



**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2000**



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

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**STATE OF OHIO**



**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying financial statements of the Southern Local School District, Perry County, Ohio (the School District), as of and for the year ended June 30, 2000, as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-02-1 (now Ohio Administrative Code Section 117-2-03(B)) requires the School District to file its annual financial report pursuant to generally accepted accounting principles. However, as discussed in Note 2, for the year ended June 30, 2000, the School District prepared its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and combined fund cash balances of the Southern Local School District, Perry County, as of June 30, 2000, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2000, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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.

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

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

**Jim Petro**  
Auditor of State

October 20, 2000

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**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND  
CASH BALANCES - ALL FUND TYPES  
AS OF JUNE 30, 2000**

Cash	\$ 1,178,102
Investments	
STAROhio	<u>527,456</u>
<b>Total</b>	<b><u>\$ 1,705,558</u></b>

**CASH BALANCES BY FUND TYPE**

<b>Governmental Funds:</b>	
General Fund	\$ 490,983
Special Revenue Funds	119,474
Debt Service Fund	176,603
Capital Projects Funds	32,015
<b>Proprietary Funds:</b>	
Enterprise Funds	1,220
Internal Service Fund	867,351
<b>Fiduciary Funds:</b>	
Expendable Trust Fund	4,137
Agency Funds	<u>13,775</u>
<b>Total</b>	<b><u>\$ 1,705,558</u></b>

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



**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	<b>Governmental Fund Types</b>				<b>Fiduciary Fund Type</b>	<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Expendable Trust</b>	
<b>Receipts:</b>						
Receipts from Local Sources						
Taxes	\$ 624,057	\$ 13,599	\$ 148,415	\$	\$	\$ 786,071
Earnings on Investment	73,585			344	7	73,936
Extracurricular Activities		113,277				113,277
Classroom Material & Fees	14,359					14,359
Miscellaneous	165,246	58,747			1,496	225,489
Receipts from Intermediate Sources						
Restricted Grants-In-Aid					3,885	3,885
Receipts from State Sources						
Unrestricted Grants-In-Aid	4,811,834	2,116	23,221			4,837,171
Restricted Grants-In-Aid	72,677	388,069		71,505		532,251
Revenue for/on Behalf of the District	200					200
Receipts from Federal Sources						
Unrestricted Grants-In-Aid		401,919				401,919
<b>Total Receipts</b>	<b>5,761,958</b>	<b>977,727</b>	<b>171,636</b>	<b>71,849</b>	<b>5,388</b>	<b>6,988,558</b>
<b>Disbursements:</b>						
Instruction:						
Regular	2,489,528	326,970		30,755	4,923	2,852,176
Special	891,896	266,251				1,158,147
Vocational Education	84,890					84,890
Supporting Services:						
Pupils	130,067	114,303				244,370
Instructional Staff	176,019	173,524				349,543
Board of Education	103,762					103,762
Administration	589,337	17,385				606,722
Fiscal Services	163,756	467	5,110			169,333
Operation and Maintenance - Plant	580,593	35,482				616,075
Pupil Transportation	447,067					447,067
Central	61,741	5,112				66,853
Extracurricular Activities:						
Academic and Subject Oriented Activities	11,322	17,131				28,453
Sports Oriented	83,953	37,664				121,617
Co-Curricular Activities	21,653	116,116				137,769
Facilities Acquisition and Construction Services:						
Architecture and Engineering				900		900
Building Acquisition and Construction	1,271			19,828		21,099
Debt Service:						
Repayment of Debt	17,303		142,317			159,620
<b>Total Disbursements</b>	<b>5,854,158</b>	<b>1,110,405</b>	<b>147,427</b>	<b>51,483</b>	<b>4,923</b>	<b>7,168,396</b>
Excess of Receipts Over/(Under) Disbursements	(92,200)	(132,678)	24,209	20,366	465	(179,838)
<b>Other Financing Sources/(Uses):</b>						
Advances-In	80,537					80,537
Advances-Out	(38,844)			(49,469)		(88,313)
<b>Total Other Financing Sources/(Uses)</b>	<b>41,693</b>	<b>0</b>	<b>0</b>	<b>(49,469)</b>	<b>0</b>	<b>(7,776)</b>
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing (Uses)	(50,507)	(132,678)	24,209	(29,103)	465	(187,614)
Unadjusted Cash Balances, July 1, 1999	541,490	252,152	152,394	61,118	3,672	1,010,826
<b>Adjusted Cash Balances, June 30, 2000</b>	<b>\$ 490,983</b>	<b>\$ 119,474</b>	<b>\$ 176,603</b>	<b>\$ 32,015</b>	<b>\$ 4,137</b>	<b>\$ 823,212</b>

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

SOUTHERN LCOAL SCHOOL DISTRICT  
PERRY COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND  
CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
<b>Operating Receipts:</b>				
Food Service	\$ 134,057	\$	\$	\$ 134,057
Extracurricular Activities			31,496	31,496
Classroom Materials and Fees	1,243			1,243
<b>Total Operating Receipts</b>	<u>135,300</u>	<u>0</u>	<u>31,496</u>	<u>166,796</u>
<b>Operating Disbursements:</b>				
Personal Services - Salaries	94,620			94,620
Employees' Retirement and Insurance	85,858			85,858
Purchased Services	217,775	800,567		1,018,342
Supplies and Materials	2,455			2,455
Other			50,539	50,539
<b>Total Operating Disbursements</b>	<u>400,708</u>	<u>800,567</u>	<u>50,539</u>	<u>1,251,814</u>
Operating Income/(Loss)	<u>(265,408)</u>	<u>(800,567)</u>	<u>(19,043)</u>	<u>(1,085,018)</u>
<b>Nonoperating Receipts/(Disbursements):</b>				
Earnings on Investments			22	22
Miscellaneous	92	1,161,584	10,269	1,171,945
State Restricted Grants-In-Aid	16,327			16,327
Federal Unrestricted Grants-In-Aid	226,185			226,185
<b>Total Nonoperating Receipts/(Disbursements)</b>	<u>242,604</u>	<u>1,161,584</u>	<u>10,291</u>	<u>1,414,479</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Advances	(22,804)	361,017	(8,752)	329,461
Advances-In	38,844			38,844
Advances-Out	(31,068)			(31,068)
Net Income/(Loss)	(15,028)	361,017	(8,752)	337,237
Fund Cash Balances, July 1, 1999	16,248	506,334	22,527	545,109
<b>Fund Cash Balances, June 30, 2000</b>	<u><b>\$ 1,220</b></u>	<u><b>\$ 867,351</b></u>	<u><b>\$ 13,775</b></u>	<u><b>\$ 882,346</b></u>

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

**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL -  
ALL BUDGETED FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Governmental</b>			
General	\$ 5,653,992	\$ 5,842,495	\$ 188,503
Special Revenue	975,635	977,727	2,092
Debt Service	159,968	171,636	11,668
Capital Projects	70,805	71,849	1,044
<b>Proprietary</b>			
Enterprise	376,209	416,748	40,539
Internal Service	1,063,788	1,161,584	97,796
<b>Fiduciary</b>			
Expendable Trust	5,283	5,388	105
Agency	<u>                    </u>	<u>41,787</u>	<u>41,787</u>
<b>Totals (Memorandum Only)</b>	<b><u>\$ 8,305,680</u></b>	<b><u>\$ 8,689,214</u></b>	<b><u>\$ 383,534</u></b>

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

**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
COMPARED WITH EXPENDITURE AUTHORITY - ALL BUDGETED FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
<b>Governmental</b>			
General	\$122,038	\$ 6,153,981	\$ 6,276,019
Special Revenue	5,160	1,222,628	1,227,788
Debt Service		152,317	152,317
Capital Projects	37,001	35,454	72,455
<b>Proprietary</b>			
Enterprise	100	361,180	361,280
Internal Service		1,570,123	1,570,123
<b>Fiduciary</b>			
Expendable Trust		7,319	7,319
Agency	<u>1,301</u>		<u>1,301</u>
<b>Totals (Memorandum Only)</b>	<b><u>\$ 165,600</u></b>	<b><u>\$ 9,503,002</u></b>	<b><u>\$ 9,668,602</u></b>

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

<u>Disbursements</u>	<u>Encumbrances Outstanding 6/30/00</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 5,893,002	\$ 66,951	\$ 5,959,953	\$ 316,066
1,110,405	28,657	1,139,062	88,726
147,427		147,427	4,890
100,952	195	101,147	(28,692)
431,776		431,776	(70,496)
800,567	5,089	805,656	764,467
4,923		4,923	2,396
<u>50,539</u>	<u>358</u>	<u>50,897</u>	<u>(49,596)</u>
<b><u>\$ 8,539,591</u></b>	<b><u>\$ 101,250</u></b>	<b><u>\$ 8,640,841</u></b>	<b><u>\$ 1,027,761</u></b>

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**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000**

**1. DESCRIPTION OF THE ENTITY**

The Southern Local School District, Perry County, Ohio (the School District), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local school district as defined by Ohio Revised Code Section 3311.03. The School District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the School District.

Average daily membership (ADM) as of October 1, 1999, was 1,069. The School District employed 81 certificated employees and 42 non-certificated employees.

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-02-1 (now Ohio Admin. Code Section 117-2-03(B)) to file its annual financial report pursuant to generally accepted accounting principles, the School District chose to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**B. Pooled Cash and Investments**

The School District Treasurer invests all available funds of the School District in interest-bearing checking accounts and certificates of deposit. For purposes of financial statement presentation, the certificates of deposit are considered cash equivalents.

The School District also has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2000. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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.

**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

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

**B. Pooled Cash and Investments (Continued)**

Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2000. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings.

**C. Fund Accounting**

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

The restrictions associated with each type of fund are as follows:

**1. Governmental Fund Types:**

**General Fund**

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

**Special Revenue Funds**

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

**Debt Service Fund**

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

**Capital Projects Funds**

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



**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

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

**C. Fund Accounting (Continued)**

**2. Proprietary Fund Types**

**Enterprise Funds**

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

**Internal Service Funds**

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

**3. Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include an expendable trust fund and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. Agency funds are purely custodial and thus do not involve measurement of results of operations.

**D. Budgetary Process**

**1. Budget**

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

**2. Estimated Resources**

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

Prior to June 30, the School District must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

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

**D. Budgetary Process (Continued)**

**2. Estimated Resources (Continued)**

Budget receipts as shown in the accompanying financial statements do not include July 1, 1999, unencumbered fund balances. However, those fund balances are available for appropriations

**3. Appropriations**

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

**4. Encumbrances**

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

**E. Property, Plant and Equipment**

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

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

Accumulated unpaid vacation and sick leave are not accrued under the cash basis of accounting described in Note 1. At June 30, 2000, management estimates that \$10,200 in vacation leave and \$3,550,000 in sick leave has been accumulated by the employees of the School District. All leave will either be absorbed by time off from work or, within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of June 30, 2000.

**G. Total Columns on Financial Statements**

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

**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

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

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

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

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

- a. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

- f. The State Treasurer's investment pool (STAROhio);
- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
- h. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

*Deposits* - At fiscal year end, the carrying amount of the School District's deposits was \$1,178,102 and the bank balance was \$1,211,273. Of the bank balance, \$114,275 was covered by federal deposit insurance, and \$1,096,998 was collateralized by securities held by a third party bank in the School District's name.

*Investments* - Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2000. The School District's investment in the STAROhio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

<u>Investments:</u>	<u>Carrying Value</u>	<u>Market Value</u>
STAROhio	<u>\$527,456</u>	<u>\$527,456</u>

**4. PROPERTY TAXES**

Real property taxes are levied on assessed values which equal 35% of appraised values. The County Auditor reappraises all real property every six years with a triennial update. The last reappraisal was completed for tax year 1999 for Perry County.

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

**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**4. PROPERTY TAXES (Continued)**

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

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

Real Property - 1999 Valuation

Residential/Agricultural	\$18,165,770
Commercial/Industrial	2,195,390
Public Utilities	118,510
Minerals	894,500

Tangible Personal Property - 1999 Valuation

General	2,006,465
Public Utilities	<u>5,053,000</u>
Total	<u>\$28,433,635</u>

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

**5. DEBT OBLIGATIONS**

Debt outstanding at June 30, 2000, consisted of the following:

School Improvement Advance Refunding Bonds	
Principal Outstanding	\$1,204,995
Interest Rate	3.7% to 5.0%
School Energy Conservation Loan	
Principal Outstanding	\$58,263
Interest Rate	5.5%

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

**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**5. DEBT OBLIGATIONS (Continued)**

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

The annual requirements to amortize debt outstanding as of June 30, 2000, including interest payments of \$921,992, are as follows:

<u>Year Ending June 30</u>	<u>General Obligation Bonds</u>	<u>School Energy Conservation Loan</u>	<u>Total</u>
2001	\$143,041	\$17,293	\$160,334
2002	143,488	17,292	160,780
2003	143,679	17,293	160,972
2004	138,710	12,969	151,679
2005	138,545	0	138,545
2006 - 2010	707,940	0	707,940
2011 - 2015	<u>705,000</u>	<u>0</u>	<u>705,000</u>
Total	<u>\$2,120,403</u>	<u>\$64,847</u>	<u>\$2,185,250</u>

**6. LEASE OBLIGATION**

The School District entered into a sixty month lease agreement for the use of a Xerox copier on April 8, 1997. The School District also entered into a lease agreement on August 16, 1996, for the use of a modular classroom unit to be used as a day care facility. The annual requirements to amortize the lease obligations outstanding as of June 30, 2000, are as follows:

<u>Year Ending June 30</u>	<u>Leases</u>
2001	\$17,338
2002	<u>17,336</u>
Total	<u>\$34,674</u>

**7. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the year ending June 30, 2000, the School District contracted with Nationwide Insurance Company for property insurance and boiler and machinery coverage. The policies include a \$500 and \$1,000 deductible, respectively.

**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Professional and general liability is protected by the Nationwide Insurance Company with a \$1,000,000 single occurrence limit with a \$5,000,000 aggregate and no deductible. Property damage is on a replacement cost basis for a blanket amount of \$13,478,700 on buildings and contents. Vehicles are covered by Nationwide Insurance Company and holds no deductible for comprehensive and a \$100 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability.

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

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

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

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute 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 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1999, 7.7 percent 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, 2000, 1999, and 1998 were \$48,009, \$66,525, and \$56,486, respectively.

**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

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

**B. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$177,544, \$233,132, and \$213,071, respectively.

**9. POST-EMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS 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 law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$236,726 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999 (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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



**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS (Continued)**

After the allocation for basic benefit, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$74,197.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**10. OTHER EMPLOYEE BENEFITS**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Community National Life Assurance Company in the amount of \$40,000 for all employees.

**11. JOINTLY GOVERNED ORGANIZATIONS**

**A. Southeast Ohio Voluntary Educational Consortium (SEOVEC)**

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

**B. The Coalition of Rural and Appalachian Schools**

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

**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**12. INSURANCE PURCHASING POOL**

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

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

**13. STATUTORY RESERVES**

The School District is required by state law to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. The School District is also required to set aside money for budget stabilization.

The following information describes the change in fiscal year end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Set-aside Reserve Balance as of June 30, 1999	\$0	\$0	\$49,207	\$49,207
Current Fiscal Year				
Set-Aside Requirement	100,374	100,374	0	200,748
Offset Credits	0	(13,599)	0	(13,599)
Qualifying Expenditures	(118,143)	(86,775)	0	(204,918)
Set-aside Balance Carried to Future Fiscal Years	<u>(\$17,769)</u>	<u>\$0</u>	<u>\$49,207</u>	<u>\$31,438</u>
Set-aside Reserve Balance as of June 30, 2000	<u>\$0</u>	<u>\$0</u>	<u>\$49,207</u>	<u>\$49,207</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount can be used to reduce the set-aside requirement in future fiscal years. Additionally, the School District had qualifying disbursements during the fiscal year that reduced the capital maintenance set-aside amount below zero. However, this extra amount cannot be used to reduce the set-aside requirement in future fiscal years. The School District designated an additional amount from the General Fund for budget stabilization (\$54,554) that may be used to reduce the set-aside requirement in future years. This additional amount is not required by State statute and may be changed at the discretion of the Board of Education.

**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**14. STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$4,725,968 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the School District had received a total of \$7,922,465 under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution.

The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

**15. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

**B. Litigation**

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

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SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2000

Federal Grantor <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Pass Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program (Commodities)	N/A	10.550	\$	\$ 20,053	\$	\$ 19,958
School Breakfast Program	05-PU-99	10.553	15,834		15,834	
	05-PU-00		<u>46,121</u>		<u>46,121</u>	
Total School Breakfast Program			61,955	0	61,955	0
National School Lunch Program	03-PU-99	10.555	6,695		6,695	
	03-PU-00		19,275		19,275	
	04-PU-99		35,566		35,566	
	04-PU-00		<u>102,694</u>		<u>102,694</u>	
Total National School Lunch Program			<u>164,230</u>	0	<u>164,230</u>	0
Total Nutrition Cluster			<u>226,185</u>	<u>20,053</u>	<u>226,185</u>	<u>19,958</u>
Total U.S. Department of Agriculture			226,185	20,053	226,185	19,958
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Pass Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1-99	84.010	25,068		67,960	
	C1-S1-00		<u>221,827</u>		<u>184,806</u>	
Total Title I Grants to Local Educational Agencies			246,895	0	252,766	0
Special Education Grants to States	6B-SF-99P	84.027			9,616	
	6B-SF-00P		<u>80,355</u>		<u>65,268</u>	
Total Special Education Grants to States			80,355	0	74,884	0
Safe and Drug-Free Schools and Communities Grant	DR-S1-99	84.186			381	
GOALS 2000 - State and Local Education Systemic Improvement Grants	G2-S1-99	84.276			8,412	
	G2-S1-00		<u>28,598</u>		<u>22,803</u>	
Total GOALS 2000 Program			28,598	0	31,215	0
Eisenhower Professional Development State Grant	MS-S1-99	84.281			6,854	
	MS-S1-00		<u>2,187</u>		<u>369</u>	
Total Eisenhower Professional Development State Grant			2,187	0	7,223	0
Innovative Education Program Strategies	C2-S1-99	84.298	695		4,174	
	C2-S1-00		<u>5,323</u>		<u>2,436</u>	
Total Innovative Education Program Strategies			6,018	0	6,610	0
Class Size Reduction Grant	CR-S1-00	84.340	<u>37,865</u>		<u>26,504</u>	
Total U.S. Department of Education			<u>401,918</u>	0	<u>399,583</u>	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 628,103</u></b>	<b><u>\$ 20,053</u></b>	<b><u>\$ 625,768</u></b>	<b><u>\$ 19,958</u></b>

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

**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 2000**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the School District had no significant food commodities in inventory.



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

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

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

To the Board of Education:

We have audited the financial statements of the Southern Local School District, Perry County, Ohio (the School District), as of and for the year ended June 30, 2000, and have issued our report thereon dated October 20, 2000, wherein we noted that the School District had not adopted generally accepted accounting principles. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2000-11064-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated October 20, 2000.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated October 20, 2000.

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

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

**Jim Petro**  
Auditor of State

October 20, 2000





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

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

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

To the Board of Education:

**Compliance**

We have audited the compliance of the Southern Local School District, Perry County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

**Internal Control Over Compliance**

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

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

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

**Jim Petro**  
Auditor of State

October 20, 2000

**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
JUNE 30, 2000**

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

**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
JUNE 30, 2000  
(Continued)**

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

**Finding Number 2000-11064-001**

**Noncompliance Citation**

Ohio Admin. Code Section 117-02-1 (now Ohio Admin. Code Section 117-2-03(B)) requires the School District to file its annual financial report pursuant to generally accepted accounting principles. However, the School District prepared and filed its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other legal administrative remedies may be taken against the School District.

We recommend the School District take the necessary steps to ensure that the annual financial report is prepared and filed pursuant to generally accepted accounting principles.

**3. FINDINGS FOR FEDERAL AWARDS**

There were no findings related to federal awards.

**SOUTHERN LOCAL SCHOOL DISTRICT  
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 §.315(b)  
JUNE 30, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid
1999-11064-002	A noncompliance citation was issued under Ohio Admin. Code Section 117-2-01, for failing to prepare the School District's financial statements in accordance with generally accepted accounting principles.	No	Not corrected:  The School District's officials did not believe that preparing financial statements in accordance with generally accepted accounting principles was cost beneficial.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

**SOUTHERN LOCAL SCHOOL DISTRICT**

**PERRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 7, 2000**