



**Auditor of State
Betty Montgomery**

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Southern Local School District
Columbiana County
38095 State Route 39
Salineville, Ohio 43945

To the Board of Education:

We have audited the accompanying general purpose financial statements of Southern Local School District, Columbiana County (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Southern Local School District, Columbiana County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 12, 2003

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**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
Assets				
Equity in Pooled Cash and Cash Equivalents -	\$ 635,261	\$ 108,217	\$ 203,478	\$ 3,400,387
Cash in Segregated Accounts				238,163
Receivables (Net of Allowances of Uncollectibles):				
Property Taxes - Current & Delinquent	1,418,677		229,271	26,511
Accounts	3,368			
Due from Other Governments	17			3,799,532
Interfund Receivable	61,822			
Materials and Supplies Inventory				
Prepayments	14,636			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	24,797			
Property, Plant and Equipment (net of accumulated depreciation where applicable)				
Other debits				
Amount Available in Debt Service Fund				
Amount to Be Provided for Retirement of General Long-Term Obligations				
Total assets and other debits	<u>\$ 2,158,578</u>	<u>\$ 108,217</u>	<u>\$ 432,749</u>	<u>\$ 7,464,593</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities				
Accounts Payable	\$ 14,357	\$ 12,720		\$ 1,745
Contracts Payable				1,061,154
Accrued Wages and Benefits	515,952	72,464		
Compensated Absences Payable	3,796			
Claims Payable				
Pension Obligation Payable	82,524	6,400		
Deferred Revenue	1,362,542		\$ 220,201	3,824,997
Due to Other Governments	21,336	2,633		
Interfund Payable				
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	<u>2,000,507</u>	<u>94,217</u>	<u>220,201</u>	<u>4,887,896</u>
Equity and other credits				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings (accumulated deficit): Unreserved				
Fund Balances (deficit):				
Reserved for Encumbrances	173,016	39,895		150,582
Reserved for Prepayments	14,636			
Reserved for Debt Service			203,478	
Reserved for Tax Revenue Unavailable for Appropriation	56,135		9,070	1,046
Reserved for Budget Stabilization	24,797			
Unreserved-Undesignated	(110,513)	(25,895)		2,425,069
Total Equity and Other Credits	<u>158,071</u>	<u>14,000</u>	<u>212,548</u>	<u>2,576,697</u>
Total Liabilities, Equity and Other Credits	<u>\$ 2,158,578</u>	<u>\$ 108,217</u>	<u>\$ 432,749</u>	<u>\$ 7,464,593</u>

The notes to the general purpose financial statements are integral part of this statement

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
		\$ 24,428			\$ 4,371,771 238,163
					1,674,459 3,368
					3,799,549 61,822
7,284					7,284 14,636
					24,797
26,220			\$ 17,708,150		17,734,370
				\$ 212,548	212,548
				3,297,188	3,297,188
<u>\$ 33,504</u>	<u>\$ -</u>	<u>\$ 24,428</u>	<u>\$ 17,708,150</u>	<u>\$ 3,509,736</u>	<u>\$ 31,439,955</u>
					\$ 28,822
\$ 18,485					1,061,154
6,746				\$ 413,935	606,901
14,685	\$ 79,048			52,824	424,477
					79,048
745					156,433
	61,822				5,407,740
		24,428			24,714
					61,822
					24,428
				3,042,977	3,042,977
<u>40,661</u>	<u>140,870</u>	<u>24,428</u>	<u>-</u>	<u>3,509,736</u>	<u>10,918,516</u>
			17,708,150		17,708,150
1,847					1,847
(9,004)	(140,870)				(149,874)
					363,493
					14,636
					203,478
					66,251
					24,797
					2,288,661
<u>(7,157)</u>	<u>(140,870)</u>	<u>-</u>	<u>17,708,150</u>	<u>-</u>	<u>20,521,439</u>
<u>\$ 33,504</u>	<u>\$ -</u>	<u>\$ 24,428</u>	<u>\$ 17,708,150</u>	<u>\$ 3,509,736</u>	<u>\$ 31,439,955</u>

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Governmental Fund Types</u>				Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Revenues:					
From Local Sources:					
Taxes	\$ 1,326,366		\$ 219,570	\$ 26,175	\$ 1,572,111
Tuition	10,130				10,130
Earnings on Investments	18,901			68,037	86,938
Extracurricular		\$ 64,808			64,808
Other Local Revenues	94,140	15,145			109,285
Other Revenue	8,994				8,994
Intergovernmental - State	4,311,178	107,746	27,653	3,093,628	7,540,205
Intergovernmental - Federal		491,104		1,200	492,304
	<u>5,769,709</u>	<u>678,803</u>	<u>247,223</u>	<u>3,189,040</u>	<u>9,884,775</u>
Total Revenue					
	<u>5,769,709</u>	<u>678,803</u>	<u>247,223</u>	<u>3,189,040</u>	<u>9,884,775</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,534,002	181,591		22,860	2,738,453
Special	651,060	384,584			1,035,644
Vocational	175,557				175,557
Support Services:					
Pupil	257,614	5,674			263,288
Instructional Staff	110,992	79,464			190,456
Board of Education	187,584				187,584
Administration	575,830	10,099			585,929
Fiscal	146,285	250	3,430	1,912	151,877
Operations and Maintenance	609,503	4,030		39,080	652,613
Pupil Transportation	547,276	279			547,555
Central					-
Community Services		8,508			8,508
Extracurricular Activities	144,994	68,432			213,426
Facilities Acquisition and Construction				8,798,202	8,798,202
Debt Service:					
Principal Retirement			67,000		67,000
Interest and Fiscal Charges	1,233		152,097		153,330
	<u>5,941,930</u>	<u>742,911</u>	<u>222,527</u>	<u>8,862,054</u>	<u>15,769,422</u>
Total Expenditures					
	<u>5,941,930</u>	<u>742,911</u>	<u>222,527</u>	<u>8,862,054</u>	<u>15,769,422</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(172,221)</u>	<u>(64,108)</u>	<u>24,696</u>	<u>(5,673,014)</u>	<u>(5,884,647)</u>
Other Financing Sources (uses):					
Operating Transfers In		104,323		60,000	164,323
Operating Transfers Out	(167,392)	(882)			(168,274)
Premium and accrued interest on bonds sold				2,100	2,100
Proceeds from Sale of Fixed Assets	8,405				8,405
	<u>(158,987)</u>	<u>103,441</u>	<u>-</u>	<u>62,100</u>	<u>6,554</u>
Total Other Financing Sources (Uses)					
	<u>(158,987)</u>	<u>103,441</u>	<u>-</u>	<u>62,100</u>	<u>6,554</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(331,208)	39,333	24,696	(5,610,914)	(5,878,093)
Fund Balances, July 1	489,279	(25,333)	187,852	8,187,611	8,839,409
Fund Balances (Deficit), June 30	\$ 158,071	\$ 14,000	\$ 212,548	\$ 2,576,697	\$ 2,961,316

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

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**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From Local Sources:						
Taxes	\$ 1,669,603	\$ 1,390,136	\$ (279,467)			
Tuition	12,166	10,130	(2,036)			
Earnings on Investments	22,701	18,901	(3,800)			
Extracurricular				\$ 59,000	\$ 64,808	\$ 5,808
Other Local Revenues	117,776	98,062	(19,714)	15,000	15,145	145
Intergovernmental - State	4,483,281	4,311,161	(172,120)	105,000	107,745	2,745
Intergovernmental - Federal	-	-	-	418,265	481,586	63,321
Total Revenues	<u>6,305,527</u>	<u>5,828,390</u>	<u>(477,137)</u>	<u>597,265</u>	<u>669,284</u>	<u>72,019</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,734,820	2,542,829	191,991	198,343	188,258	10,085
Special	798,227	662,406	135,821	304,102	277,896	26,206
Vocational	287,768	250,676	37,092			-
Support Services:						
Pupil	255,233	254,866	367	9,542	9,205	337
Instructional Staff	150,599	120,245	30,354	83,222	72,251	10,971
Board of Education	213,476	198,153	15,323			-
Administration	578,490	568,818	9,672	8,031	6,136	1,895
Fiscal	181,621	145,084	36,537	500	250	250
Operations and Maintenance	643,361	614,200	29,161	21,000	21,000	-
Pupil Transportation	555,139	601,690	(46,551)	2,679	279	2,400
Central			-	2,000		2,000
Community Services			-	9,983	8,508	1,475
Extracurricular Activities	148,556	143,419	5,137	74,676	79,754	(5,078)
Facilities Acquisition and Construction			-	-	-	-
Debt Service:						
Principal Retirement	185,340	185,340	-	-	-	-
Interest and Fiscal Charges	5,933	991	4,942	-	-	-
Total Expenditures	<u>6,738,563</u>	<u>6,288,717</u>	<u>449,846</u>	<u>714,078</u>	<u>663,537</u>	<u>50,541</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(433,036)	(460,327)	(27,291)	(116,813)	5,747	122,560
Other Financing Sources (Uses):						
Advances In	140,154	140,154	-			-
Advances Out	(100,000)		100,000	(140,154)	(140,154)	-
Operating Transfers In			-	104,323	104,323	-
Operating Transfers Out	(167,392)	(167,392)	-	(882)	(882)	-
Premium and accrued interest on bonds sold			-	-	-	-
Other Financing Uses	(157,800)		157,800	-	-	-
Proceeds from Sale of Fixed Assets	8,405	8,405	-	-	-	-
Refund of Prior Year Expenditure	8,995	8,995	-	-	-	-
Total Other Financing Sources (Uses)	<u>(267,638)</u>	<u>(9,838)</u>	<u>257,800</u>	<u>(36,713)</u>	<u>(36,713)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(700,674)	(470,165)	230,509	(153,526)	(30,966)	122,560
Fund Balances, July 1	930,666	930,666	-	58,394	58,394	-
Prior Year Encumbrances Appropriated	74,006	74,006	-	28,175	28,175	-
Fund Balances, June 30	<u>\$ 303,998</u>	<u>\$ 534,507</u>	<u>\$ 230,509</u>	<u>\$ (66,957)</u>	<u>\$ 55,603</u>	<u>\$ 122,560</u>

The notes to the general purpose financial statements are integral part of this statement

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 145,000	\$ 222,478	\$ 77,478	\$ 24,300	\$ 27,533	\$ 3,233	\$ 1,838,903	\$ 1,640,147	\$ (198,756)
						12,166	10,130	(2,036)
			50,000	74,631	24,631	72,701	93,532	20,831
						59,000	64,808	5,808
						132,776	113,207	(19,569)
20,015	27,653	7,638	1,825,756	2,866,295	1,040,539	6,434,052	7,312,854	878,802
-	-	-	-	-	-	418,265	481,586	63,321
<u>165,015</u>	<u>250,131</u>	<u>85,116</u>	<u>1,900,056</u>	<u>2,968,459</u>	<u>1,068,403</u>	<u>8,967,863</u>	<u>9,716,264</u>	<u>748,401</u>
			24,610	24,610	-	2,957,773	2,755,697	202,076
						1,102,329	940,302	162,027
						287,768	250,676	37,092
						264,775	264,071	704
						233,821	192,496	41,325
						213,476	120,245	15,323
						586,521	574,954	11,567
3,430	3,430	-	1,912	1,912	-	187,463	150,676	36,787
			49,634	54,417	(4,783)	713,995	689,617	24,378
						557,818	601,969	(44,151)
						2,000	-	2,000
						9,983	8,508	1,475
						223,232	223,173	59
			8,842,792	8,842,792	-	8,842,792	8,842,792	-
67,000	67,000	-				252,340	252,340	-
<u>152,097</u>	<u>152,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,030</u>	<u>153,088</u>	<u>4,942</u>
<u>222,527</u>	<u>222,527</u>	<u>-</u>	<u>8,918,948</u>	<u>8,923,731</u>	<u>(4,783)</u>	<u>16,594,116</u>	<u>16,020,604</u>	<u>495,604</u>
<u>(57,512)</u>	<u>27,604</u>	<u>85,116</u>	<u>(7,018,892)</u>	<u>(5,955,272)</u>	<u>1,063,620</u>	<u>(7,626,253)</u>	<u>(6,304,340)</u>	<u>1,244,005</u>
							140,154	-
							(140,154)	100,000
			60,000	60,000			164,323	-
							(168,274)	-
				2,100	2,100	-	2,100	2,100
						(157,800)	-	157,800
							8,405	-
							8,995	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>62,100</u>	<u>2,100</u>	<u>(157,800)</u>	<u>15,549</u>	<u>259,900</u>
(57,512)	27,604	85,116	(6,958,892)	(5,893,172)	1,065,720	(7,784,053)	(6,288,791)	1,503,905
175,874	175,874		9,136,449	9,136,449		10,301,383	10,301,383	
-	-	-	4,783	4,783	-	106,964	106,964	-
<u>\$ 118,362</u>	<u>\$ 203,478</u>	<u>\$ 85,116</u>	<u>\$ 2,182,340</u>	<u>\$ 3,248,060</u>	<u>\$ 1,065,720</u>	<u>\$ 2,624,294</u>	<u>\$ 4,119,556</u>	<u>\$ 1,503,905</u>

SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating Revenues:			
Sales/Charges for Services	\$ 131,322	\$ 1,026,104	\$ 1,157,426
Total Operating Revenues	<u>131,322</u>	<u>1,026,104</u>	<u>1,157,426</u>
Operating Expenses:			
Personal Services	181,672	36,995	218,667
Contract Services	1,658		1,658
Materials and Supplies	165,432		165,432
Depreciation	3,134		3,134
Claims Expense		1,074,956	1,074,956
Other	1,256		1,256
Total Operating Expenses	<u>353,152</u>	<u>1,111,951</u>	<u>1,465,103</u>
Operating Income (Loss)	<u>(221,830)</u>	<u>(85,847)</u>	<u>(307,677)</u>
Nonoperating Revenues:			
Operating Grants	168,066		168,066
Federal Commodities	38,037		38,037
Interest Revenue		78	78
Total Nonoperating Revenues	<u>206,103</u>	<u>78</u>	<u>206,181</u>
Net Loss Before Transfers	(15,727)	(85,769)	(101,496)
Transfers In	3,951	-	3,951
Net Loss	<u>(11,776)</u>	<u>(85,769)</u>	<u>(97,545)</u>
Retained Earnings (Accumulated Deficit), July 1	<u>2,772</u>	<u>(55,101)</u>	<u>(52,329)</u>
Retained Earnings (Accumulated Deficit), June 30	<u>(9,004)</u>	<u>(140,870)</u>	<u>(149,874)</u>
Contributed Capital, June 30	<u>1,847</u>	<u>-</u>	<u>1,847</u>
Total Fund Equity (Accumulated Deficit), June 30	<u>\$ (7,157)</u>	<u>\$ (140,870)</u>	<u>\$ (148,027)</u>

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

SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
Cash Flows from Operating Activities:			
Cash Received from Sales/Service Charges	\$ 131,322	\$ 1,026,104	\$ 1,157,426
Cash Payments for Personal Services	(185,327)	(36,995)	(222,322)
Cash Payments for Contract Services	(1,658)		(1,658)
Cash Payments for Materials and Supplies	(132,785)		(132,785)
Cash Payments for Claims Expenses		(1,073,519)	(1,073,519)
Cash Payments for Other Expenses	(1,256)		(1,256)
Net Cash Provided by (Used In) Operating Activities	<u>(189,704)</u>	<u>(84,410)</u>	<u>(274,114)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Operating Grants	168,066		168,066
Cash Received from Other Funds		61,822	61,822
Cash Received from Transfers	3,951		3,951
Net Cash Provided by Noncapital Financing Activities	<u>172,017</u>	<u>61,822</u>	<u>233,839</u>
Cash Flows from Investing Activities:			
Interest Received		78	78
Net Cash Provided by Investing Activities	<u>-</u>	<u>78</u>	<u>78</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(17,687)	(22,510)	(40,197)
Cash and Cash Equivalents at Beginning of Year	<u>17,687</u>	<u>22,510</u>	<u>40,197</u>
Cash and Cash Equivalents at End of Year	\$ -	\$ -	\$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:			
Operating Income (Loss)	\$ (212,307)	\$ (85,847)	\$ (298,154)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:			
Depreciation	3,134		3,134
Federal donated commodities	38,037		38,037
Interest reported as operating income			-
Changes in Assets and Liabilities:			
Increase in Materials and Supplies Inventory	(1,087)		(1,087)
Decrease in Accrued Wages and Benefits	(4,511)		(4,511)
Decrease in Compensated Absences Payable	(3,317)		(3,317)
Decrease in Due to Other Governments	(116)		(116)
Decrease in Pension Obligation Payable	(5,234)		(5,234)
Increase in Claims Payable		1,437	1,437
Decrease in Deferred Revenue	(4,303)		(4,303)
Net Cash Provided by (Used In) Operating Activities	<u>\$ (189,704)</u>	<u>\$ (84,410)</u>	<u>\$ (274,114)</u>
Noncash Investing, Capital and Financing Activities:			
Federal donated commodities	<u>\$ 38,037</u>	<u>\$ -</u>	<u>\$ 38,037</u>

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

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**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

1. DESCRIPTION OF THE ENTITY

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

The District ranks as the 530th largest by total enrollment among the 740 public and community school districts in the state. The District operates under a locally-elected five-member Board form of government. Each member is elected to a four-year term. The District provides educational services as authorized by its charter and further mandated by state and/or federal agencies. The Board of Education controls the District's 4 instructional/support facilities staffed by 78 classified employees and 40 certificated employees who provide services to 893 students and other community members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly Governed Organizations

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

OME-RESA was created as a regional council of governments pursuant to state statutes. OME-RESA provides financial accounting services, an educational management information system, cooperative purchases services and legal services to member districts. OME-RESA has 11 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble and Tuscarawas Counties. Each member district pays an annual fee for services provided by OME-RESA.

OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Deborah Campana, Treasurer, 2023 Sunset Boulevard, Steubenville, Ohio 43952.

Lincoln Way Special Education Regional Resource Center (LWSERRC)

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

LWSERRC is governed by a governing board of 5 members made up of representatives from each of the local participating school districts. LWSERRC serves 5 local school districts as well as 6 non-local school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Salem City School District, 1226 East State Street, Salem, Ohio 44460.

Columbiana County Career Center

The Columbiana County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 9 participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Columbiana County Career Center, Kathy Bosco, Treasurer, 9364 State Route 45, Lisbon, Ohio 44432.

Public Entity Risk Pools

Columbiana County School Employees Insurance Consortium (the "Consortium")

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

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

B. Basis of Presentation - Fund Accounting

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

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

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

1. GOVERNMENTAL FUNDS

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

General Fund

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

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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).

2. PROPRIETARY FUNDS

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

Enterprise Funds

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

Internal Service Funds

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

3. FIDUCIARY FUNDS

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

4. ACCOUNT GROUPS

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

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the District, except those accounted for in the proprietary funds.

C. Measurement Focus and Basis of Accounting

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

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

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

The modified accrual basis of accounting is followed for the governmental funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is 60 days after fiscal year-end.

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

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current property taxes measurable as of June 30, 2003, and which are intended to finance fiscal 2004 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue.

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

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

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

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget

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

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2003.

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 level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. Supplemental appropriations were legally enacted during fiscal 2003; however, none of the amendments were significant.

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 non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the GPFS for proprietary funds.

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.

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

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

During fiscal year 2003, investments were limited to repurchase agreements and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. 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, 2003.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2003 amounted to \$18,901, which includes \$10,071 assigned from other District funds.

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

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

F. Inventory

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

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$300. The District does not possess any infrastructure.

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life that ranges from 8 to 20 years.

H. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

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

I. Contributions of Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of retained earnings at fiscal year-end. There were no capital contributions received by the enterprise fund in 2003. Contributed capital in the enterprise fund at June 30, 2003, is \$1,847.

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources; however, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Amounts paid after 60 days are considered not to have been paid with current available financial resources. Capital leases are reported as a liability of the general long-term obligations account group until due.

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

K. Prepayments

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

L. Restricted Assets

Restricted assets in the general fund represent cash whose use is restricted by state statute. A fund balance reserve has also been established. See Note 18 for details.

M. Estimates

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

N. Interfund Transactions

Transactions between funds during the normal course of operations may occur. These may include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2003.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2003.

An analysis of interfund transactions is presented in Note 5.

O. Fund Balance Reserves

The District records reservations for portions of fund equity, which are legally segregated for specific future use, or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, prepayments, debt service, tax advance unavailable for appropriation, and Bureau of Workers' Compensation (BWC) refund. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriations under state statute.

P. Total Columns (Memorandum Only)

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

3. ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances/Retained Earnings

Funds balance/retained earnings at June 30, 2003, included the following individual fund deficits:

Fund Type/Fund	Deficit Balances
<u>Special Revenue Funds</u>	
Disadvantaged Pupil Impact Aid	\$22,817
Title I	37,248
Miscellaneous Federal Grant	10,494
<u>Internal Service Fund</u>	
Self-Insurance	140,870

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

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

The deficit fund balance in the Disadvantaged Pupil Impact Aid Fund is caused by accruing wage, benefit and pension obligations in accordance with GAAP. The deficit will be eliminated by anticipated intergovernmental revenues and/or other subsidies not recognized at June 30.

The deficit fund balances in the Title I Fund and the Miscellaneous Federal Grants Fund are a result of the application of GAAP, namely in the recognition of “advances in” as a fund liability, rather than as an “other financing source”. These deficits will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

The deficit retained earnings in the Self-Insurance Fund is due to the application of GAAP, in the reporting of a liability for claims incurred by fiscal year-end but not paid until fiscal 2004. This deficit will be eliminated as premiums are collected to pay these claims.

B. Compliance

The following funds had appropriations in excess of estimated resources plus available balances for fiscal year ended June 30, 2003, contrary to Ohio Revised Code § 5705.39:

Fund Type/Fund	Estimated Resources Plus Unencumbered Balances	Appropriations	Excess
Special Revenue Funds			
Title I	\$ 104,411	\$ 335,867	\$ (231,456)
Title II	3,893	4,950	(1,057)
Title VI	1,708	13,312	(11,603)
Continuous Improvement	17,997	21,972	(3,975)
Improving Teacher Quality	0	53,884	(53,884)
Enterprise Fund			
Food Service	268,143	321,027	(52,884)
Internal Service Fund			
Employee Benefits – Self Ins.	961,524	1,110,514	(148,990)

C. Agency Fund

The following is an accrual for the agency fund, which in another fund type, would be recognized in the combined balance sheet:

Assets	
Accounts receivable	\$182
Liabilities	
Accounts payable	\$546

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash with Fiscal Agent: The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2003, was \$(61,822). This amount has been classified as a payable on the Combined Balance Sheet.

Cash in Segregated Accounts: The District receives funds from the State for the renovation and construction of its facilities. These funds are not a part of the District's pooled cash. The amount of funds in segregated accounts at June 30, 2003, was \$238,163. Of the segregated cash balance; \$100,000 was covered by federal depository insurance; and \$138,163 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to Section 135.181 of the Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

Deposits: At year-end, the carrying amount of the District's deposits was \$2,866,159 and the bank balance was \$2,769,527. Of the bank balance:

**SOUTHERN LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)

1. \$100,000 was covered by federal depository insurance; and
2. \$2,669,527 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

Investments: Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Reported Amount	Fair Value
Repurchase agreement	\$557,179	\$ 557,179	\$ 557,179
Investment in STAR Ohio	<u> -</u>	<u>973,230</u>	<u>973,230</u>
Total	<u>\$557,179</u>	<u>\$1,530,409</u>	<u>\$1,530,409</u>

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$4,396,568	\$ -
Investments of the cash management pool:		
Repurchase agreement	(557,179)	557,179
Investment in STAR Ohio	<u>(973,230)</u>	<u>973,230</u>
GASB Statement No. 3	<u>\$2,866,159</u>	<u>\$1,530,409</u>

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

5. INTERFUND TRANSACTIONS

The following is a summarized breakdown of the District's operating transfers for fiscal year 2003:

	Transfers In	Transfers Out
General Fund	\$ -	\$167,392
Special Revenue Funds		
Public School Support	882	-
District Managed Student Activity	-	882
Disadvantaged Pupil Impact Aid Act	70,000	-
Title I	32,886	-
Title VI	88	-
Drug Free School Grant	467	-
Capital Projects Fund		
Building Overrun/Additions	60,000	-
Enterprise Fund		
Food Service	<u>3,951</u>	<u>-</u>
Total	<u>\$168,274</u>	<u>\$168,274</u>

6. PROPERTY TAXES

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2002 taxes were collected was \$67,347,690. Agricultural/residential and public utility/minerals real estate represented \$53,097,060 or 78.84% of this total; commercial & industrial real estate represented \$3,840,720 or 5.70% of this total, public utility tangible represented \$7,097,870 or 10.54% of this total and general tangible property represented \$3,312,040 or 4.92% of this total. The voted general tax rate at the fiscal year ended June 30, 2003, was \$35.84 per \$1,000.00 of assessed valuation for operations, \$3.71 per \$1,000 of assessed valuation for debt service, and \$.50 per \$1,000.00 of assessed valuation for permanent improvements.

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

6. PROPERTY TAXES (Continued)

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

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount available as an advance, and recorded as revenue, at June 30, 2003, was \$56,135 in the general fund, \$9,070 in the debt service fund and \$1,046 in the Permanent Improvement capital projects fund.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2003, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

7. RECEIVABLES

Receivables at June 30, 2003, consisted of taxes, accounts (user charged services and student fees), accrued interest, interfund transactions related to charges for goods and services rendered and intergovernmental state and federal revenues (to the extent eligibility requirements have been met by fiscal year-end). Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of state programs and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	Amount
General Fund	
Taxes - current and delinquent	\$1,418,677
Accounts	3,368
Due from other governments	17
Debt Service Fund	
Taxes - current & delinquent	229,271
Capital Projects Funds	
Taxes - current and delinquent	26,511
Due from other governments	3,799,532

**SOUTHERN LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

8. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2003, follows:

Furniture and equipment	\$ 152,799
Less: accumulated depreciation	<u>(126,579)</u>
Net fixed assets	<u>\$ 26,220</u>

A summary of the changes in general fixed assets during fiscal year 2003 follows:

	Balance July 1, 2002	Additions	Disposals	Balance June 30, 2003
Land and improvements	\$ 73,128	\$ -	\$ -	\$ 73,128
Buildings	1,700,437	4,000	-	1,704,437
Furniture and equipment	2,009,531	95,274	-	2,104,805
Vehicles	779,425	55,041	-	834,466
Construction in progress	<u>2,982,699</u>	<u>10,008,615</u>	<u>-</u>	<u>12,991,314</u>
Total	<u>\$7,545,220</u>	<u>\$10,162,930</u>	<u>\$ -</u>	<u>\$17,708,150</u>

The construction in progress represents costs incurred by June 30, 2003 on the "Construction Project" described in Note 9.A

9. LONG-TERM OBLIGATIONS

A. On June 1, 2001, the District issued general obligation bonds to provide funds for renovations and additions to the existing junior-senior high school to house grades K-12, abandonment of the primary and intermediate school buildings, and demolition of the modular classrooms at the primary and junior-senior high school buildings (hereinafter called "Construction Project"). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 3.71 mills bonded debt tax levy.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2003, the total estimated cost of the Construction Project is \$14,756,003, of which OSFC will pay approximately \$11,201,458.

In conjunction with the 3.71 mils which support the bond issue, the District also passed in fiscal 2001 a .5 mill levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the capital projects funds.

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

9. LONG-TERM OBLIGATIONS (Continued)

This issue is comprised of both current interest bonds, par value \$3,057,000, and capital appreciation bonds, par value \$230,000. The interest rates on the current interest bonds range from 4.00% to 5.25%. The capital appreciation bonds mature on December 1, 2009 (effective interest 22.20%) and December 1, 2010 (effective interest 22.20%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the general long-term obligations account group at June 30, 2003 was \$35,000. As of June 30, 2003, \$17,977 of accreted interest on the capital appreciation bonds has been included in the general long-term obligations account group.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2024.

The following is a schedule of activity for fiscal 2003 on the 2001 series general obligation bonds:

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003
Current interest bonds	\$3,057,000	\$ -	\$(67,000)	\$2,990,000
Capital appreciation bonds	35,000	-	-	35,000
Accreted interest	<u>7,920</u>	<u>10,057</u>	<u>-</u>	<u>17,977</u>
Total G.O. bonds	<u>\$3,099,920</u>	<u>\$10,057</u>	<u>\$(67,000)</u>	<u>\$3,042,977</u>

The following is a summary of the future debt service requirements to maturity for the 2001 series general obligation bonds:

Fiscal Year Ending	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 75,000	\$ 149,257	\$ 224,257	\$ -	\$ -	\$ -
2005	80,000	146,176	226,176	-	-	-
2006	85,000	142,857	227,857	-	-	-
2007	90,000	139,356	229,356	-	-	-
2008	95,000	135,609	230,609	-	-	-
2009 - 2013	350,000	636,318	986,318	230,000	-	230,000
2014 - 2018	765,000	484,966	1,249,966	-	-	-
2019 - 2023	975,000	257,905	1,232,905	-	-	-
2024 - 2025	<u>475,000</u>	<u>25,329</u>	<u>500,329</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$2,990,000</u>	<u>\$2,117,773</u>	<u>\$5,107,773</u>	<u>\$230,000</u>	<u>\$ -</u>	<u>\$230,000</u>

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

9. LONG-TERM OBLIGATIONS (Continued)

B. Changes in long-term obligations of the District during the fiscal year follow:

	Outstanding July 1, 2002	Additions	Deductions	Outstanding June 30, 2003
Compensated absences	\$ 374,610	\$39,325	\$ -	\$ 413,935
Pension obligation payable	45,435	52,824	(45,435)	52,824
General obligation bonds payable	<u>3,099,920</u>	<u>10,057</u>	<u>(67,000)</u>	<u>3,042,977</u>
 Total general long-term obligations	 <u>\$3,519,965</u>	 <u>\$102,206</u>	 <u>\$(112,435)</u>	 <u>\$3,509,736</u>

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

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2003, are a voted debt margin of \$3,221,793 (including available funds of \$203,478) and an unvoted debt margin of \$67,348.

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees earn 5 to 25 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment.

Teachers and administrators do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to the number of annual work days per contract plus 90 days, not to exceed 272 days for certified employees and 270 for non-certified employees. Upon retirement, certified employees are paid for one-fourth of their total sick leave accumulation, up to their maximum accumulation, and classified employees are paid for one-fourth of the first 120 days of sick leave accumulation and for 20 percent of their sick leave accumulation above 121 days, up to their maximum accumulation.

B. Life Insurance

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

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

11. LOAN ACTIVITY

State Loan Payable

The District faced an operating deficit during fiscal year 1992. During that fiscal year, the District obtained a \$1,101,219 state loan, which is being paid from state foundation payments. The loan is being repaid from the general fund. A summary of the loan activity for the year ended June 30, 2003, follows:

	Principal Outstanding July 1, 2002	Retired in 2003	Principal Outstanding June 30, 2003
General Fund:			
1993 6.50% State Loan	<u>\$185,099</u>	<u>\$(185,099)</u>	<u>\$ -</u>

12. RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. For fiscal year 2003, the District contracted with Nationwide Insurance for property, boiler and inland marine insurance. This risk policy has a \$1,000 deductible.

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

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from prior year.

B. Workers' Compensation

For fiscal year 2002, the District participated in the GRP, an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

12. RISK MANAGEMENT (Continued)

C. Employee Health and Dental

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of seven school districts within the County, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. This plan provides a medical/surgical plan with a \$100 family and \$50 single deductible for certificated employees and a \$200 family and \$100 single deductible for classified employees. A third party administrator, Professional Risk Management, reviews all claims, which are then paid by the District. The District purchases stop-loss coverage of \$75,000 per employee. The District pays into the self-insurance internal service fund \$879.55 for family coverage or \$366.96 for individual coverage per month, which represents the entire premium required. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information. Dental coverage is also provided on a self-insured basis. Premiums for this coverage are \$33.35 monthly for family coverage and \$13.52 monthly for single coverage. Vision coverage is also provided on a self-insured basis. Premiums for this coverage are \$5.10 monthly for family coverage and \$2.52 for single coverage. The District is responsible for payment of all claim amounts.

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

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

The liability for unpaid claims of \$79,048 reported in the internal service fund at June 30, 2003, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. The claims liability is based on an estimate supplied by the District's third party administrator. Changes in the fund's claims liability for the current and past fiscal year are as follows:

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2003	\$77,611	\$1,074,956	\$(1,073,519)	\$79,048
2002	80,402	793,958	(796,749)	77,611

13. SEGMENT INFORMATION - ENTERPRISE FUND

The District maintains one enterprise fund, which provides lunchroom/cafeteria services, therefore segment information for the year ended June 30, 2003, is not presented. The enterprise fund had no outstanding encumbrances at June 30, 2003.

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

14. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$119,264, \$108,952 and \$99,987 respectively; 33.5 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$79,365 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan.

**SOUTHERN LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

14. DEFINED BENEFIT PENSION PLANS – (Continued)

In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$397,625, \$377,185, and \$354,495, respectively; 82.05% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001 \$71,380, representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

15. POST EMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$28,402 during fiscal 2003.

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

15. POST EMPLOYMENT BENEFITS – (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available), were \$182.947 million and the target level was \$274.4 million. At June 30, 2002 (the latest information available), SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. The amount for the District to fund health care benefits, including surcharge, equaled \$64,131 during fiscal year 2003.

16. BUDGETARY BASIS OF ACCOUNTING

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

16. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Budget basis	\$(470,165)	\$ (30,966)	\$27,604	\$(5,893,172)
Net adjustment for revenue accruals	(58,681)	9,519	(2,908)	(17,582)
Net adjustment for expenditure accruals	217,737	(106,130)	(1,400)	29,020
Net adjustment for other financing sources/(uses)	(149,149)	140,154	-	-
Encumbrances (budget basis)	<u>129,050</u>	<u>26,756</u>	<u>1,400</u>	<u>32,657</u>
GAAP Basis	<u><u>\$(331,208)</u></u>	<u><u>\$ 39,333</u></u>	<u><u>\$24,696</u></u>	<u><u>\$(5,849,077)</u></u>

17. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2003.

B. Litigation

The District is not a party to any legal proceedings.

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

17. CONTINGENCIES- (Continued)

C. State School Funding Decision

On December 11, 2002, The Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

18. STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	Textbooks	Capital Acquisition	BWC Refunds
Set-aside cash balance as of June 30, 2002	\$(305,288)	\$ 80,100	\$24,797
Current year set-aside requirement	126,571	126,571	0
Current year offsets	0	0	0
Qualifying disbursements	<u>(144,888)</u>	<u>(238,959)</u>	<u>0</u>
Total	<u>\$(323,605)</u>	<u>\$(32,288)</u>	<u>\$24,797</u>
Cash balance carried forward to FY 2004	<u>\$(323,605)</u>	<u>\$ -</u>	<u>\$24,797</u>

The District had qualifying disbursements during the year that reduced the set-aside amount below zero for the textbooks reserves. This amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year. Even though the capital acquisition set-aside has a negative balance, this negative amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year. The negative amount for the textbook set-aside may be used to reduce the set-aside requirement for future years. Therefore, the negative amount is presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2003 follows:

Amount restricted for BWC refunds	<u>\$24,797</u>
Total restricted assets	<u>\$24,797</u>

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

19. CONTRACTS PAYABLE

The District had the following contracts payable at fiscal year-end related to ongoing renovation and construction of the District's facilities.

Vendor	Amount Payable
Enertech Electrical, Inc.	\$ 46,466
Mid-West Telephone Service, Inc.	6,200
Komar Plumbing	25,213
Stitle Construction Corp.	659,085
Welding, Inc.	15,810
York Mahoning Mechanical Contractors, Inc.	217,567
Ricciuti, Balog & Partners Architects	35,550
Conti Corporation	20,990
Stonecreek Interior Systems, Inc.	<u>34,273</u>
Total	<u>\$1,061,154</u>

SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$38,037		\$38,037
National School Breakfast Program		10.553	35,670		35,670	
National School Lunch Program		10.555	121,895		121,895	
National Summer School Lunch Program		10.559	2,043		2,043	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>159,608</u>	<u>38,037</u>	<u>159,608</u>	<u>38,037</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-03 C1-S1-02	84.010	210,599 92,383 <u>302,982</u>		206,207 25,591 <u>231,798</u>	
Drug-Free Schools Grant	DR-S1-03 DR-S1-02 DR-S1-01 DR-S1-00	84.186	5,478 2,716 2,565 <u>10,759</u>		2,201 3,482 2,182 <u>748</u> 8,613	
Fund for the Improvement of Education (FIE) Grant	R215K010192 R215K020068	84.216K	28,000 20,000 <u>48,000</u>		24,781 18,401 <u>43,182</u>	
Goals 2000	G2-S1-01 G2-S2-01 G2-S2-00	84.276	21,971 <u>21,971</u>		3,085 362 521 <u>3,968</u>	
Eisenhower Professional Development Grant	MS-S1-02 MS-S1-01	84.281	720 469 <u>1,189</u>		4,481 469 <u>4,950</u>	
Innovative Educational Program Strategies	C2-S1-03 C2-S1-02 C2-S1-01	84.298	5,480 3,257 289 <u>9,026</u>		3,063 4,675 <u>7,738</u>	
Raising the Bar Challenge Grant	TJS1-03	84.318	5,766		22,732	
Title VI R Classroom Reduction Grant	CR-S1-02 CR-S1-01	84.340	24,769 3,239 <u>28,008</u>		8,519 <u>8,519</u>	
Title II A Grant	TR-S1-03	84.367	53,884		34,526	
Total Department of Education			<u>481,585</u>		<u>366,026</u>	
Total Federal Awards Receipts and Expenditures			<u>\$641,193</u>	<u>\$38,037</u>	<u>\$525,634</u>	<u>\$38,037</u>

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

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2003**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



Auditor of State Betty Montgomery

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

Southern Local School District
Columbiana County
38095 State Route 39
Salineville, Ohio 43945

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Southern Local School District as of and for the year ended June 30, 2003, and have issued our report thereon dated December 12, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Southern Local 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 2002-001. We also noted certain immaterial instances of noncompliance that we have reported to management of Southern Local School District in a separate letter dated December 12, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southern Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 management of the Southern Local School District in a separate letter dated December 12, 2003

This report is intended solely for the information and use of the audit committee, management, Board of Education, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 12, 2003



Auditor of State Betty Montgomery

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

Southern Local School District
Columbiana County
38095 State Route 39
Salineville, Ohio 43945

To the Board of Education:

Compliance

We have audited the compliance of Southern Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. Southern Local School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Southern Local School District's management. Our responsibility is to express an opinion on Southern Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America: 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 Southern Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Southern Local School District's compliance with those requirements.

In our opinion, Southern Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

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

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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 audit committee, management, Board of Education, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 12, 2003

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.50
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

Finding Number	2003-001
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Ohio Revised Code § 5705.39 prohibits a political subdivision from making a fund appropriation in excess of the total estimated revenue available for expenditure from that fund as certified by the budget commission on the Amended Official Certificates of Estimated Resources.

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.50
JUNE 30, 2003
(Continued)**

Appropriations exceeded the amount certified as available by the budget commission in the following funds:

Fund Type/Fund	Estimated Resources Plus Unencumbered Balances	Appropriations	Excess
Special Revenue Funds			
Title I	\$ 104,411	\$ 335,867	\$ (231,456)
Title II	3,893	4,950	(1,057)
Title VI	1,708	13,312	(11,604)
Continuous Improvement	17,997	21,972	(3,975)
Improving Teacher Quality	0	53,884	(53,884)
Enterprise Fund			
Food Service	268,143	321,027	(52,884)
Internal Service Fund			
Employee Benefits – Self Ins.	961,524	1,110,514	(148,990)

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash balances. The District should compare appropriations to estimated resources and if adequate resources are available for additional appropriations, the District should request an amended certificate of estimated resources from the budget commission. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the District to reduce the appropriations.

3. FINDINGS FOR FEDERAL AWARDS

None	
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SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)
JUNE 30, 2003

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-11215-001	ORC 5705.39 Appropriations exceeded total available resources	No	Repeated as Finding Number 2003-001

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**Auditor of State
Betty Montgomery**

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SOUTHERN LOCAL SCHOOL DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 18, 2004**