



**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying financial statements of Southern Local School District, Meigs County, Ohio, (the School District) as of and for the year ended June 30, 1999. 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.

The notes to the financial statements referred to above do not include the House Bill 412 reserve amounts, as defined, resulting from certain set asides of general fund revenue amounts as required by Ohio Rev. Code §5705.29(H), Ohio Admin. Code §301-92-03 and §117-1-24 (budgetary stabilization); Ohio Rev. Code §3315.17-.171 and Ohio Admin. Code §301-92-01(textbooks); and Ohio Rev. Code §3315.18-.181 and Ohio Admin. Code §3301-92-02 (capital).

In our opinion, except for the omission of the financial statement note disclosure described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Southern Local School District, Meigs County, Ohio, as of June 30, 1999, and its combined cash receipts and cash disbursements for the years then ended on the basis of accounting described in Note 1.

The accompanying financial statements have been prepared assuming the School District will continue as a going concern. As discussed in Note 1 to the financial statements, the School District has forecast an operating deficit of \$497,690 for the fiscal year ending June 30, 2000. In addition, the Ohio Department of Education and the State of Ohio Auditor's Office declared the School District to be in fiscal emergency on November 8, 1999, which raise substantial doubt about its ability to continue as a going concern. The financial statements do not included any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 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 performed for the purpose of forming an opinion on the financial statements of the School District, taken as a whole. The accompanying Schedule of Federal Award Receipts and Expenditures is presented for the purpose 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 subject to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

**Jim Petro**  
Auditor of State

December 1, 1999

**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				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Receipts:</b>					
Receipts from Local Sources					
Taxes	\$1,437,140		\$233,611	\$25,446	\$1,696,197
Tuition	421				421
Earnings on Investment	12,853			\$209,068	221,921
Extracurricular Activities	14,122	91,137			105,259
Miscellaneous	17,760	425		2,600	20,785
Receipts from Intermediate Sources					
Revenue for/on Behalf of the District	11,117				11,117
Receipts from State Sources					
Unrestricted Grants-In-Aid	2,005,632	255,864	13,305	81,311	2,356,112
Restricted Grants-In-Aid	21,254	132,738			153,992
Revenue for/on Behalf of the District	600				600
Receipts from Federal Sources					
Restricted Grants-In-Aid		327,492		4,000	331,492
<b>Total Receipts</b>	<b>3,520,899</b>	<b>807,656</b>	<b>246,916</b>	<b>322,425</b>	<b>4,897,896</b>
<b>Disbursements:</b>					
Instruction:					
Regular	1,523,528	291,370		80,786	1,895,684
Special	357,652	264,733			622,385
Vocational Education	171,501				171,501
Adult/Continuing		3,923			3,923
Other Instruction	12,485				12,485
Supporting Services:					
Pupils	56,774	103,786			160,560
Instructional Staff	145,916	98,645			244,561
Board of Education	9,467				9,467
Administration	507,090	5,000			512,090
Fiscal Services	172,816	1,710			174,526
Business			5,561		5,561
Operation and Maintenance - Plant	352,063				352,063
Pupil Transportation	361,200	800			362,000
Extracurricular Activities:					
Academic and Subject Oriented Activities	52,076	8,810			60,886
Sports Oriented		30,441			30,441
Facilities Acquisition and Construction Services:					
Architecture and Engineering				139,623	139,623
Building Acquisition and Construction		26,963		16,604	43,567
Other Facilities Acquisition and Construction				9,380	9,380
Debt Service:					
Repayment of Debt			166,505	4,136,511	4,303,016
<b>Total Disbursements</b>	<b>3,722,568</b>	<b>836,181</b>	<b>172,066</b>	<b>4,382,904</b>	<b>9,113,719</b>
Excess of Receipts Over/(Under) Disbursements	(201,669)	(28,525)	74,850	(4,060,479)	(4,215,823)
<b>Other Financing Sources/(Uses):</b>					
Sale of Bonds				4,042,000	4,042,000
Proceeds from Sale of Notes				4,049,987	4,049,987
Advances-In	146,000				146,000
Refund of Prior Year Receipts		(3,000)			(3,000)
Transfers-Out	(5,000)				(5,000)
Advances-Out	(33,000)		(80,000)		(113,000)
<b>Total Other Financing Sources/(Uses)</b>	<b>108,000</b>	<b>(3,000)</b>	<b>(80,000)</b>	<b>8,091,987</b>	<b>8,116,987</b>
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing (Uses)	(93,669)	(31,525)	(5,150)	4,031,508	3,901,164
Fund Cash Balances, July 1	95,401	115,415	5,906	95,187	311,909
<b>Fund Cash Balances, June 30</b>	<b>\$1,732</b>	<b>\$83,890</b>	<b>\$756</b>	<b>\$4,126,695</b>	<b>\$4,213,073</b>

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

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

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>				
Food Service	\$77,804	\$0	\$0	\$77,804
Extracurricular Activities	0	0	\$30,870	30,870
Classroom Materials & Fees	9,894	0	0	9,894
<b>Total Operating Receipts</b>	<b>87,698</b>	<b>0</b>	<b>30,870</b>	<b>118,568</b>
<b>Operating Cash Disbursements:</b>				
Personal Services - Salaries	99,442	0	0	99,442
Employees' Retirement and Insurance	53,277	0	0	53,277
Purchased Services	408	477,168	0	477,576
Supplies and Materials	122,117	0	29,230	151,347
Capital Outlay	1,074	0	0	1,074
Other	665	0	1,275	1,940
<b>Total Operating Disbursements</b>	<b>276,983</b>	<b>477,168</b>	<b>30,505</b>	<b>784,656</b>
Operating Income/(Loss)	(189,285)	(477,168)	365	(666,088)
<b>Nonoperating Cash Receipts/(Cash Disbursements):</b>				
Earnings on Investments	370	0	0	370
Miscellaneous	79	475,234	510	475,823
State Unrestricted Grants-In-Aid	14,686	0	0	14,686
Federal Unrestricted Grants-In-Aid	165,585	0	0	165,585
Refund of Prior Years Receipts	(19,571)	0	0	(19,571)
<b>Total Nonoperating Cash Receipts/(Disbursements)</b>	<b>161,149</b>	<b>475,234</b>	<b>510</b>	<b>636,893</b>
Excess of Receipts Over/(Under) Disbursements Before Interfund Advances	(28,136)	(1,934)	875	(29,195)
Transfers-In	5,000	0	0	5,000
Advances-Out	(33,000)	0	0	(33,000)
Net Income/(Loss)	(56,136)	(1,934)	875	(57,195)
Fund Cash Balances, July 1	65,158	1,934	15,936	83,028
<b>Fund Cash Balances, June 30</b>	<b>\$9,022</b>	<b>\$0</b>	<b>\$16,811</b>	<b>\$25,833</b>

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



**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**1. SUMMARY OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District is staffed by 60 certificated employees and 35 non-certificated employees who provide services to 757 students. The School District currently operates three elementary schools, one junior high and one high school.

**Reporting Entity**

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also included organizations that are fiscally dependent School District is associated with the Southeast Ohio Voluntary Educational Consortium, which is defined as a jointly governed organization, and the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 12 and 13.

The Auditor of the State of Ohio declared the School District to be in fiscal emergency on November 8, 1999 due to a projected operating deficit of \$497,690 for the fiscal year ending June 30, 2000 reported in the School District's five-year financial forecast. A commission has been established to develop and oversee a financial recovery plan which must be submitted to the State Superintendent of Public Instruction. Once developed, the Southern Local School District Board will be prohibited from taking any action which is contrary to or not authorized by the plan. As of December 1, 1999, the recovery plan was still in the developmental stage and the School District Board of Education has not initiated preliminary cost-cutting measures.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Although required by Ohio Administrative Code § 117-2-01 to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), 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 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. The more significant of the School District's accounting policies are described below.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The School District uses funds to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District 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 changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations.

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

**1. Governmental Fund Types**

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

**General Fund**

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

**Special Revenue Funds**

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 specific purpose.

**Debt Service Funds**

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

**Capital Projects Funds**

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).

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation - Fund Accounting (Continued)**

**2. Proprietary Fund Types**

Proprietary Funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's Proprietary Fund Types:

**Enterprise Funds**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) 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, expenses, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Internal Service Fund**

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

**Fiduciary Fund Types**

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust, Nonexpendable Trust, and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Nonexpendable Trust Funds are accounted for in essentially the same manner as proprietary funds. The School District does not have any Expendable or Nonexpendable Trust Funds. Agency funds are custodial in nature (revenues equal expenditures, plus encumbrances) and do not involve measurement of results of operations.

**B. 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 appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Budgetary Process (Continued)**

**A. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Meigs County Budget Commission for rate determination.

**2. Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School 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 School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

**3. 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 School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission, and the total 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 as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

**4. 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 budgetary basis of accounting in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Budgetary Process (Continued)**

**5. 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.

**C. Pooled Cash and Investments**

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

**D. 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.

**E. Accumulated Unpaid Vacation and Sick Leave**

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

**F. 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**

The School District maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at June 30, 1999 was as follows:

Demand deposits	\$ <u>4,238,906</u>
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Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by securities held by a third party bank in the School District's name.

During December 1998 and March, April and May of 1999, significant portions of the School District's deposits were not insured or collateralized, contrary to Chapter 135, Ohio Rev. Code.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**4. BUDGETARY ACTIVITY**

Budgetary activity for the fiscal year ending June 30, 1999 follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 3,665,937	\$ 3,666,899	\$ 962
Special Revenue	807,656	807,656	0
Debt Service	246,916	246,916	0
Capital Projects	8,399,199	8,414,412	15,213
Enterprise	273,418	273,418	0
Internal Service	475,234	475,234	0
Total	\$ 13,868,360	\$13,884,535	\$ 16,175

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 3,760,568	\$ 3,760,568	\$ 0
Special Revenue	844,900	839,181	5,719
Debt Service	252,066	252,066	0
Capital Projects	4,386,618	4,382,904	3,714
Enterprise	329,553	329,554	(1)
Internal Service	477,168	477,168	0
Total	\$ 10,050,873	\$10,041,441	\$ 9,432

**5. PROPERTY TAXES**

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**6. DEBT**

The School District's long-term obligations at June 30, 1999 were as follows:

	Principal	Interest Rate
Asbestos Loan	\$159,464	N/A
Energy Conservation Bonds	285,000	5.750%
School Facilities Construction and Improvement Bonds	4,042,000	4.625%
	\$4,486,464	

Asbestos Loan

On May 25, 1993, the School District obtained a loan, in the amount of \$212,618, for removing asbestos. The loan was obtained under the authority of Ohio Revised §3317.22 for a twenty year period, with the first payment due in fiscal year 95 and the final maturity in fiscal year 2013. The loan is being retired through the Bond Retirement debt service fund.

Energy Conservation Bonds

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

School Facilities Construction and Improvement Bonds

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

The annual requirements to amortize debt outstanding as of June 30, 1998, including interest payments of \$78,776, are as follows:

Year Ending June 30	Asbestos School Hazard Loan	School Energy Conservation Bonds	Facilities Construction and Improvement Bonds	Total
2000	\$11,812	\$56,388	\$294,010	\$362,210
2001	11,812	59,088	293,746	364,646
2002	11,812	56,500	295,124	363,436
2003	11,812	58,912	296,219	366,943
2004	11,812	56,038	297,021	364,871
2005-2009	59,061	58,163	1,468,566	1,585,790
2010-2014	41,343	0	1,475,086	1,516,429
2015-2019	0	0	1,471,619	1,471,619
2020-2022	0	0	880,619	880,619
Total	\$159,464	\$345,089	\$6,772,010	\$7,276,563

As of December 1, 1999, all debt principal and interest payments have been made by the School District.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**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 Owners 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 \$2,000,000 single occurrence limit with \$5,000,000 aggregate and no deductible. Vehicles are covered by Wausau Insurance Company and hold a \$100 deductible for collision. Vehicle liability had a \$5,000,000 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 claims and settlements. Medical Claims Services Incorporated 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 is 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 a stop-loss coverage of \$10,000 per employee.

**8. SUBSEQUENT EVENTS**

The School District discontinued the self-insured health care plan at the beginning of fiscal year 2000 due to expenditures relating to the program being higher than anticipated. As of July 1999, the School District contracts with a private carrier for employee health insurance.

Ohio Rev. Code §5705.391(B) requires that the Five-Year Projections be updated and resubmitted if certain actual financial events occur. As of December 1, 1999, the School District's actual results of operations have not deviated from the projected results for fiscal year 2000. Therefore, as of December 1, 1999, the School District has not updated their fiscal year 1999 Five-Year Projection.

**9. 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. 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.



**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

**A. School Employees Retirement System (Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute 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 \$151,071, \$137,405, and \$136,948, respectively. The pension contribution for the School District for the fiscal year ended June 30, 1998 consisted of \$58,172 from employees and \$92,899 from the employer. The required percentages for employer and employee contributions for the next fiscal year will be unchanged. The School District has paid all SERS contributions required through June 30, 1999.

**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 \$489,945, \$463,114, and \$459,593, respectively. The pension contribution for the School District for the fiscal year ended June 30, 1999 consisted of \$197,501 from employees and \$292,444 from the employer. The required percentages for employer and employee contributions for the next fiscal year will be unchanged. The School District has paid all STRS contributions required through June 30, 1999.

**10. CONTRACTUAL COMMITMENTS**

The School District was previously entered into a contractual agreement during the audit period which had an outstanding balance. The following is a contract which had an outstanding balance as of June 30, 1999:

Vendor	Contract Amount	Amount Paid as of 6/30/99	Outstanding Balance
Quandel Group, Inc.	\$199,999	\$0	\$199,999
Marr Knapp Crawfis Associates	398,923	133,639	265,284
Total			<u>\$465,283</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**11. JOINTLY GOVERNED ORGANIZATIONS**

*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 District's. SEOVEC has 38 participants consisting of 30 school district's and 8 educational service centers. SEOVEC's governing board is selected by the member district's. 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.

**12. INSURANCE PURCHASING POOL**

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

**13. 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 \$1,739,133 of school foundation support for its general fund.

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 December 1, 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 on its financial operations.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**14. CONTINGENCIES**

**1. 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.

**2. Litigation**

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

**15. YEAR 2000 ISSUE**

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

The School District has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 issue, and that are necessary to conducting School District operations, and has identified such systems as being financial reporting, payroll, and employee benefits. The School District has a building with an efficient power heating system which is controlled by a third party contractor at a remote location.

Meigs County collects property taxes for distribution to the School District. Meigs County is responsible for remediating its tax collection system, and is solely responsible for any costs associated with this project.

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 and is solely responsible for any costs associated with this project.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" and federal and state grant payments. The State processes a significant amount of financial and non-financial information about the School District through the State's Education Management and Information System (EMIS). The State is responsible for remediating these systems and is solely responsible for any costs associated with this project.

The School District also owns buildings with an efficient heating system controlled by a third-party vendor. The vendor is responsible for testing and validating these systems, however, in the case of systems failure or interruption, the School District can switch the system over to manual control.

The School District contracts with GTE for telephone services. GTE is responsible for remediating this system.

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.

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

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>U.S. Department of Agriculture</b>						
Pass Through Ohio Department of Education:						
Food Distribution Program (Commodities)	N/A	10.550	\$0	\$21,042	\$0	\$20,609
Child Nutrition Cluster:						
School Breakfast Program	05-PU-98	10.553	7,172	0	7,172	0
	05-PU-99		41,438	0	41,438	0
Total School Breakfast Program			48,610	0	48,610	0
National School Lunch Program	03-PU-98	10.555	2,789	0	2,789	0
	03-PU-99		14,890	0	14,890	0
	04-PU-98		15,473	0	15,473	0
	04-PU-99		83,823	0	83,823	0
Total National School Lunch Program			116,975	0	116,975	0
Total Child Nutrition Cluster			165,585	0	165,585	0
Total U.S. Department of Agriculture			165,585	21,042	165,585	20,609
<b>U.S. Department of Education</b>						
Pass Through Ohio Department of Education:						
Title I - Grants to Local Educational Agencies	C1-S1-98	84.010	14,323	0	14,323	0
	C1-S1-99		206,309	0	198,308	0
Total Title I - Grants to Local Educational Agencies			220,632	0	212,631	0
Special Education - Grants to States	6B-SF-98P	84.027	0	0	5,392	0
	6B-SF-99P		56,560	0	49,540	0
Total Special Education - Grants to States			56,560	0	54,932	0
GOALS 2000 - State and Local Education Systemic Improvement Grants	G2-S1-98	84.276	0	0	3,000	0
	G2-S1-99		45,300	0	27,799	0
Total GOALS 2000 Program			45,300	0	30,799	0
Innovative Education Program Strategies	C2-S1-97	84.298	0	0	2,226	0
Total Innovative Education Program Strategies			0	0	2,226	0
Pass Through Washington State Community College: Appalachian Vocational Grant	CO-12203-96	23.011	4,000	0	4,000	0
Pass Through Fairfield County Educational Service Center: GOALS 2000 - State and Local Education Systemic Improvement Grants	G2-S1-99	84.276	1,000	0	1,000	0
Total U.S. Department of Education			327,492	0	305,588	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$493,077</b>	<b>\$21,042</b>	<b>\$471,173</b>	<b>\$20,609</b>

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 1999**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of 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 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 food commodities valued at \$6,082 in inventory.

**NOTE C - ARC TELECOMMUNICATIONS GRANT**

On May 27, 1999, the School District received a check for \$4,000 from the federal ARC Telecommunications Grant. The Treasurer learned that they had received this in error. The School District did not receive instructions, from the grantor, about where to return the grant monies, until July 1999. The FY 1999 Federal Schedule does not reflect these receipts.



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

743 East State Street  
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Athens, Ohio 45701  
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Facsimile 740-594-2110

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

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

To the Board of Education:

We have audited the accompanying financial statements of Southern Local School District, Meigs County, Ohio (the School District), as of and for the year ended June 30, 1999, and have issued our report thereon dated December 1, 1999, wherein we noted that the School District has not adopted generally accepted accounting principles. We also expressed substantial doubt regarding the School District's ability to continue as a going concern. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in accompanying Schedule of Findings as items 1999-10753-001 through 1999-10753-009. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 1, 1999.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as item 1999-30753-003.

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, we believe item 1999-30753-003 described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 1, 1999.

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

December 1, 1999





**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**

Board of Education  
Southern Local School District  
Meigs County  
P.O. Box 176, Elm Street  
Racine, Ohio 45771-0176

**Compliance**

We have audited the compliance of Southern Local School District, Meigs County, Ohio, (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 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. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings as item 1999-10753-010.

**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.

Southern Local School District  
Meigs County  
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  
Page 2

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. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated December 1, 1999

This report is intended for the information 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

December 1, 1999

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**JUNE 30, 1999**

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

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**JUNE 30, 1999**  
**(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1999-10753-001**

Ohio Revised Code §135.18 requires the treasurer of a political subdivision to require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

During December 1998 and March, April and May of 1999, the School District's depository balance exceeded the total amount of pledged securities. The School District is susceptible to significant losses for deposits not covered by either FDIC or pledged collateral.

We recommend the School District periodically review the average total depository balances for all accounts and determine whether an adequate amount of collateral has been pledged by the depository.

**FINDING NUMBER 1999-10753-002**

Ohio Rev. Code §5705.36 requires that on or about the first day of the fiscal year, the fiscal officer of the taxing unit is to certify to the County Auditor the total amount from all sources available for expenditures from each fund along with any unencumbered balances that existed at the end of the preceding year. However, reserve balances established pursuant to Ohio Rev. Code §5705.13 for budget stabilization are required to be excluded from the amount of unencumbered balances.

The School District did not exclude the amounts reserved for budgetary stabilization as required by Ohio Rev. Code §5705.13 from the certificate of estimated resources filed with the County Auditor. Furthermore, the School District did not file the certification with the County Auditor until July 16, 1998 contrary to Ohio Rev. Code §5705.36. Appropriations and expenditures made prior to July 16, 1998 can be considered null and void until the required certification of estimated resources is filed with the County Auditor.

We recommend that the School District determine the budgetary stabilization reserve amount as required by Ohio Rev. Code §5705.13 and that this amount be excluded from the total available resources available for expenditure and that this certification be file with the County Auditor by the required date.

**FINDING NUMBER 1999-10753-003**

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

Thirty-one percent of the funds tested throughout fiscal year 1999 had appropriations exceeding estimated resources. The County Auditor filed the required certificate showing these exceptions. The School District did not make the adjustments identified on the Auditor's certificate until June 1999. Noncompliance can result in fund deficits.

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

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**JUNE 30, 1999**  
**(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b> <b>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 1999-10753-004**

Ohio Rev. Code §5705.391 and Ohio Admin Code §3301-92-04 requires the Board to adopt as a part of its annual appropriation measure a “spending plan” (to be amended as the appropriations are amended). The “spending plan”, which is a defined term that does not mean the regular annual appropriation budget, should indicate expenses and expenditures of all appropriated funds for the fiscal year. A copy of each appropriation measure and related spending plan is to be submitted to the superintendent of public instruction. This plan should indicate the following:

- C all revenues available for appropriation and their source;
- C the nature and amount of expenditures;
- C outstanding and unpaid expenses incurred on the date the appropriation measure is adopted;
- C the schedule of payment, and
- C other information the superintendent of public instruction requires to determine whether the district will incur expenses that will impair its ability to operate its schools with the revenue available.

The School District did not adopt a spending plan as required for fiscal year 1999. Noncompliance with this requirement can result in the inability of the Superintendent of Public Instruction to determine whether the School District will incur expenses that will impair its ability to operate its schools with the revenue available.

We recommend that the School District prepare and adopt the spending plan as a part of its annual appropriation measure.

**FINDING NUMBER 1999-10753-005**

Ohio Rev. Code §5705.391(B) states that school districts are required to prepare five year projections of revenues and expenditures as part of the spending plans. Most of the guidance on how to prepare these projections is found in Ohio Admin Code §3301-92-04. The plan is required to be submitted to the Department of Education upon the adoption of an annual appropriation measure, but no later than December 31 of any fiscal year.

Plans are to be updated whenever:

- actual revenues or expenditures deviate from the projections by 5% or more (§ 3301-92-04(F)); and
- contracts, etc., subject to § 5705.412 are entered into (§3301-92-05 (F)).

The School District electronically submitted their five year projection to the Ohio Department of Education by January 31,1999. However, the Department of Education returned a notice that the forecast was incorrect and the School District did not resubmit a corrected version for fiscal year 1999. Noncompliance with this requirement can result in the inability of the State Department of Education and the State Auditor’s Office to identify whether the School District is headed for financial difficulty.

We recommend the School District obtain and utilize the prescribed five year forecast spreadsheet located on the Auditor of State’s web page at [www.auditor.ohio.gov/auditor](http://www.auditor.ohio.gov/auditor). Other worksheet which can aid in the preparation of the required forecast is available on the Department of Education’s web page at [www.ode.ohio.gov](http://www.ode.ohio.gov).

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**JUNE 30, 1999**  
**(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 1999-10753-006**

Ohio Rev. Code §5705.412 requires the treasurer, superintendent and president of the board of education to certify that adequate revenues will be available to maintain all personnel, programs and services essential to the provision of an adequate educational program for a specified number of days. In general, the certificate covers the remainder of the current fiscal year and two succeeding fiscal years. There are two *exceptions*:

- < The certificate attached to an appropriation measure covers only the fiscal year in which the appropriation measure is effective.
- < The certificate attached to a contract covers either the remainder of the current fiscal year and the two succeeding fiscal years or the term of the contract, whichever is longer.

The certification must be attached to all negotiated agreements, contracts for benefits, increased salary or wage schedules, construction contracts and other contract type expenditures.

When both the mechanism and procedure for an expenditure of appropriated funds are merged in the same instrument, namely a purchase order, the purchase order becomes an offer to purchase such goods or services, where upon the vendor provides the same, thus forming a contract requiring 412 certification.

The School District did not attach 412 certifications to the increased salary schedule, the contract to purchase a school bus, the contract for architectural services and the contract for the third party administration of the School District's self insurance program. Noncompliance with this requirement can result in fund cash deficits, or in the contracts and schedule referred to above being void as a matter of law and any payments made relating to the contracts and salary schedule could be subject to repayment and recovery.

We recommend that the School District's management become familiar with the requirements of Ohio Revised Code §5705.412 and attach the required certifications to all appropriation measures negotiated agreements, contracts for benefits, increased salary or wage schedules, construction contracts and purchase orders not other wise certified.

**FINDING NUMBER 1999-10753-007**

Ohio Admin. Code §117-2-01 requires the School District to prepare its annual financial reports 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 determines 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 statements are prepared on a generally accepted accounting principles basis.

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**JUNE 30, 1999**  
**(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b> <b>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 1999-10753-008**

Auditor of State Bulletin 97-003 regulates the treatment of interfund cash advances. The bulletin states that, while a cash advance may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans and to provide the necessary "seed" for grant that are allocated on a reimbursement basis, the intent for this type of cash advance requires repayment within the current fiscal year.

The School District authorized the cash advance from the Debt Service Fund and Food Service Fund to the General Fund at fiscal year ending June 30, 1999, in order to prevent a deficit fund balance in the debtor fund. The cash advance was, therefore, unallowable according to Auditor of State Bulletin 97-003 since repayment did not occur during fiscal year 1999.

We recommend that the School District become familiar with Auditor of State Bulletin 97-003 and the restrictions stated therein prior to authorizing cash advances between funds which will not be repaid within the fiscal year in which the cash advance occurs.

**FINDING NUMBER 1999-10753-009**

Ohio Rev. Code §5705.29(H) and Ohio Admin. Code §301-92-03 and §117-1-24 (budgetary stabilization); Ohio Rev. Code §3315.17-.171 and Ohio Admin. Code §301-92-01 (textbooks); and Ohio Rev. Code §3315.18-.181 and Ohio Admin. Code §3301-92-02 (capital) requires that the School District establish reserves which are to be calculated and set aside annually. These reserves must be represented by restricted cash at year-end and must be accounted for in the General Fund. The reserves are to be calculated as specified percentages of the base as defined by the Codes.

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

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

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**JUNE 30, 1999**  
**(Continued)**

<b>FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**1. Physical Inventory of Program Equipment**

<b>Finding Number</b>	<b>1999-10753-010</b>
<b>CFDA Title and Number</b>	<b>Title I Grants to Local Educational Agencies: CFDA # 84.010</b>
<b>Federal Award Number/Year</b>	<b>Fiscal Year 1999</b>
<b>Federal Agency</b>	<b>U. S. Department of Education</b>
<b>Pass-Through Agency</b>	<b>Ohio Department of Education</b>

Noncompliance Finding

Title I, Part A, IASA requires the School District to perform a physical inventory of Title I equipment at least once every two years and that the physical inventory be reconciled with the equipment records.

The School District does not perform physical inventories of equipment purchased using Title I federal funds. Assets may be lost, stolen, disposed of or used in direct violation of the federal requirements which may result in a finding for recovery against the School District by the federal awarding agency.

We recommend that the School District take a physical inventory of all equipment purchased using Title I funds and reconcile it to the equipment records.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**SOUTHERN LOCAL SCHOOL DISTRICT**

**MEIGS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 10, 2000**