



**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Southern Local School District
Perry County
10390 State Route 155 SE
Hemlock, Ohio 43743

To the Board of Education:

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

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

Ohio Administrative Code § 117-2-01 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the School District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and combined fund cash balances of the Southern Local School District, Perry County, as of June 30, 1999, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 1999, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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

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

Jim Petro
Auditor of State

November 9, 1999

**COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND
CASH BALANCES - ALL FUND TYPES
AS OF JUNE 30, 1999**

Cash	\$1,057,082
Investments	
STAR Ohio	498,854
Total	\$1,555,936

CASH BALANCES BY FUND TYPE

Governmental Funds:	
General Fund	\$541,490
Special Revenue Funds	252,152
Debt Service Fund	152,394
Capital Projects Funds	61,118
Proprietary Funds:	
Enterprise Funds	16,249
Internal Service Fund	506,334
Fiduciary Funds:	
Expendable Trust Fund	3,672
Agency Funds	22,527
Total	\$1,555,936

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
RECEIPTS:						
Receipts from Local Sources						
Taxes	\$664,719	\$13,492	\$156,580			\$834,791
Earnings on Investment	65,518			\$330	\$10	65,858
Extracurricular Activities		86,192				86,192
Classroom Material & Fees	12,927					12,927
Miscellaneous	39,461	57,762			496	97,719
Receipts from Intermediate Sources						
Unrestricted Grants-In-Aid					1,000	1,000
Receipts from State Sources						
Unrestricted Grants-In-Aid	4,676,609	1,941	22,611			4,701,161
Restricted Grants-In-Aid	109,565	389,056		356,115		854,736
Revenue for/on Behalf of the District	4,500					4,500
Receipts from Federal Sources						
Unrestricted Grants-In-Aid		366,970				366,970
Restricted Grants-In-Aid		2,204				2,204
Total Receipts	5,573,299	917,617	179,191	356,445	1,506	7,028,058
DISBURSEMENTS:						
Instruction:						
Regular	2,391,713	177,568		48,810	1,000	2,619,091
Special	855,266	217,268				1,072,534
Vocational Education	76,767					76,767
Supporting Services:						
Pupils	127,588	126,240				253,828
Instructional Staff	211,943	72,908				284,851
Board of Education	60,847					60,847
Administration	564,615	14,962				579,577
Fiscal Services	152,997	503	5,833	1,253		160,586
Operation and Maintenance - Plant	590,422					590,422
Pupil Transportation	403,260					403,260
Central	100,600	6,965			1,324	108,889
Extracurricular Activities:						
Academic and Subject Oriented Activities	6,506	27,069				33,575
Sports Oriented	76,909	33,802				110,711
Co-Curricular Activities	21,087	81,493			4,839	107,419
Facilities Acquisition and Construction Services:						
Site Improvement				29,010		29,010
Architecture and Engineering	2,700			36,444		39,144
Building Acquisition and Construction				437,506		437,506
Debt Service:						
Repayment of Debt	17,293		146,415			163,708
Total Disbursements	5,660,513	758,778	152,248	553,023	7,163	7,131,725
Total of Receipts Over/(Under) Disbursements	(87,214)	158,839	26,943	(196,578)	(5,657)	(103,667)
OTHER FINANCING SOURCES/(USES):						
Transfers-In		2,621				2,621
Advances-In				49,469		49,469
Transfers-Out		(2,621)				(2,621)
Advances-Out	(80,537)					(80,537)
Total Other Financing Sources/(Uses)	(80,537)	0	0	49,469	0	(31,068)
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing (Uses)	(167,751)	158,839	26,943	(147,109)	(5,657)	(134,735)
and Cash Balances, July 1, 1998	709,241	93,313	125,451	208,227	9,329	1,145,561
and Cash Balances, June 30, 1999	\$541,490	\$252,152	\$152,394	\$61,118	\$3,672	\$1,010,826

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
CASH BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
OPERATING RECEIPTS:				
Food Service	\$121,788			\$121,788
Extracurricular Activities			\$51,016	51,016
Classroom Materials and Fees	1,123			1,123
Total Operating Receipts	<u>122,911</u>	<u>0</u>	<u>51,016</u>	<u>173,927</u>
OPERATING DISBURSEMENTS:				
Personal Services - Salaries	85,478			85,478
Employees' Retirement and Insurance	46,754			46,754
Purchased Services	207,396	863,935		1,071,331
Supplies and Materials	3,806			3,806
Other			65,265	65,265
Total Operating Disbursements	<u>343,434</u>	<u>863,935</u>	<u>65,265</u>	<u>1,272,634</u>
Operating Income/(Loss)	<u>(220,523)</u>	<u>(863,935)</u>	<u>(14,249)</u>	<u>(1,098,707)</u>
NONOPERATING RECEIPTS/(DISBURSEMENTS):				
Earnings on Investments			51	51
Miscellaneous	130	988,311	8,373	996,814
State Restricted Grants-In-Aid	12,480			12,480
Federal Unrestricted Grants-In-Aid	166,060			166,060
Total Nonoperating Receipts/(Disbursements)	<u>178,670</u>	<u>988,311</u>	<u>8,424</u>	<u>1,175,405</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Advances	(41,853)	124,376	(5,825)	76,698
Advances-In	31,068			31,068
Net Income/(Loss)	(10,785)	124,376	(5,825)	107,766
Fund Cash Balances, July 1, 1998	27,034	381,958	28,352	437,344
Fund Cash Balances, June 30, 1999	<u>\$16,249</u>	<u>\$506,334</u>	<u>\$22,527</u>	<u>\$545,110</u>

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

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
ALL BUDGETED FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$5,546,054	\$5,573,299	\$27,245
Special Revenue	913,738	920,238	6,500
Debt Service	176,152	179,191	3,039
Capital Projects	391,707	405,914	14,207
Proprietary			
Enterprise	324,614	332,648	8,034
Internal Service	985,371	988,311	2,940
Fiduciary			
Expendable Trust	1,503	1,506	3
Agency		59,440	59,440
Totals (Memorandum Only)	<u>\$8,339,139</u>	<u>\$8,460,547</u>	<u>\$121,408</u>

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

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**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
 COMPARED WITH EXPENDITURE AUTHORITY - ALL BUDGETED FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1999**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
Governmental			
General	\$94,851	\$6,160,444	\$6,255,295
Special Revenue	35,326	971,725	1,007,051
Debt Service		301,602	301,602
Capital Projects	19,144	580,791	599,935
Proprietary			
Enterprise	2,459	349,189	351,648
Internal Service		1,367,329	1,367,329
Fiduciary			
Expendable Trust	8,324	5,541	13,865
Agency			0
Totals (Memorandum Only)	<u>\$160,104</u>	<u>\$9,736,621</u>	<u>\$9,896,725</u>

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

<u>Disbursements</u>	<u>Encumbrances Outstanding 6/30/99</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$5,741,050	\$122,038	\$5,863,088	\$392,207
761,399	5,160	766,559	240,492
152,248		152,248	149,354
553,023	37,001	590,024	9,911
343,434	100	343,534	8,114
863,935		863,935	503,394
7,163	1,301	8,464	5,401
<u>65,265</u>		<u>65,265</u>	<u>(65,265)</u>
<u>\$8,487,517</u>	<u>\$165,600</u>	<u>\$8,653,117</u>	<u>\$1,243,608</u>

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

1. DESCRIPTION OF THE ENTITY

The Southern Local School 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 School District is a local school district as defined by Ohio Revised Code Section 3311.03. The School District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the School District.

Average daily membership (ADM) as of October 1, 1998, was 1,072. The School District employed 82 certificated employees and 44 non-certificated employees.

The School District is associated with the Southeast Ohio Voluntary Educational Consortium and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 11 and 12.

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District:

- c Tri-County Joint Vocational School District
- c Perry-Hocking County Educational Service Center

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-01 to prepare its annual financial report in accordance with generally accepted accounting principles, the School District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

B. Pooled Cash and Investments

The School District Treasurer invests all available funds of the School District in interest-bearing checking accounts and STAR Ohio. This cash is pooled for investment purposes to capture the highest rate of return. Income from these investments is distributed according to School District policy.

C. Fund Accounting

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

1. Governmental Fund Types

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Funds

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

2. Proprietary Fund Types

Enterprise Funds

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

Internal Service Funds

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Fiduciary Fund Types

Expendable Trust

The Expendable Trust Fund is used to account for trusts where both principal and earnings on principal may be spent for the trust's intended purpose.

Agency Funds

The Agency Funds are used to account for assets held by a governmental unit in an agency capacity for individuals, private organizations, other funds and/or governmental units.

D. Budgetary Process

Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the subsequent July 1 to June 30 fiscal year.

Estimated Resources

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

Prior to June 30, the School District must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 1998, unencumbered fund balances. However, those fund balances are available for appropriations

Appropriations

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

Encumbrances

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

E. Property, Plant and Equipment

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

F. Accumulated Unpaid Vacation and Sick Leave

Accumulated unpaid vacation and sick leave are not accrued under the cash basis of accounting described in Note 1. At June 30, 1999, management estimates that \$9,500 in vacation leave and \$3,017,200 in sick leave has been accumulated by the employees of the School District. All leave will either be absorbed by time off from work or, within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of June 30, 1999.

G. Total Columns on Financial Statements

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

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

State statutes classify monies held by the School District into three categories.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

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

- a. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- f. The State Treasurer's investment pool (STAROhio);
- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
- h. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$1,057,082 and the bank balance was \$1,095,745. Of the bank balance, \$50,052 was covered by federal deposit insurance, and \$1,045,693 was collateralized by securities held by a third party bank in the School District's name.

Investments - Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999. The School District's investment in the STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

<u>Investment:</u>	<u>Carrying Value</u>	<u>Market Value</u>
STAR Ohio	<u>\$498,854</u>	<u>\$498,854</u>

4. PROPERTY TAXES

Real property taxes are levied on assessed values which equal 35% of appraised values. The County Auditor reappraises all real property every six years with a triennial update. The last reappraisal was completed for tax year 1996 for Perry County.

Real property taxes become a lien on all non-exempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for fiscal year ended June 30, 1999, was \$36.20 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$26.85 per \$1,000 of assessed valuation for real property classified as residential/agricultural and was \$30.04 and per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the School District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for tax year 1999 was \$36.20 per \$1,000 of assessed valuation.

<u>Real Property - 1998 Valuation</u>	
Residential/Agricultural	\$18,165,770
Commercial/Industrial	2,195,390
Public Utilities	118,510
Minerals	894,500
<u>Tangible Personal Property - 1998 Valuation</u>	
General	2,006,465
Public Utilities	<u>5,053,000</u>
Total	<u>\$28,433,635</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

4. PROPERTY TAXES (Continued)

The Perry County Treasurer collects property tax on behalf of all taxing districts within their respective County. The Perry County Auditor periodically remits to the taxing districts their portion of the taxes collected.

5. DEBT OBLIGATIONS

Debt outstanding at June 30, 1999, consisted of the following:

School Improvement Advance Refunding Bonds	
Principal Outstanding	\$1,314,995
Interest Rate	3.7% to 5.0%

School Energy Conservation Loan	
Principal Outstanding	\$71,878
Interest Rate	5.5%

The school improvement advance refunding bonds are direct obligations of the School District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the School District. The advance refunding bonds were issued in 1998 to reduce the School District's debt service requirements from a previously issued school building construction issue. The School District utilizes trustee banks to service the bonds. Payments to the bank are recorded as disbursements in the year deposited with the bank.

The school energy conservation loan was obtained in order to acquire and install equipment and other improvements which constitute energy conservation measures as per House Bill 264.

The annual requirements to amortize debt outstanding as of June 30, 1999, including interest payments of \$960,928, are as follows:

Year Ending June 30	General Obligation Bonds	School Energy Conservation Loan	Total
2000	\$142,318	\$17,293	\$159,611
2001	143,041	17,293	160,334
2002	143,488	17,292	160,780
2003	143,679	17,293	160,972
2004	138,710	12,969	151,679
2005 - 2009	704,425	0	704,425
2010 - 2014	710,000	0	710,000
2015	140,000	0	140,000
Total	<u>\$2,265,661</u>	<u>\$82,140</u>	<u>\$2,347,801</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

6. CLASSROOM FACILITIES

On November 6, 1990, the voters of the School District passed a half-mill levy to qualify for State Building Assistance Funds. The School District received a \$7,922,465 interest free loan from the State of Ohio for the construction and reconstruction of classroom facilities. The balance outstanding at June 30, 1999 (\$7,826,827), is payable over the next 15 years from property tax collections repaid at the rate of one-half mill until the loan is paid off or the total time of twenty-three years expires. During the fiscal year ended June 30, 1999, the School District was not required to make any payments on this loan, as noted below.

Pursuant to changes in Ohio Rev. Code § 3318.082, the school districts which have participated in the building assistance program may enter into supplemental agreements with the Ohio School Facilities Commission in order that proceeds of the one-half mill tax can be distributed in accordance with Ohio Rev. Code § 3318.06, as amended by Amended Substitute House Bill 748 of the 121st General Assembly. This change allowed the School District to retain the one-half mill locally for maintenance of classroom facilities constructed or renovated through building assistance as the School District's adjusted valuation per pupil is greater than the statewide median adjusted valuation per pupil. If the School District's adjusted valuation per pupil is less than the statewide median adjusted valuation per pupil in a given year, the School District will be notified that all such proceeds shall be used for maintenance. Effective January 1, 1998, the School District retained half of the one-half mill locally as per the supplemental agreement.

7. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year ending June 30, 1999, the School District contracted with Wausau Insurance Company for property insurance and boiler and machinery coverage. The policies include a \$500 deductible.

Professional and general liability is protected by the Wausau Insurance Company with a \$1,000,000 single occurrence limit with \$5,000,000 aggregate and no deductible. Vehicles are covered by Wausau Insurance Company and hold a \$500 deductible for collision. Vehicle liability had a \$1,000,000 combined single limit of liability. Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years.

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

The School District has chosen to establish a risk financing fund for risks associated with the employee health insurance plan. The risk financing fund is accounted for as an Internal Service Fund where assets are set aside for claim and settlements. Mutual Health Services acts as a third party to administer the activity. A premium is charged to each fund that accounts for part-time and full-time employees. The total charge allocated to each of the funds (the allocation is based upon the percentage of each fund's current-year payroll as it relates to total payroll of the School District) is calculated using trends in actual claims experience. The School District purchases stop-loss coverage of \$20,000 per employee.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

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. The 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 School District is required to contribute 14 percent; 10.5 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 School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$191,082, \$168,725, and \$151,411, respectively. The pension contribution for the School District for the fiscal year ended June 30, 1999, consisted of \$70,128 from employees and \$120,954 from the employer. The required percentages for employer and employee contributions for the next fiscal year will be unchanged.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system 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. The 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 School District is required to contribute 14 percent; 12 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 School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$682,217, \$620,569, and \$567,505, respectively. The pension contribution for the School District for the fiscal year ended June 30, 1999 consisted of \$274,253 from employees and \$407,964 from the employer. The required percentages for employer and employee contributions for the next fiscal year will be unchanged.

9. LEASE OBLIGATION

The School District entered into a sixty month lease agreement for the use of a Xerox copier on April 8, 1997. The School District also entered into a lease agreement (on August 16, 1996) for the use of a modular classroom unit to be used as a day care facility. The annual requirements to amortize the lease obligations outstanding as of June 30, 1999, are as follows:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

9. LEASE OBLIGATION (Continued)

<u>Year Ending June 30</u>	<u>Copier Lease</u>	<u>Modular Lease</u>	<u>Total</u>
2000	\$17,338	\$14,557	\$31,895
2001	17,338	0	17,338
2002	<u>17,336</u>	<u>0</u>	<u>17,336</u>
Total	<u>\$52,012</u>	<u>\$14,557</u>	<u>\$66,569</u>

10. JOINTLY GOVERNED ORGANIZATIONS

A. Southeast Ohio Voluntary Educational Consortium (SEOVEC)

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

B. The Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The Board members are composed of one superintendent from each County elected by the school districts within that County. The Coalition provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition.

11. INSURANCE PURCHASING POOL

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

12. STATUTORY RESERVES

The School District is required by state law to set aside certain General Fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenanc e Reserve	Budget Stabilization Reserve	Total
Balance - 7/1/98	\$0	\$0	\$0	\$0
Required Set-Aside	68,207	68,207	63,196	199,610
Offset Credits	(14,857)	(12,824)	0	(27,681)
Qualifying Expenditures	(53,350)	(55,383)	0	(108,733)
Balance - 6/30/99	<u>\$0</u>	<u>\$0</u>	<u>\$63,196</u>	<u>\$63,196</u>

Expenditures for textbook purchases during the year were \$104,061, which exceeded the required set-aside and the reserve balance. Expenditures for capital activity during the year were \$114,483, which exceeded the required set-aside and the reserve balance.

13. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$4,676,609 of school foundation support for its general fund.

Also, the Court declared the spending reserve borrowing program unconstitutional. The spending reserve program allowed the School District to borrow against amounts anticipated to be collected from tangible personal property taxes after the School District's June 30 fiscal year end. During the fiscal year ended June 30, 1999, the School District did not borrow under this program.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had 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 School District had received a total of \$7,922,465 under this program.

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. As of November 9, 1999, 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 School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

14. 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 governments' operations as early as fiscal year 1999.

The School District has completed an inventory of mission-critical computer and other equipment necessary to conducting School District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

The School District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the School District in the form of "foundation" payments. Further, the State processes a significant amount of financial and nonfinancial information about the School District Center 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 School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be Year 2000 ready.

16. CONTINGENCIES

A. Grants

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

B. Litigation

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Pass-Through State Department of Education</i>						
Food Distribution Program	10.550	N/A	\$0	\$19,633	\$0	\$20,286
Child Nutrition Cluster:						
School Breakfast Program	10.553	05-PU-98	7,527	0	7,527	0
		05-PU-99	<u>35,055</u>	<u>0</u>	<u>35,055</u>	<u>0</u>
Total School Breakfast Program			42,582	0	42,582	0
National School Lunch Program	10.555	03-PU-98	3,403	0	3,403	0
		04-PU-98	19,537	0	19,537	0
		03-PU-99	15,717	0	15,717	0
		04-PU-99	<u>84,821</u>	<u>0</u>	<u>84,821</u>	<u>0</u>
Total National School Lunch Program			<u>123,478</u>	<u>0</u>	<u>123,478</u>	<u>0</u>
Total Child Nutrition Cluster			<u>166,060</u>	<u>0</u>	<u>166,060</u>	<u>0</u>
Total United States Department of Agriculture			166,060	19,633	166,060	20,286
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Pass-Through State Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1-98	26,605	0	53,002	0
		C1-S1-99	<u>225,603</u>	<u>0</u>	<u>182,712</u>	<u>0</u>
Total Title I Grants to Local Educational Agencies			252,208	0	235,714	0
Special Education - Grants to States	84.027	6B-SF-98P	0	0	5,340	0
		6B-SF-99P	<u>67,064</u>	<u>0</u>	<u>57,448</u>	<u>0</u>
Total Special Education - Grants to States			67,064	0	62,788	0
Safe and Drug-Free Schools and Communities	84.186	DR-S1-99	2,204	0	1,823	0
Goals 2000 - State and Local Education Systemic Improvement Grant	84.276	G2-S1-98	0	0	12,494	0
		G2-S1-99	<u>36,900</u>	<u>0</u>	<u>27,718</u>	<u>0</u>
Total Goals 2000 - State and Local Education			36,900	0	40,212	0
Eisenhower Professional Development State Grants	84.281	MS-S1-99	6,854	0	0	0
Innovative Education Program Strategies	84.298	C2-S1-97	0	0	705	0
		C2-S1-98	0	0	1,601	0
		C2-S1-99	<u>3,944</u>	<u>0</u>	<u>162</u>	<u>0</u>
Total Innovative Education Program Strategies			3,944	0	2,468	0
Total United States Department of Education			<u>369,174</u>	<u>0</u>	<u>343,005</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$535,234</u>	<u>\$19,633</u>	<u>\$509,065</u>	<u>\$20,286</u>

The accompanying notes to this Schedule are an integral part of this Schedule.

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the School District had no significant food commodities in inventory.



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

Southern Local School District
Perry County
10390 State Route 155 SE
Hemlock, Ohio 43743

To the Board of Education:

We have audited the financial statements of the Southern Local School District, Perry County, (the School District) as of and for the year ended June 30, 1999, and have issued our report thereon dated November 9, 1999, wherein we noted that the School District had not adopted generally accepted accounting principles. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 1999-11064-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated November 9, 1999.

Southern Local School District
Perry County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

November 9, 1999



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

Southern Local School District
Perry County
10390 State Route 155 SE
Hemlock, Ohio 43743

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

November 9, 1999

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

FOR THE YEAR ENDED JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: School Breakfast Program, CFDA #10.553 School Lunch Program, CFDA #10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

**FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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

Finding Number 1999-11064-001

Ohio Admin. Code § 117-2-01 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other legal administrative remedies may be taken against the School District.

We recommend that the School District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

3. FINDINGS FOR FEDERAL AWARDS

There were no findings related to federal awards that were required to be reported.

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)**

FOR THE YEAR ENDED JUNE 30, 1999

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid
1998-3694-001	A noncompliance citation was issued under Ohio Rev. Code §5705.41(D) for certain expenditures that did not have prior certification of available funds.	Yes	N/A
1998-3694-002	A noncompliance citation was issued under Ohio Admin. Code §117-2-01, for failing to prepare the School District's financial statements in accordance with generally accepted accounting principles.	No	Not Corrected: The School District's officials did not believe that preparing financial statements in accordance with generally accepted accounting principles was cost beneficial.
1998-3694-003	A noncompliance citation was issued under Ohio Rev. Code §5705.412 for failing to file the required certificates with the County Auditor.	Yes	N/A
1998-3694-004	A material weakness was issued for Year 2000 related issues.	Yes	N/A



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SOUTHERN LOCAL SCHOOL DISTRICT

PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 6, 2000**