

**SOUTHERN LOCAL  
SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

*GENERAL PURPOSE FINANCIAL STATEMENTS  
(AUDITED)  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 1999*

TRIMBLE, JULIAN & GRUBE, INC.

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**SOUTHERN LOCAL  
SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

***GENERAL PURPOSE FINANCIAL STATEMENTS  
(AUDITED)  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 1999***

**DOREEN MARSHALL, TREASURER**

**SOUTHERN LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

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STATE OF OHIO  
OFFICE OF THE AUDITOR  

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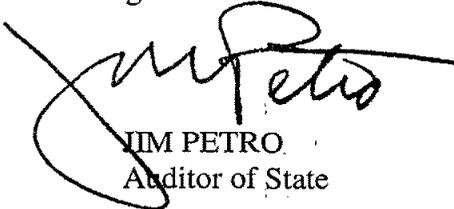
JIM PETRO, AUDITOR OF STATE

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Board of Education  
Southern Local School District  
Salinesville, Ohio

We have reviewed the Independent Auditor's Report of the Southern Local School District, Columbiana County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 1998 to June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Southern Local School District is responsible for compliance with these laws and regulations.



JIM PETRO  
Auditor of State

January 7, 2000

# TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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## Independent Auditor's Report

Board of Education  
Southern Local School District  
38095 State Route 39  
Salineville, Ohio 43945

We have audited the accompanying general purpose financial statements of the Southern Local School District, Columbiana County, (the "District"), as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Southern Local School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

*Trimble, Julian & Grube, Inc.*

Trimble, Julian & Grube, Inc.  
December 8, 1999

SOUTHERN LOCAL SCHOOL DISTRICT  
 COLUMBIANA COUNTY, OHIO  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1999

	Governmental Fund Types			Proprietary Fund Types		Fiduciary	Account Groups			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Agency	General	Long-Term		
							Fixed Assets	Obligations		
<b>ASSETS AND OTHER DEBITS</b>										
<b>ASSETS:</b>										
Equity in pooled cash and cash equivalents . . . . .	\$1,257,959	\$107,572	\$73,352	\$21,000		\$19,681				\$1,479,564
Receivables (net of allowances of uncollectibles):										
Taxes - current & delinquent . . . . .	1,504,510		159,769							1,664,279
Accounts . . . . .	9,841									9,841
Due from other governments . . . . .			49,817	21,694						71,511
Prepayments . . . . .	3,589									3,589
Interfund loans receivable . . . . .	76,015									76,015
Materials and supplies inventory . . . . .				4,625						4,625
<b>Restricted assets:</b>										
Equity in pooled cash and cash equivalents . . . . .	24,797									24,797
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .				25,750				\$3,831,465		3,857,215
<b>OTHER DEBITS:</b>										
Amount to be provided for retirement of general long-term obligations . . . . .			\$282,938	\$73,069	\$0			\$441,648		441,648
<b>Total assets and other debits . . . . .</b>	<b>\$2,876,711</b>	<b>\$107,572</b>	<b>\$282,938</b>	<b>\$73,069</b>	<b>\$0</b>	<b>\$19,681</b>		<b>\$3,831,465</b>	<b>\$441,648</b>	<b>\$7,633,084</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**SOUTHERN LOCAL SCHOOL DISTRICT**  
**COLUMBIANA COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1999

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups			Total (Memorandum Only)	
	General	Special Revenue	Capital Projects	Enterprise	Internal Service		Agency	General	Long-Term		
								Fixed Assets	Obligations		
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>											
<b>LIABILITIES:</b>											
Accounts payable . . . . .	\$3,119	\$5,806	\$8,974	\$50						\$17,949	
Accrued wages and benefits . . . . .	407,507	27,281		16,899						451,687	
Compensated absences payable . . . . .	3,149			9,719	\$32,942			\$368,584		381,452	
Claims payable . . . . .										32,942	
Pension obligation payable . . . . .	64,002	3,704		15,543				43,283		126,532	
Interfund loans payable . . . . .			76,015							76,015	
Deferred revenue . . . . .	1,471,825		154,594	3,200		\$19,681				1,629,619	
Due to students . . . . .					37,975					37,975	
Due to other governments . . . . .										19,681	
State loan payable . . . . .	687,008									687,008	
Note payable . . . . .			38,625							38,625	
Obligation under capital lease . . . . .								29,781		29,781	
<b>Total liabilities . . . . .</b>	<b>2,636,610</b>	<b>36,791</b>	<b>278,208</b>	<b>45,411</b>	<b>70,917</b>	<b>19,681</b>		<b>441,648</b>		<b>3,529,266</b>	
<b>EQUITY AND OTHER CREDITS:</b>											
Investment in general fixed assets . . . . .										3,831,465	
Contributed capital . . . . .				1,847						1,847	
Retained earnings (accumulated deficit): unreserved . . . . .				25,811	(70,917)					(45,106)	
Fund balances:											
Reserved for encumbrances . . . . .	18,613	7,250	16,144							42,007	
Reserved for prepayments . . . . .	3,589									3,589	
Reserved for tax revenue unavailable for appropriation . . . . .	32,685		5,175							37,860	
Reserved for budget stabilization . . . . .	24,797									24,797	
Unreserved-undesignated (deficit) . . . . .	160,417	63,531	(16,589)							207,359	
<b>Total equity and other credits . . . . .</b>	<b>240,101</b>	<b>70,781</b>	<b>4,730</b>	<b>27,658</b>	<b>(70,917)</b>			<b>3,831,465</b>		<b>4,103,818</b>	
<b>Total liabilities, equity and other credits . . . . .</b>	<b>\$2,876,711</b>	<b>\$107,572</b>	<b>\$282,938</b>	<b>\$73,069</b>	<b>\$0</b>	<b>\$19,681</b>		<b>\$3,831,465</b>	<b>\$441,648</b>	<b>\$7,633,084</b>	

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**SOUTHERN LOCAL SCHOOL DISTRICT**  
**COLUMBIANA COUNTY, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$1,486,967		\$160,759	\$1,647,726
Earnings on investments . . . . .	53,626			53,626
Extracurricular . . . . .		\$58,189		58,189
Other local revenues . . . . .	60,720	12,398		73,118
Intergovernmental - State . . . . .	3,457,556	79,892	646,699	4,184,147
Intergovernmental - Federal . . . . .		291,555		291,555
<b>Total revenues . . . . .</b>	<b>5,058,869</b>	<b>442,034</b>	<b>807,458</b>	<b>6,308,361</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	1,960,314	50,924	134,623	2,145,861
Special . . . . .	246,834	308,103		554,937
Vocational . . . . .	61,065			61,065
Other . . . . .		1,563		1,563
Support services:				
Pupil . . . . .	190,342	1,625		191,967
Instructional staff . . . . .	114,078	5,662		119,740
Board of Education . . . . .	331,990			331,990
Administration . . . . .	388,153	4,611		392,764
Fiscal . . . . .	131,723	558	3,422	135,703
Operations and maintenance . . . . .	442,174			442,174
Pupil transportation . . . . .	384,142	50	635,348	1,019,540
Community services . . . . .		9,647		9,647
Extracurricular activities . . . . .	79,689	64,713		144,402
Capital outlay . . . . .			48	48
Debt service:				
Principal retirement . . . . .	8,717			8,717
Interest and fiscal charges . . . . .	51,475		6,366	57,841
<b>Total expenditures . . . . .</b>	<b>4,390,696</b>	<b>447,456</b>	<b>779,807</b>	<b>5,617,959</b>
Excess of revenues over expenditures . . . . .	668,173	(5,422)	27,651	690,402
Other financing sources (uses):				
Operating transfers in . . . . .			52	52
Operating transfers out . . . . .	(52)			(52)
Proceeds from sale of assets . . . . .	655			655
<b>Total other financing sources (uses) . . . . .</b>	<b>603</b>		<b>52</b>	<b>655</b>
Excess of revenues and other financing sources over expenditures and other financing uses . . . . .	668,776	(5,422)	27,703	691,057
Fund balances (deficit), July 1 . . . . .	(428,675)	76,203	(22,973)	(375,445)
Fund balances, June 30 . . . . .	<u>\$240,101</u>	<u>\$70,781</u>	<u>\$4,730</u>	<u>\$315,612</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**SOUTHERN LOCAL SCHOOL DISTRICT**

COLUMBIANA COUNTY, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1999

	General			Special Revenue			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>												
From local sources:												
Taxes.....	\$1,363,699	\$1,495,292	\$131,593				\$169,103	\$160,222	(\$8,881)	\$1,532,802	\$1,655,514	\$122,712
Earnings on investments.....	48,907	53,626	4,719							48,907	53,626	4,719
Other local revenues.....	46,357	50,879	4,522	\$62,763	\$70,587	7,824				109,120	121,466	12,346
Intergovernmental - State.....	3,151,956	3,457,556	305,600	108,707	120,393	11,686	629,969	596,882	(33,087)	3,890,632	4,174,831	284,199
Intergovernmental - Federal.....				261,867	289,346	27,479				261,867	289,346	27,479
Total revenues.....	4,610,919	5,057,353	446,434	433,337	480,326	46,989	799,072	757,104	(41,968)	5,843,328	6,294,783	451,455
<b>Expenditures:</b>												
Current:												
Instruction:												
Regular.....	0	1,946,492	(1,946,492)	0	47,662	(47,662)	0	141,540	(141,540)	0	2,135,694	(2,135,694)
Special.....	0	245,215	(245,215)	0	249,385	(249,385)				0	494,600	(494,600)
Vocational.....	0	60,625	(60,625)							0	60,625	(60,625)
Other.....	0	(531)	531	0	1,595	(1,595)				0	1,064	(1,064)
Support services:												
Pupil.....	0	188,230	(188,230)	0	1,808	(1,808)				0	190,038	(190,038)
Instructional staff.....	0	113,487	(113,487)	0	6,900	(6,900)				0	120,387	(120,387)
Board of Education.....	0	332,566	(332,566)							0	332,566	(332,566)
Administration.....	0	383,171	(383,171)	0	4,681	(4,681)				0	387,852	(387,852)
Fiscal.....	0	132,392	(132,392)	0	582	(582)	0	3,422	(3,422)	0	136,396	(136,396)
Operations and maintenance.....	0	458,093	(458,093)	0	50	(50)	0	650,722	(650,722)	0	1,108,865	(1,108,865)
Pupil transportation.....	0	399,385	(399,385)							0	399,385	(399,385)
Community services.....	0	79,684	(79,684)	0	9,630	(9,630)				0	9,630	(9,630)
Extracurricular activities.....	0	147,933	(147,933)	0	70,093	(70,093)				0	149,777	(149,777)
Debt service:												
Principal retirement.....	0	48,711	(48,711)				0	71,250	(71,250)	0	225,183	(225,183)
Interest and fiscal charges.....	0	4,535,453	(4,535,453)	0	392,406	(392,406)	0	6,366	(6,366)	0	55,077	(55,077)
Total expenditures.....	4,610,919	5,219,900	(4,089,019)	433,337	87,920	(345,417)	799,072	(122,196)	(921,268)	5,843,328	487,624	(5,355,704)
Excess of revenues over (under) expenditures.....												
Other financing sources (uses):												
Operating transfers in.....	0	(52)	(52)	46	52	6				46	52	6
Operating transfers (out).....										0	(52)	(52)
Advances in.....							80,228	76,014	(4,214)	80,228	76,014	(4,214)
Advances (out).....	0	(76,014)	(76,014)							0	(76,014)	(76,014)
Proceeds of sale of assets.....	597	655	58							597	655	58
Total other financing sources (uses).....	597	(75,411)	(76,008)	46	52	6	80,228	76,014	(4,214)	80,871	655	(80,216)
Excess of revenues and other financing sources over (under) expenditures and other financing (uses).....	4,611,516	446,489	(4,165,027)	433,383	87,972	(345,411)	879,300	(46,182)	(925,482)	5,924,199	488,279	(5,435,920)
Fund balances, July 1.....	794,022	794,022	0	40,057	40,057	0	85,462	85,462	0	919,541	919,541	0
Prior year encumbrances appropriated.....	20,858	20,858	0	7,031	7,031	0	8,972	8,972	0	36,861	36,861	0
Fund balances, June 30.....	\$5,426,396	\$1,261,369	(\$4,165,027)	\$480,471	\$135,060	(\$345,411)	\$973,734	\$48,252	(\$925,482)	\$6,880,601	\$1,444,681	(\$5,435,920)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**SOUTHERN LOCAL SCHOOL DISTRICT**  
**COLUMBIANA COUNTY, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS (ACCUMULATED DEFICIT)**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating revenues:			
Sales/charges for services . . . . .	\$117,365	\$590,431	\$707,796
Total operating revenues . . . . .	<u>117,365</u>	<u>590,431</u>	<u>707,796</u>
Operating expenses:			
Personal services . . . . .	137,893	23,097	160,990
Contract services . . . . .	2,143		2,143
Materials and supplies . . . . .	137,640		137,640
Depreciation . . . . .	1,594		1,594
Other operating expenses. . . . .	330		330
Claims expense. . . . .		716,844	716,844
Total operating expenses . . . . .	<u>279,600</u>	<u>739,941</u>	<u>1,019,541</u>
Operating loss . . . . .	<u>(162,235)</u>	<u>(149,510)</u>	<u>(311,745)</u>
Nonoperating revenues:			
Operating grants . . . . .	162,049		162,049
Federal commodities. . . . .	21,332		21,332
Interest revenue . . . . .	213	3,079	3,292
Total nonoperating revenues. . . . .	<u>183,594</u>	<u>3,079</u>	<u>186,673</u>
Net income (loss). . . . .	21,359	(146,431)	(125,072)
Retained earnings at July 1 . . . . .	<u>4,452</u>	<u>75,514</u>	<u>79,966</u>
Retained earnings/(accumulated deficit) balance at June 30 . . . . .	<u>\$25,811</u>	<u>(\$70,917)</u>	<u>(\$45,106)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**SOUTHERN LOCAL SCHOOL DISTRICT**  
**COLUMBIANA COUNTY, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
<b>Cash flows from operating activities:</b>			
Cash received from sales/service charges . . . . .	\$117,365	\$590,431	\$707,796
Cash payments for personal services . . . . .	(137,134)	(23,097)	(160,231)
Cash payments for contract services. . . . .	(641)		(641)
Cash payments for materials and supplies. . . . .	(117,733)		(117,733)
Cash payments for claims expenses . . . . .		(692,987)	(692,987)
Cash payments for other expenses. . . . .	(330)		(330)
<b>Net cash used in operating activities . . . . .</b>	<u>(138,473)</u>	<u>(125,653)</u>	<u>(264,126)</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from operating grants . . . . .	140,355		140,355
<b>Net cash provided by noncapital financing activities . . . . .</b>	<u>140,355</u>		<u>140,355</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets. . . . .	(22,474)		(22,474)
<b>Net cash used in capital and related financing activities . . . . .</b>	<u>(22,474)</u>		<u>(22,474)</u>
<b>Cash flows from investing activities:</b>			
Interest received. . . . .	213	3,079	3,292
<b>Net cash provided by investing activities . . . . .</b>	<u>213</u>	<u>3,079</u>	<u>3,292</u>
<b>Net decrease in cash and cash equivalents. . . . .</b>	<u>(20,379)</u>	<u>(122,574)</u>	<u>(142,953)</u>
Cash and cash equivalents at beginning of year . .	41,379	122,574	163,953
Cash and cash equivalents at end of year . . . . .	<u>\$21,000</u>	<u>\$0</u>	<u>\$21,000</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>			
Operating loss. . . . .	(\$162,235)	(\$149,510)	(\$311,745)
<b>Adjustments to reconcile operating loss to net cash used in operating activities:</b>			
<b>Depreciation:</b>			
Depreciation. . . . .	1,594		1,594
Federal donated commodities. . . . .	21,332		21,332
<b>Changes in assets and liabilities:</b>			
Decrease in materials and supplies inventory .	(994)		(994)
Increase in accounts payable. . . . .	50		50
Decrease in accrued wages and benefits. . . . .	(1,047)		(1,047)
Increase in compensated absences payable . .	568		568
Increase in pension obligation payable . . . . .	1,238		1,238
Increase in due to other governments . . . . .		37,975	37,975
Decrease in claims payable . . . . .		(14,118)	(14,118)
Increase in deferred revenue . . . . .	1,021		1,021
<b>Net cash used in operating activities . . . . .</b>	<u>(\$138,473)</u>	<u>(\$125,653)</u>	<u>(\$264,126)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**SOUTHERN LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 1 - DESCRIPTION OF THE ENTITY**

Southern Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District ranks as the 518th largest by total enrollment among the 612 districts in the State. The District operates under a locally-elected five-member Board form of government. Each member is elected to a four year term. The District provides educational services as authorized by its charter and further mandated by state and/or federal agencies. The Board of Education controls the District's four instructional/support facilities staffed by 31 classified employees and 60 certificated employees who provide services to 893 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The general purpose financial statements (GPFS) of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the GPFS of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities.

**SOUTHERN LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District has no component units. The following organizations are described due to their relationship with the District:

*JOINTLY GOVERNED ORGANIZATIONS*

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

OME-RESA was created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an educational management information system, cooperative purchases services and legal services to member districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble and Tuscarawas Counties. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Deborah Campana, who serves as Treasurer, Steubenville, Ohio 43952.

Lincoln Way Special Education Regional Resource Center (LWSERRC)

LWSERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

**SOUTHERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

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

LWSERRC is governed by a governing board of five members made up of representatives each of the local participating school districts. LWSERRC serves five local school districts as well as six non-local school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Salem City School District, 1226 East State Street, Salem, Ohio 44460.

Columbiana County Career Center

The Columbiana County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the nine participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Columbiana County Career Center, 9364 State Route 45, Lisbon, Ohio 44432.

*PUBLIC ENTITY RISK POOLS*

Columbiana County School Employees Insurance Consortium (Consortium)

The Consortium is a claims servicing pool comprised of seven Columbiana County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services.

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

The District participates in the GRP, an insurance purchasing pool. The GRP was established under Section 4123.29 of the Ohio Revised Code. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the Ohio School Boards Association, or his/her designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**SOUTHERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

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

**B. Basis of Presentation - Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the District's governmental fund types:

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

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

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

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the District's proprietary fund types:

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

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

*FIDUCIARY FUNDS*

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The District only has one fiduciary fund type, an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3.C. for a description of the agency fund accruals which, in other fund types, would be recognized on the combined balance sheet.

**SOUTHERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

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

*ACCOUNT GROUPS*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary funds.

**C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the GPFS. Basis of accounting relates to the timing of the measurements made.

**SOUTHERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

The modified accrual basis of accounting is followed for the governmental funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred. There were no unbilled service charges receivable at year end. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**SOUTHERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

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

**D. 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. 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:*

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

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 1999.

**SOUTHERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. No permanent appropriations were legally enacted during fiscal year 1999.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the GPFS for proprietary funds.

*Lapsing of Appropriations:*

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

**SOUTHERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

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

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to a repurchase agreement. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 1999 amounted to \$53,626 which includes \$10,311 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**F. Inventory**

Inventories of proprietary funds are stated at the lower of cost or market. The cost is determined on a first-in, first out basis. Inventories consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**SOUTHERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

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

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of three hundred dollars. The District does not possess any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized and depreciated over the useful lives of the fund fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life that ranges from ten to twenty years.

**H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

**SOUTHERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

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

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program  
School Bus Purchase

Special Revenue Fund

Disadvantaged Pupil Impact Aid

Non-reimbursable Grants

Special Revenue Funds

Title I  
Title VI  
Drug Free Schools  
Educational Management Information System  
Professional Development  
Disadvantaged Pupil Impact Aid  
Preschool Incentive  
Title VI-B  
Eisenhower  
Performance Incentive  
Textbook Subsidy

Capital Projects Funds

SchoolNet  
ADA Grant School Facilities  
Permanent Improvement  
Technology Equity  
Video Distance Learning  
Emergency Repair Grant

Reimbursable Grants

Proprietary Funds

National School Lunch Program  
Government Donated Commodities

**SOUTHERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

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

Grants and entitlements amounted to 65 percent of the District's operating revenue during the 1999 fiscal year.

**I. Compensated Absences**

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

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

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

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

**SOUTHERN LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

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

**J. Contributed Capital**

Contributed capital in proprietary funds represents contributions received from other funds. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. See Note 9 for an analysis of contributed capital.

**K. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Amounts paid after sixty days are considered not to have been paid with current available financial resources. Capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio Law, a debt retirement fund must be created and used for the payment of tax anticipation notes. GAAP requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

**L. Prepayments**

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayment is not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**SOUTHERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

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

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute. The budget stabilization reserve can be used only after receiving approval from the State Superintendent of Public Instruction. A schedule of statutory reserves is presented in Note 20.

**N. Estimates**

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

**O. Interfund Transactions**

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 1999.

**SOUTHERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 1999.

An analysis of interfund transactions is presented in Note 5.

**P. Fund Balance Reserves**

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, prepayments, tax advance unavailable for appropriation and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

**Q. Total Columns (Memorandum Only)**

Total columns on the GPFS are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**SOUTHERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances/Retained Earnings**

Fund balance/retained earnings at June 30, 1999 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Fund</u>	
Title VI	\$(14,732)
<u>Capital Projects Funds</u>	
ADA Grant School Facilities	(16,840)
Emergency Repair Grant	(6,965)
<u>Internal Service Fund</u>	
Employee Benefits Self-Insurance	(70,917)

These funds complied with Ohio state law, which does not permit a cash basis deficit at year end.

The deficit fund balance in the Title VI special revenue fund is caused by accruing wage and benefit obligations in accordance with GAAP. This deficit will be eliminated by anticipated intergovernmental revenues and/or other subsidies not recognized at June 30.

The deficit balances in the Emergency School Repair Grant and ADA Grant School Facilities capital projects funds is due to the reporting of an "advance in" from another fund as an interfund loan payable rather than as an "other financing source". These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The Employee Benefits Self-Insurance internal service fund did not comply with State law which does not allow for cash basis deficit at year end. This deficit will be eliminated as premiums are received to pay claims.

**SOUTHERN LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Compliance**

In accordance with Ohio Revised Code Section 5705.41, the following funds had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 1999:

<u>Fund Type</u> <u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u> <u>Plus Encumbrances</u>	<u>Excess</u>
<u>General Fund</u>	\$20,859	\$4,611,519	\$4,590,660
<u>Special Revenue Funds</u>			
Public School Support	60	19,134	19,074
District Managed Activity	6,185	51,606	45,421
Teacher Development	0	1,595	1,595
EMIS	0	9,001	9,001
Disadvantaged Pupil			
Impact Aid	0	19,131	19,131
Miscellaneous State Grants	0	315	315
Title I	0	255,010	255,010
Title VI	0	3,710	3,710
Drug-Free Schools	786	2,747	1,961
Performance Incentive Grant	0	14,248	14,248
Textbook Subsidy	0	14,967	14,967
Miscellaneous Federal Grants	0	942	942
<u>Capital Projects Funds</u>			
Permanent Improvement	0	190,845	190,845
ADA Grant School Facilities	0	52,770	52,770
SchoolNet	8,972	128,828	119,856
Tech Equity	0	6,069	6,069
Emergency Building Repair	0	500,788	500,788

Disclosure is presented at the fund level, rather than at the function and object level within the fund due to the practicality of determining these values.

**C. Agency Fund**

The following are accruals for the agency fund, which in another fund type, would be recognized in the combined balance sheet:

<u>ASSETS</u>	
Accounts payable	\$255

**SOUTHERN LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". State statutes require the classification of monies held by the District into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

**SOUTHERN LOCAL SCHOOL DISTRICT  
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FOR THE YEAR ENDED JUNE 30, 1999

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**SOUTHERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

*Cash with fiscal agent:* At June 30, 1999, the District's self-insurance internal service fund had a cash balance of \$(37,975). This amount is owed to the claims service provider and has been reported as "due to other governments" on the combined balance sheet. Information about the pool as a whole can be obtained by contacting the Treasurer at Salem City Schools, 1226 East State Street, Salem, Ohio 44460-2299.

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

*Deposits:* At year end the carrying amount of the District's deposits was \$55,201 and the bank balance was \$112,474. The entire bank balance was covered by federal depository insurance. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name.

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreement	<u>\$1,449,160</u>	<u>\$1,449,160</u>	<u>\$1,449,160</u>

**SOUTHERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents on the combined balance sheet and the classifications of deposits and investments per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$1,504,361	\$ 0
Investments of the cash management pool:		
Repurchase agreement	<u>(1,449,160)</u>	<u>1,449,160</u>
GASB Statement No. 3	<u>\$ 55,201</u>	<u>\$1,449,160</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Interfund balances at June 30, 1999, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$76,015	\$ ---
<u>Capital Projects Funds</u>		
ADA Grant School Facilities	---	16,840
Emergency Repair Grant	<u>---</u>	<u>59,175</u>
Total	<u>\$76,015</u>	<u>\$76,015</u>

**SOUTHERN LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

B. The following is a summarized breakdown of the District's operating transfers for fiscal year 1999:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund</u>	\$ ---	\$ 52
<u>Capital Projects Fund</u>		
Technology Equity	<u>52</u>	<u>---</u>
Total	<u>\$ 52</u>	<u>\$ 52</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35 percent of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35 percent of market value and personal property is assessed at 100 percent of market value except for the personal property of rural electric companies which is assessed 50 percent of market and railroads which are assessed at 29 percent.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25 percent of true value. The assessed value upon which the 1998 taxes were collected was \$112,581,640. Agricultural/residential and public utility/minerals real estate represented \$3,986,620 or 3.53 percent of this total, commercial & industrial real estate represented \$44,897,900 or 39.88 percent of this total, public utility tangible represented \$60,255,290 or 53.53 percent of this total and general tangible property represented \$3,441,830 or 3.06 percent of this total. The voted general tax rate at the fiscal year ended June 30, 1999 was \$42.00 per \$1,000.00 of assessed valuation for operations and \$3.90 per \$1,000.00 of assessed valuation for permanent improvements.

**SOUTHERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

The Columbiana, Jefferson and Carroll County Treasurers collect real estate property taxes on behalf of the District. The respective County Auditors periodically remit to the District its portion of the taxes collected with final settlement in March and September. Such collections are available to pay current period liabilities.

The Columbiana, Jefferson and Carroll County Treasurers collect personal property taxes on behalf of all taxing districts within the Counties. The respective County Auditors periodically remit to the District its portion of the taxes collected with final settlement in February and August. Such collections are available to pay current period liabilities.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount available as an advance, and recorded as revenue, at June 30, 1999, was \$32,685 in the general fund and \$5,175 in the Permanent Improvement capital projects fund.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1999 consisted of taxes, accounts (user charged services and student fees), interfund loans and intergovernmental state and federal revenues (to the extent they are intended to finance the current fiscal year). Intergovernmental receivables have been reported as "due from other governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of State programs and the current year guarantee of federal funds.

**SOUTHERN LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

**NOTE 7 - RECEIVABLES - (Continued)**

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General</u>	
Taxes - current & delinquent	\$1,504,510
Accounts	9,841
<u>Capital Projects</u>	
Taxes - current & delinquent	159,769
Due from other governments	49,817
<u>Enterprise</u>	
Due from other governments	21,694

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and equipment	\$ 141,411
Less: accumulated depreciation	<u>(115,661)</u>
Net fixed assets	<u>\$ 25,750</u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	<u>Balance July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1999</u>
Land and Improvements	\$ 60,281	\$ ---	\$ ---	\$ 60,281
Buildings	1,484,406	150,878	---	1,635,284
Furniture and Equipment	1,431,280	214,119	(55,807)	1,589,592
Vehicles	<u>607,307</u>	<u>38,869</u>	<u>(99,868)</u>	<u>546,308</u>
Total	<u>\$3,583,274</u>	<u>\$403,866</u>	<u>\$(155,675)</u>	<u>\$3,831,465</u>

There was no significant construction in progress at June 30, 1999.

**SOUTHERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

**NOTE 9 - CHANGES IN CONTRIBUTED CAPITAL**

Changes in contributed capital for the year ended June 30, 1999 are summarized by source as follows:

	<u>Food Service</u>
Contributed capital, July 1, 1998	\$1,847
Current fiscal year contributions	<u>    -</u>
Contributed capital, June 30, 1999	<u>\$1,847</u>

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

The District has entered into capitalized leases for copiers. The total amount of the lease agreement is accounted for on a GAAP basis as a support services expenditure in the general fund with an offsetting amount reported as an other financing source.

These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the GPFS for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$46,663, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)**

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2000	\$11,482
2001	11,482
2002	<u>10,525</u>
Total minimum lease payments	33,489
Less: amount representing interest	<u>(3,708)</u>
Present value of minimum lease payments	<u>\$29,781</u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. Changes in long-term obligations of the District during the fiscal year follows:

	<u>Outstanding</u> <u>July 1, 1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding</u> <u>June 30, 1999</u>
Compensated Absences	\$342,348	\$26,236	\$ ---	\$368,584
Pension Obligation Payable	43,193	43,283	(43,193)	43,283
Capital Leases Payable	<u>38,498</u>	<u>---</u>	<u>(8,717)</u>	<u>29,781</u>
Total General Long-Term Obligations	<u>\$424,039</u>	<u>\$69,519</u>	<u>\$(51,910)</u>	<u>\$441,648</u>

Compensated absences and pension obligations will be paid from the fund from which the person is paid. Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values. Capital lease obligations will be paid from the general fund.

**SOUTHERN LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$10,132,348 and an unvoted debt margin of \$112,582.

**C. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment.

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

Teachers and administrators do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to the number of annual work days per contract plus ninety days, *not to exceed 268 days for certified employees and 270 for non-certified employees.* Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to the maximum accumulation.

**Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to most employees through Safeco. Each full-time employee receives \$20,000 in coverage.

**SOUTHERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

**NOTE 13 - LOAN AND NOTE ACTIVITY**

A summary of the loan and note transactions for the year ended June 30, 1999, follows:

	<u>Outstanding July 1, 1998</u>	<u>Retired in 1999</u>	<u>Outstanding June 30, 1999</u>
General Fund:			
1993 6.50% State Loan	\$834,941	\$(147,933)	\$687,008
Capital Projects Fund:			
1995 6.75% Tax Anticipation Note	<u>115,875</u>	<u>(77,250)</u>	<u>38,625</u>
Total Loan and Notes Payable	<u>\$950,816</u>	<u>\$(225,183)</u>	<u>\$725,633</u>

The District faced an operating deficit during fiscal year 1992. During that fiscal year, the District obtained a \$1,101,219 State loan which is being paid from State foundation payments. The tax anticipation note was issued to purchase a modular unit and will be paid from proceeds of the permanent improvement levy. The note liability is reflected in the general fund, the fund which received the proceeds.

Principal and interest requirements to retire the State loan and tax anticipation note outstanding at June 30, 1999, follow:

<u>Fiscal Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$194,865	\$41,735	\$236,600
2001	166,732	29,912	196,644
2002	177,928	18,716	196,644
2003	<u>186,108</u>	<u>6,727</u>	<u>192,835</u>
Total	<u>\$725,633</u>	<u>\$97,090</u>	<u>\$822,723</u>

**SOUTHERN LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 14 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. For fiscal year 1999, the District contracted with Nationwide Insurance for property, boiler and inland marine insurance. This risk policy has a \$1,000 deductible.

General liability is protected by The Nationwide Insurance Company with a \$1,000,000 single occurrence limit and \$5,000,000 aggregate and no deductible. Vehicles, including school buses, are covered by The Nationwide Insurance Company and hold a \$1,000 deductible for comprehensive and collision. There is a \$1,000,000 combined single limit of liability.

Settled claims have not exceeded this commercial coverage in any of the past three years.

**B. Worker's Compensation**

For fiscal year 1999, the District participated in the GRP, an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**SOUTHERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

**NOTE 14 - RISK MANAGEMENT - (Continued)**

**C. Employee Health and Dental**

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of seven school districts within the County, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. This plan provides a medical/surgical plan with a \$100 family and \$50 single deductible for certificated employees and a \$200 family and \$100 single deductible for classified employees. A third party administrator, Professional Risk Management, reviews all claims which are then paid by the District. The District purchases stop-loss coverage of \$75,000 per employee. The District pays into the self-insurance internal service fund \$486.55 family coverage or \$198.96 individual coverage per month which represents the entire premium required. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information. Dental coverage is also provided on a self-insured basis. Premiums for this coverage are \$33.35 monthly for family coverage and \$13.52 monthly for single coverage. Vision coverage is also provided on a self-insured basis. Premiums for this coverage are \$5.10 monthly for family coverage and \$2.52 for single coverage. The District is responsible for payment of all claim amounts.

The District also provides prescription drug insurance to its employees through a self-insured program. This plan utilizes a \$5 brand/\$0 generic prescription deductible.

The third party administrator, Professional Risk Management, reviews the claims, which are then paid by the District. The maximum amount any employee will contribute for his/her health care package is \$25 family coverage or \$10 single coverage for classified employees, and \$50 family coverage or \$20 single coverage for certificated employees.

The liability for unpaid claims of \$32,942 reported in the internal service fund at June 30, 1999, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. The claims liability is based on an estimate supplied by the District's third party administrator. Changes in the fund's claims liability for the past two fiscal years are as follows:

**SOUTHERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

**NOTE 14 - RISK MANAGEMENT - (Continued)**

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
1999	\$47,060	\$716,844	\$(730,962)	\$32,942
1998	\$36,161	\$521,277	\$(510,378)	\$47,060

**NOTE 15 - SEGMENT INFORMATION - ENTERPRISE FUND**

The District maintains one enterprise fund which provides lunchroom/cafeteria services, therefore segment information for the year ended June 30, 1999 is not presented. The enterprise fund had encumbrances of \$250 outstanding at June 30, 1999.

**NOTE 16 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent. For fiscal year 1999, 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$86,965, \$83,963, and \$59,485, respectively; 53.3 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$40,591, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$289,421, \$274,848, and \$233,520, respectively; 82.1 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$51,928 represents the unpaid contribution for fiscal year 1999, and is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 1999, two of the board of education members have elected Social Security. The board's liability is 6.2 percent of wages paid.

**NOTE 17 - POSTEMPLOYMENT BENEFITS**

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

**SOUTHERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 17 - POSTEMPLOYMENT BENEFITS - (Continued)**

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$165,383 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 billion at June 30, 1998 (the latest information available). For the year ended June 30, 1998 (the latest information available), net health care costs paid by STRS were \$219.224 million and STRS had 91,999 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 (the latest information available), were \$111.9 million and the target level was \$139.9 million. At June 30, 1998 (the latest information available), SERS had net assets available for payment of health care benefits of \$160.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$51,421 during the 1999 fiscal year.

**SOUTHERN LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP basis).
- (d) Proceeds from and principal payment on tax anticipation notes are on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).

**SOUTHERN LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis:

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Budget basis	\$446,489	\$ 87,972	\$(46,182)
Net adjustment for revenue accruals	1,516	(38,292)	50,354
Net adjustment for expenditure accruals	123,370	(68,325)	74,658
Net adjustment for other financing sources (uses)	76,014	(52)	(75,962)
Net adjustment for fund reclassification	---	264	(264)
Encumbrances (budget basis)	<u>21,387</u>	<u>13,011</u>	<u>25,099</u>
GAAP Basis	<u>\$668,776</u>	<u>\$(5,422)</u>	<u>\$ 27,703</u>

**SOUTHERN LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 1999.

**B. Litigation**

The District is not a party to any legal proceedings.

**C. State School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$2,902,194 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program has not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the District has received a total of \$1,404,036 million under this program.

**SOUTHERN LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

**NOTE 19 - CONTINGENCIES - (Continued)**

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

**NOTE 20 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance				
as of June 30, 1998	\$ 0	\$ 0	\$24,797	\$ 24,797
Current year set-aside requirement	76,460	76,460	---	152,920
Qualifying disbursements	<u>(85,229)</u>	<u>(96,879)</u>	<u>---</u>	<u>(182,108)</u>
 Total	 <u>\$ (8,769)</u>	 <u>\$(20,419)</u>	 <u>\$24,797</u>	 <u>\$ (4,391)</u>
 Cash balance carried forward				
to FY 2000	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$24,797</u>	 <u>\$ 24,797</u>

**SOUTHERN LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 20 - STATUTORY RESERVES - (Continued)**

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

A current year set-aside is not required for the budget stabilization since the District is in the State Loan Fund (See Note 13).

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for budget stabilization	<u>\$24,797</u>
Total restricted assets	<u>\$24,797</u>

**NOTE 21 - YEAR 2000 ISSUE**

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations as early as fiscal year 1999.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, the State of Ohio Uniform School Payroll System software for its payroll and employee benefits and the State of Ohio Education Management and Information System (EMIS) for its education statistics reporting. The State is responsible for remediating these systems.

The Ohio Department of Education, Division of Information Management Services, State Software Development Team has addressed the status of the OECN State Software in regards to the compliance requirements for the Year 2000. Their assessment is as follows:

- The payroll processing software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1997 release of USPS V4.0.

**SOUTHERN LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

**NOTE 21 - YEAR 2000 ISSUE - (Continued)**

- The accounting software supported with the OECN State Software is compliant with the Year 2000 beginning with the June 1998 release of USAS V6.1.
- The education management information system software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1998 release of EMIS V1.7.

Columbiana, Carroll and Jefferson Counties collect property taxes for distribution to the District. Columbiana, Carroll and Jefferson Counties are responsible for remediating their respective tax collection system.

The State of Ohio distributes a substantial sum of money to the District in the form of basic state aid "school foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

## **SUPPLEMENTAL DATA**

**SOUTHERN LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(C) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(C) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Nutrition Grant Cluster:						
(A) (D) Food Distribution	10.550	N/A		\$21,825		\$21,332
(B) (D) School Breakfast Program	10.553	N/A	\$25,245		\$25,245	
(B) (D) National School Lunch Program	10.555	N/A	88,345		88,345	
Total Nutrition Grant Cluster			113,590	21,825	113,590	21,332
Total U. S. Department of Agriculture			113,590	21,825	113,590	21,332
<b>U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Title I -						
Local Educational Agencies	84.010	46441-C1-S1-93	0		1,931	
	84.010	46441-C1-S1-98	81,938		108,760	
	84.010	46441-C1-S1-98C	19,382		19,382	
	84.010	46441-C1-S1-99	141,188		124,938	
Total Title I			242,508		255,011	
Safe and Drug-Free Schools - State Grants						
	84.186	46441-DR-S1-91	0		840	
	84.186	46441-DR-S1-97	0		50	
	84.186	46441-DR-S1-98	0		1,562	
	84.186	46441-DR-S1-99	1,644		295	
Total Drug-Free Schools - State Grants			1,644		2,747	
Goals 2000						
	84.276	46441-G2-S1-98 P	40,500		6,873	
	84.276	46441-G2-A2-99	439		439	
Total Goals 2000			40,939		7,312	
Innovative Education Program Strategies - Title VI						
	84.298	46441-C2-S1-99	3,755		3,710	
<b>PASSED THROUGH THE COLUMBIA COUNTY EDUCATIONAL SERVICE CENTER:</b>						
Entry Year Grant	84.276	N/A	500		500	
Total U. S. Department of Education			289,346		269,280	
Total Federal Financial Assistance			\$402,936	\$21,825	\$382,870	\$21,332

- (A) The Food Distribution Program is a non-cash, in kind, federal grant.  
 (B) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.  
 (C) This schedule was prepared on a cash basis.  
 (D) Included as part of "Nutrition Grant Cluster" in determining major programs.

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Education  
Southern Local School District  
38095 State Route 39  
Salineville, Ohio 43945

We have audited the general purpose financial statements of Southern Local School District as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated December 8, 1999. We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Southern Local School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items: 1999-46441-001, 1999-46441-002 and 1999-46441-003. We also noted certain immaterial instances of noncompliance that we have reported to the management of Southern Local School District in a separate letter dated December 8, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southern Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to the significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Southern Local School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as item 1999-46441-001, 1999-46441-002 and 1999-46441-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 1999-46441-001, 1999-46441-002 and 1999-46441-003 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Southern Local School District in a separate letter dated December 8, 1999.

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

*Trimble, Julian & Grube, Inc.*

Trimble, Julian & Grube, Inc.  
December 8, 1999

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education  
Southern Local School District  
38095 State Route 39  
Salineville, Ohio 43945

### Compliance

We have audited the compliance of Southern Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 1999. Southern Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Southern Local School District's management. Our responsibility is to express an opinion on Southern Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southern Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Southern Local School District's compliance with those requirements.

In our opinion, Southern Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 1999.

Internal Control Over Compliance

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

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

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

*Trimble, Julian & Grube, Inc.*

Trimble, Julian & Grube, Inc.  
December 8, 1999

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505**

**SOUTHERN LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY  
JUNE 30, 1999**

**I. SUMMARY OF AUDITOR'S RESULTS**

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

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

Finding Number	1999-46441-001
----------------	----------------

Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure must be made by Board resolution and comply with the same provisions of the law as used in making the original appropriations.

It was noted during the audit that the District did not timely or properly modify the appropriations.

By not timely and properly modifying the budget, the District is not adequately monitoring its appropriations. Further, the Board is not aware of modifications until after they have occurred.

We recommend that the District properly monitor its appropriations and request Board approval prior to any modifications. The District could accomplish this by conducting Board meetings immediately prior to fiscal year-end. We also recommend the District monitor its budget through the course of the year and modify it accordingly.

Finding Number	1999-46441-002
----------------	----------------

Ohio Revised Code Section 5705.38 requires the annual appropriation measure to be passed on or about the first day of each fiscal year. Temporary appropriations may be adopted until October 1 if the taxing authority wishes to postpone the passage of the annual appropriation measure until the county budget commission sends out the amended certificate based on year end balances.

The District did not pass a permanent appropriation measure for the fiscal year ended June 30, 1999.

The District is not budgeting for expenditures and expenditures are being made in excess of appropriations during the fiscal year.

We recommend that the District adopt annual permanent appropriations by the required dates to provide control over the expenditures of the District. The District may use a tickler system as a control.

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

Finding Number	1999-46441-003
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Ohio Revised Code Section 5705.41 requires that no subdivision is to expend money unless it has been appropriated.

It was noted during the audit that the District had expenditures plus encumbrances exceeding appropriations in the following:

<u>Fund Type</u> <u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u> <u>Plus Encumbrances</u>	<u>Excess</u>
<u>General Fund</u>	\$20,859	\$4,611,519	\$4,590,660
<u>Special Revenue Funds</u>			
Public School Support	60	19,134	19,074
District Managed Activity	6,185	51,606	45,421
Teacher Development	0	1,595	1,595
EMIS	0	9,001	9,001
Disadvantaged Pupil			
Impact Aid	0	19,131	19,131
Miscellaneous State Grants	0	315	315
Title I	0	255,010	255,010
Title VI	0	3,710	3,710
Drug-Free Schools	786	2,747	1,961
Performance Incentive Grant	0	14,248	14,248
Textbook Subsidy	0	14,967	14,967
Miscellaneous Federal Grants	0	942	942
<u>Capital Projects Funds</u>			
Permanent Improvement	0	190,845	190,845
ADA Grant School Facilities	0	52,770	52,770
SchoolNet	8,972	128,828	119,856
Tech Equity	0	6,069	6,069
Emergency Building Repair	0	500,788	500,788

With expenditures exceeding appropriations, the District is unlawfully expending monies that have not been appropriated.

We recommend that the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

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**SOUTHERN LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

By: *Susan Babbitt*  
Clerk of the Bureau

Date: JAN 18 2000