursement by 10 percent each year. Under HB 66, the phase-out period has been accelerated. The last reimbursement will be in October 2008.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District is fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by House Bill 66. Over the next seven years, beginning in fiscal year 2012, the reimbursements are gradually phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. For the forecast period, the School District anticipates receiving a steadily increasing reimbursement for the tangible personal property tax losses until 2012 when the amount begins to decline, due to a phase out of the tangible personal property loss reimbursement beginning in that fiscal year.

Property tax allocation revenues consist of the following:

Revenue Sources	Forecasted				
	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
Homestead and Rollback	\$169,000	\$169,000	\$169,000	\$169,000	\$169,000
Tangible Personal Property Exemption	2,000	0	0	0	0
Tangible Personal Property Loss Reimbursements	36,000	35,000	42,000	36,000	28,000
Totals	\$207,000	\$204,000	\$211,000	\$205,000	\$197,000

Southern Local School District

Meigs County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

D. - All Other Revenues

All other revenues consist of the following:

Revenue Sources	Forecast				
	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
Tuition and Open Enrollment	\$226,000	\$226,000	\$226,000	\$226,000	\$226,000
Interest on Investments	32,000	32,000	32,000	32,000	32,000
Other Revenue	10,000	10,000	10,000	10,000	10,000
Totals	<u>\$268,000</u>	<u>\$268,000</u>	<u>\$268,000</u>	<u>\$268,000</u>	<u>\$268,000</u>

The School District receives tuition and payments for students attending the School District under open enrollment for regular and special education. Tuition revenue is expected to remain constant throughout the forecast period.

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. 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 greatest allocation being to the General Fund. The School District anticipates no significant change in interest or interest rates during the forecast period.

Other revenue consists of various reimbursements, miscellaneous receipts, and student fees received by the School District. Other revenue is anticipated to remain consistent throughout the forecast period.

F. - Other Financing Sources

In past fiscal years, the School District issued tax anticipation notes and received solvency assistance advances. The School District does not anticipate any other financing sources during the forecast period. (See Note 7F).

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

A. - Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, and board members. In addition to regular salaries, it includes payment for supplemental contracts, and severance pay. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education. Staffing levels for the current and last four years are as follows:

Southern Local School District

Meigs County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

	2005	2006	2007	2008	2009
<u>General Fund:</u>					
Certified	53	56	54	51	53
Classified	26	27	25	24	28
Total General Fund:	79	83	79	75	81
<u>Other Funds:</u>					
Certified	8	7	9	9	8
Classified	7	8	8	13	8
Total Other Funds:	15	15	17	22	16
Totals	94	98	96	97	97

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases. The contract covers the period July 1, 2008 through June 30, 2011, and allows for a two percent increase in the base salary and a two percent step increase in each year of the contract.

Classified salaries are based on a negotiated contract which includes base and step increases. The contract covers the period July 1, 2008 through June 30, 2011, and allows for a two percent increase in the base salary and a two percent step increase in each year of the contract.

A two percent increase in base salaries and a two percent step increases in fiscal years 2012 and 2013 for both certified and classified employees are anticipated. However, these increases are subject to negotiations and School Board approval.

The School District offers severance pay to its certified and classified employees who are eligible to retire under the provisions set by STRS and SERS. Certified employees with ten years of service or less with the School District receive one fourth of their unused sick leave not to exceed a total payment of 40 days. Certified employees with more than ten years of service but less than 20 years of service with the School District receive one fourth of their unused sick leave not to exceed a total payment of 55 days. Certified employees with 20 or more years of service with the School District receive one fourth of their unused sick leave not to exceed a total payment of 65 days.

Classified employees with ten years of service or less with the School District receive one fourth of their unused sick leave not to exceed a total payment of 40 days. Classified employees with more than ten years of service but less than 20 years of service with the School District receive one fourth of their unused sick leave not to exceed a total payment of 50 days. Classified employees with 20 or more years of service with the School District, receive one fourth of their unused sick leave not to exceed a total payment of 60 days. The superintendent and treasurer receive one half of their unused sick leave with no maximum.

During fiscal year 2008, the School District had one classified employee retire, and two certified employees retire. For fiscal year 2009, two certified employees are expected to retire. For fiscal year 2010, one classified employee is expected to retire. For fiscal year 2011, one certified employee is expected to retire. Severance payments are expected to be made in the fiscal year following the retirement. The School District anticipates replacing retiring employees with employees with less experience and a lower salary.

Southern Local School District

Meigs County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

Presented below is a comparison of salaries and wages for fiscal years 2009 through 2013.

	2009	2010	2011	2012	2013
Certified Salaries	\$1,828,000	\$1,862,000	\$1,936,000	\$1,994,000	\$2,073,000
Classified Salaries	575,000	598,000	622,000	647,000	673,000
Severance Pay	17,000	32,000	4,000	7,000	0
Supplemental and Temporary Salaries	125,000	125,000	125,000	125,000	125,000
Totals	<u>\$2,545,000</u>	<u>\$2,617,000</u>	<u>\$2,687,000</u>	<u>\$2,773,000</u>	<u>\$2,871,000</u>

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 of salaries for STRS and SERS and a SERS surcharge levied to fund health care benefits of employees earning less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from a variance in estimates are prorated over the next calendar year. Retirement costs are forecasted to increase based on the changes in forecasted salaries over the next five fiscal years.

Health care costs are based on the monthly payments to the School District’s self-insurance fund at rates recommended by the third party administrator and agreed to by the Board of Education. Health care plan rates are fixed for a twelve month period from July through June. The School District participates in a self-insured health plan (Ohio Mid-Eastern Educational Service Agency Self Insurance Plan – OMERESA, a claims servicing pool) for medical, prescription drug, and dental coverages. All funds are charged for the number of employees participating and the type (single or family) of coverage provided to each employee. The School District pays 98 percent of the monthly payments for certified employees. For classified employees, the School District pays 98 percent of the monthly payments for employees who were hired before July 1, 2003, and employees hired after July 1, 2003 who work seven hours or more per day. The School District pays 85 percent of the monthly payments for all other employees. In fiscal year 2009, health care costs are expected to increase 5 percent. For fiscal years 2010, an increase of 6 percent is anticipated offset by a reduction of one monthly payment, as the School District was required to pay an additional month in fiscal year 2009 due to changing plan administrators. For fiscal years 2011 through 2013, an increase of 6 percent is anticipated. The anticipated increase in health care is based on a four year historical average for the consortium.

The monthly health care payments for fiscal year 2009 are as follows:

	Effective 07/01/08			
	Single		Family	
	Board Share	Employee Share	Board Share	Employee Share
Certified	\$459.29	\$9.37	\$1,015.60	\$20.73
Classified (hired before 07/01/03)	459.29	9.37	1,015.60	20.73
Classified (hired after 07/01/03 with less than 7 hours)	398.36	70.30	880.88	155.45

Southern Local School District

Meigs County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

The monthly premium for dental insurance is \$52.26 for all employees. Dental insurance is expected to remain constant throughout the forecast period.

The monthly premium for vision insurance is \$13.52 for family coverage and \$5.12 for single coverage. Vision insurance is expected to remain constant throughout the forecast period.

The monthly premium for life insurance is \$4.55 for each employee. Life insurance premiums are expected to remain constant throughout the forecast period.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District pays 100 percent of the premium in May. The worker's compensation rate decreased for fiscal year 2009. The School District does not anticipate any significant changes to the workers' compensation premiums throughout the forecast period.

Medicare for the School District is 1.45 percent of salaries of employees hired after March 31, 1986. In the forecast period, Medicare is estimated to increase each year due to an increase in salaries.

Presented below is a comparison for the forecasted period.

	Forecasted				
	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
SERS Retirement	\$88,000	\$92,000	\$96,000	\$99,000	\$103,000
STRS Retirement	269,000	280,000	291,000	303,000	315,000
Medical Insurance	673,000	658,000	698,000	739,000	784,000
Other Employee Insurance	59,000	59,000	59,000	59,000	59,000
Medicare/Social Security					
Workers Compensation	40,000	47,000	48,000	50,000	52,000
Total	\$1,129,000	\$1,136,000	\$1,192,000	\$1,250,000	\$1,313,000

C. - Purchased Services

Presented below is a comparison of purchased service expenditures for fiscal years 2009 through 2013:

	Forecast				
	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
Professional and Technical Services	\$436,000	\$423,000	\$438,000	\$453,000	\$469,000
Property Services	83,000	85,000	87,000	89,000	91,000
Travel and Meeting Expenses	17,000	18,000	18,000	19,000	20,000
Communication Costs	15,000	15,000	16,000	17,000	17,000
Utility Services	202,000	209,000	216,000	224,000	232,000
Tuition and Other Similar Payments	575,000	575,000	575,000	575,000	575,000
Other Purchased Services	1,000	1,000	1,000	1,000	1,000
Totals	\$1,329,000	\$1,326,000	\$1,351,000	\$1,378,000	\$1,405,000

Southern Local School District

Meigs County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

Purchased services are expected to increase 3.5 percent each year of the forecast, with the exception of charges from the Athens-Meigs Educational Service Center (special education, speech therapy, etc). This amount is expected to decrease in fiscal year 2010 due to the elimination of an alternative school reported under professional and technical services and is expected to increase 3.5 percent each year thereafter. Tuition for students living in the School District, but attending other schools (open enrollment) is expected to remain constant during the forecast period due to the uncertainty of per pupil funding for this time.

D. - Supplies and Materials

The following table is a comparison of the supplies and materials expenditures for fiscal years 2009 through 2013:

	Forecast				
	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
General Supplies, Library Books and Periodicals	\$87,000	\$90,000	\$93,000	\$96,000	\$99,000
Operations, Maintenance and Repair	131,000	135,000	139,000	143,000	149,000
Textbooks	41,000	42,000	43,000	45,000	47,000
Totals	<u>\$259,000</u>	<u>\$267,000</u>	<u>\$275,000</u>	<u>\$284,000</u>	<u>\$295,000</u>

Expenditures for supplies and materials are forecasted to increase three percent each year of the forecast.

E. - Capital Outlay

The acquisition or construction of property, plant and equipment acquired or used for instructional and support services is recorded as capital outlay. Capital outlay expenditures consist of minor equipment replacements and school buses for the forecast period. The School District anticipates purchasing two buses in fiscal years 2009 and one bus per year for the remainder of the forecast period.

F. - Debt Service

On June 12, 2006, the School District obtained an advance, in the amount of \$41,000, from the State of Ohio Department of Education Solvency Assistance Fund. The advance was obtained to eliminate an anticipated operating deficit in the general fund. This advance was retired through bi-monthly deductions from the School District's State Foundation Settlements in fiscal years 2007 and 2008.

On December 8, 2005, the School District issued a tax anticipation note in the amount of \$350,000. The note was paid off during the fiscal year through the general fund.

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 Section 3317.22 for a twenty year period, with maturity in fiscal year 2013. The principal repayments for this debt are \$12,000 each year for fiscal years 2009 through 2012, and \$6,000 in fiscal year 2013, which is the last payment on this debt.

Southern Local School District

Meigs County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

G. - Other Objects

Presented below are the other object expenditures for the forecast period:

	Forecast				
	Fiscal Year				
	2009	2010	2011	2012	2013
Audit Fees	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000
Educational Service Center Fees	17,000	17,000	17,000	17,000	17,000
Auditor and Treasurer Fees	75,000	75,000	75,000	75,000	75,000
Miscellaneous Objects	6,000	6,000	6,000	6,000	6,000
Totals	<u>\$133,000</u>	<u>\$133,000</u>	<u>\$133,000</u>	<u>\$133,000</u>	<u>\$133,000</u>

Other object expenditures consist of dues and fees. Expenditures for other objects are forecasted to remain constant throughout the forecast period.

H. - Operating Advances/Transfers Out

The School District anticipates transferring \$25,000 from the general fund to the food service fund in fiscal year 2009 and \$10,000 each year thereafter for the remainder of the forecast period. The School District anticipates advancing \$60,000 to various grant funds in fiscal year 2009 as repayment of advances made from various grant funds to the general fund in fiscal year 2007.

Note 8 - 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 cash balance.

Encumbrances for purchased services, supplies and materials, capital outlay and other objects had large decrease in fiscal year 2008. The encumbrances are forecasted at \$10,000 for fiscal year 2009. This amount is expected to remain consistent for the remainder of the forecast period.

Note 9 - 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 capital improvements and repairs. 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.

Southern Local School District

Meigs County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

A. - Textbooks and Instructional Materials Set-Aside

The set aside amount required is approximately \$60,000 each fiscal year. The School District anticipates \$60,000 in qualified expenditures in fiscal year 2009 and the qualified expenditures to increase during the remainder of the forecast period. Therefore, no reserve amount is anticipated for the forecast period.

B. – Capital Acquisition and Improvements Set-Aside

The set aside amount is approximately \$60,000 each fiscal year. Annual offsets are anticipated from a classroom facilities maintenance levy. The School District also anticipates qualified expenditures in each year of the forecast. Therefore, no reserve amount is anticipated for the forecast period.

C. – Bus Purchases

At June 30, 2008, the School District had \$17,000 in unspent bus monies. The School District anticipates receiving approximately \$6,000 annually in a bus purchase allowance. The School District anticipates purchasing two new buses in fiscal year 2009 at an estimated cost of \$149,000. The School District anticipates purchasing one school bus per year for the remainder of the forecast period.

D. – Poverty Based Assistance/Disadvantaged Pupil Impact Aid (DPIA)

For fiscal year 2009, the School District anticipates receiving \$182,000 and having poverty based assistance expenditures of \$182,000 during the current fiscal year. Therefore, no reserve for Poverty Based Assistance is forecasted. This program is not anticipated to continue beyond 2009.

Note 10 - Levies

In the past ten years, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
November 2000	Operating/Renewal	4 mills	3 Years	Passed
November 2003	Operating/Renewal	4 mills	3 Years	Passed
November 2005	Permanent Improvement	1 mill	2 Years	Failed
May 2006	Operating/Renewal	4 mills	3 Years	Passed
November 2008	Operating/Renewal	4 mills	3 Years	Passed

Note 11 – Pending Litigation

The School District’s management is of the opinion that there is no pending litigation that would have a material effect on the financial forecast.

Note 12 – Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period.

Southern Local School District

Meigs County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

Note 13 – Self Insurance Fund

The School District provides health benefits through a self-insurance program. The School District maintains an internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator reviews all claims which are then paid by the School District. The School District pays into the internal service fund the monthly charges for family and single coverage, from the fund that pays the salary for the employee. The monthly charges for single and family participation in the program are recommended by the third party administrator and set by the Board. The self-insurance fund pays claims for up to \$400,000 per year, in the aggregate. Claims in excess of \$400,000 in the aggregate, per year, are covered by a stop-loss insurance policy. The charges to the funds are anticipated to be sufficient to cover claims and administrative charges during the forecasted period.

Southern Local School District

Meigs County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

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Mary Taylor, CPA
Auditor of State

**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
APRIL 22, 2009**