

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

*GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2000*

DOREEN MARSHALL, TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

We have reviewed the Independent Auditor's Report of the Southern Local School District, Columbiana County, prepared by Trimble, Julian, & Grube, Inc., for the audit period July 1, 1999 to June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

December 29, 2000

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

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Independent Auditor's Report

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

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

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Southern Local School District, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2000 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.

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

Trimble, Julian & Grube, Inc.
November 14, 2000

SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2000

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service		General	Long-Term Obligations	
						Fixed Assets	General		
ASSETS AND OTHER DEBITS									
ASSETS:									
Equity in pooled cash and cash equivalents	\$1,455,748	\$68,934	\$3,355,466	\$17,806	\$34,540	\$18,918			\$4,916,872
Cash with fiscal agent									34,540
Receivables (net of allowances of uncollectibles):									
Taxes - current and delinquent	1,224,983		76,417						1,301,400
Accounts	3,953								3,953
Accrued interest			16,819						16,819
Due from other governments				17,534					17,534
Prepayments	3,368								3,368
Materials and supplies inventory				5,020					5,020
Restricted assets:									
Equity in pooled cash and cash equivalents	24,797								24,797
Property, plant and equipment (net of accumulated depreciation where applicable)				28,103			\$4,037,097		4,065,200
OTHER DEBITS:									
Amount to be provided for retirement of general long-term obligations								\$457,662	457,662
Total assets and other debits	\$2,712,849	\$68,934	\$3,448,702	\$68,463	\$34,540	\$18,918	\$4,037,097	\$457,662	\$10,847,165

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

SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2000

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service		Agency	General	
						Fixed Assets			
LIABILITIES, EQUITY AND OTHER CREDITS									
LIABILITIES:									
Accounts payable	\$1,825	\$3,487		\$2,689					\$8,001
Accrued wages and benefits	419,074	42,510		20,463					482,047
Compensated absences payable	3,982			9,192				\$394,409	407,583
Claims payable					\$83,803				83,803
Pension obligation payable	67,344	4,508		18,194				42,913	132,959
Deferred revenue	1,187,333		\$72,078	4,009					1,263,420
Due to students						\$18,918			18,918
State loan payable	530,583		3,092,000					20,340	530,583
Bond anticipation note payable									3,092,000
Obligation under capital lease									20,340
Total liabilities	2,210,141	50,505	3,164,078	54,547	83,803	18,918	-	457,662	6,039,654
EQUITY AND OTHER CREDITS:									
Investment in general fixed assets							\$4,037,097		4,037,097
Contributed capital				1,847					1,847
Retained earnings (accumulated deficit): unreserved				12,069	(49,263)				(37,194)
Fund balances:									
Reserved for encumbrances	12,535	20,868							33,403
Reserved for prepayments	3,368								3,368
Reserved for tax revenue unavailable for appropriation	37,650		4,339						41,989
Reserved for budget stabilization	24,797								24,797
Unreserved-undesignated (deficit)	424,358	(2,439)	280,285						702,204
Total equity and other credits	502,708	18,429	284,624	13,916	(49,263)	-	4,037,097	-	4,807,511
Total liabilities, equity and other credits	\$2,712,849	\$68,934	\$3,448,702	\$68,463	\$34,540	\$18,918	\$4,037,097	\$457,662	\$10,847,165

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

SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Revenues:				
From local sources:				
Taxes	\$1,529,559		\$160,742	\$1,690,301
Tuition	4,801			4,801
Earnings on investments	74,728		16,819	91,547
Extracurricular		\$60,369		60,369
Other local revenues	60,754	7,455		68,209
Intergovernmental - State	3,437,602	83,887	187,076	3,708,565
Intergovernmental - Federal		332,965	6,965	339,930
Total revenues	5,107,444	484,676	371,602	5,963,722
Expenditures:				
Current:				
Instruction:				
Regular	2,166,596	126,842	27,456	2,320,894
Special	584,549	286,939		871,488
Vocational	63,708			63,708
Other		622		622
Support services:				
Pupil	188,167	810		188,977
Instructional staff.	145,053	31,623		176,676
Board of Education.	101,737			101,737
Administration	454,033	23,210		477,243
Fiscal	125,454	501	3,374	129,329
Operations and maintenance	405,876		72,453	478,329
Pupil transportation.	467,845			467,845
Central		885		885
Community services		5,732		5,732
Extracurricular activities.	76,712	59,864		136,576
Facilities acquisition and construction			5,000	5,000
Debt service:				
Principal retirement	9,441			9,441
Interest and fiscal charges	42,259		1,035	43,294
Total expenditures	4,831,430	537,028	109,318	5,477,776
Excess of revenues over (under) expenditures.	276,014	(52,352)	262,284	485,946
Other financing sources (uses):				
Operating transfers in			17,610	17,610
Operating transfers out	(17,610)			(17,610)
Proceeds from sale of fixed assets.	4,203			4,203
Total other financing sources (uses)	(13,407)	-	17,610	4,203
Excess of revenues and other financing sources over (under) expenditures and other financing uses	262,607	(52,352)	279,894	490,149
Fund balances, July 1.	240,101	70,781	4,730	315,612
Fund balances, June 30.	<u>\$502,708</u>	<u>\$18,429</u>	<u>\$284,624</u>	<u>\$805,761</u>

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

SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	General			Special Revenue			Capital Projects			Total (Memorandum only)		
	Revised	Actual	Variance: Favorable (Unfavorable)	Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:												
From local sources:												
Taxes.....	\$1,874,746	\$1,524,594	(\$350,152)				\$162,833	\$161,578	(\$1,255)	\$2,037,579	\$1,686,172	(\$351,407)
Tuition.....	5,904	4,801	(1,103)							5,904	4,801	(1,103)
Earnings on investments.....	91,890	74,727	(17,163)							91,890	74,727	(17,163)
Extracurricular.....				\$72,779	\$60,369	(\$12,410)				72,779	60,369	(12,410)
Other local revenues.....	81,333	66,142	(15,191)	8,985	7,453	(1,532)				90,318	73,595	(16,723)
Intergovernmental - State.....	4,208,711	3,422,635	(786,076)	98,049	83,888	(14,161)	194,037	236,757	42,720	4,500,797	3,743,280	(757,517)
Intergovernmental - Federal.....				341,071	280,358	(60,713)				341,071	280,358	(60,713)
Total revenues.....	6,262,584	5,092,899	(1,169,685)	520,884	432,068	(88,816)	356,870	398,335	41,465	7,140,338	5,923,302	(1,217,036)
Expenditures:												
Current:												
Instruction:												
Regular.....	2,241,964	2,141,570	100,394	175,361	149,234	26,127	31,865	28,227	3,638	2,449,190	2,319,031	130,159
Special.....	687,718	575,143	112,575	305,360	238,981	66,379				993,078	814,124	178,954
Vocational.....	63,692	63,233	459							63,692	63,233	459
Other.....	500	0	500	7,576	847	6,729				8,076	847	7,229
Support services:												
Pupil.....	202,696	187,786	14,910	810	810	0				203,506	188,596	14,910
Instructional staff.....	193,065	148,390	44,675	29,774	28,772	1,002				222,839	177,162	45,677
Board of Education.....	138,402	103,959	34,443							138,402	103,959	34,443
Administration.....	469,409	457,852	11,557	22,989	22,989	0				492,398	480,841	11,557
Fiscal.....	148,959	125,796	23,163	500	500	0	3,374	3,374	0	152,833	129,670	23,163
Operations and maintenance.....	482,966	425,350	57,616	50	0	50	168,618	73,691	94,927	651,634	499,041	152,593
Pupil transportation.....	518,204	469,052	49,152							518,204	469,052	49,152
Central.....				888	885	3				888	885	3
Community services.....				5,747	5,747	0				5,747	5,747	0
Extracurricular activities.....	96,931	77,030	19,901	75,893	71,350	4,543				172,824	148,380	24,444
Facilities acquisition and construction.....							5,000	5,000	0	5,000	5,000	0
Pass-through intergovernmental.....	73,491	0	73,491							73,491	0	73,491
Debt service:												
Principal retirement.....	156,425	156,425	0				38,625	38,625	0	195,050	195,050	0
Interest and fiscal charges.....	40,403	40,218	185				1,035	1,035	0	41,438	41,253	185
Total expenditures.....	5,514,825	4,971,804	543,021	624,948	520,115	104,833	248,517	149,952	98,565	6,388,290	5,641,871	746,419
Excess (deficiency) of revenues over (under) expenditures.....	747,759	121,095	(626,664)	(104,064)	(88,047)	16,017	108,353	248,383	140,030	752,048	281,431	(470,617)
Other financing sources (uses):												
Operating transfers in.....							17,747	17,610	(137)	17,747	17,610	(137)
Operating transfers (out).....	(176,091)	(17,610)	158,481							(176,091)	(17,610)	158,481
Advances in.....	93,472	76,014	(17,458)							93,472	76,014	(17,458)
Advances (out).....							(76,014)	(76,014)	0			
Proceeds of sale of fixed assets.....												
Proceeds from sale of notes.....	5,168	4,203	(965)				3,160,728	3,092,000	(68,728)	3,160,728	3,092,000	(68,728)
Total other financing sources (uses).....	(77,451)	62,607	(140,058)	-	-	-	3,102,461	3,033,596	(68,865)	3,025,010	3,096,203	71,193
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	670,308	183,702	(486,606)	(104,064)	(88,047)	16,017	3,210,814	3,281,979	71,165	3,777,058	3,377,634	(399,424)
Fund balances, July 1 (restated).....	1,261,369	1,261,369	0	94,560	94,560	0	48,252	48,252	0	1,404,181	1,404,181	0
Prior year encumbrances appropriated.....	21,387	21,387	0	13,012	13,012	0	25,099	25,099	0	59,498	59,498	0
Fund balances, June 30.....	\$1,953,064	\$1,466,458	(\$486,606)	\$3,508	\$19,525	\$16,017	\$3,284,165	\$3,355,330	\$71,165	\$5,240,737	\$4,841,313	(\$399,424)

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

SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS (ACCUMULATED DEFICIT)
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating revenues:			
Sales/charges for services.	\$121,990	\$656,000	\$777,990
 Total operating revenues.	 121,990	 656,000	 777,990
Operating expenses:			
Personal services	153,237	27,957	181,194
Contract services	2,217		2,217
Materials and supplies.	146,943		146,943
Depreciation.	2,485		2,485
Other operating expenses	400		400
Claims expense		606,865	606,865
 Total operating expenses.	 305,282	 634,822	 940,104
Operating income (loss)	(183,292)	21,178	(162,114)
Nonoperating revenues:			
Operating grants.	145,665		145,665
Federal commodities	23,699		23,699
Interest revenue	186	476	662
 Total nonoperating revenues.	 169,550	 476	 170,026
Net income (loss).	(13,742)	21,654	7,912
Retained earnings (accumulated deficit) at July 1	25,811	(70,917)	(45,106)
Retained earnings (accumulated deficit) at June 30	<u>\$12,069</u>	<u>(\$49,263)</u>	<u>(\$37,194)</u>

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

SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from sales/service charges	\$121,990	\$656,000	\$777,990
Cash payments for personal services	(147,549)	(27,957)	(175,506)
Cash payments for contract services.	(1,919)		(1,919)
Cash payments for materials and supplies.	(120,580)		(120,580)
Cash payments for claims expenses		(593,979)	(593,979)
Cash payments for other expenses.	(309)		(309)
Net cash provided by (used in) operating activities	(148,367)	34,064	(114,303)
Cash flows from noncapital financing activities:			
Cash received from operating grants.	149,825		149,825
Net cash provided by noncapital financing activities	149,825	-	149,825
Cash flows from capital and related financing activities:			
Acquisition of capital assets.	(4,838)		(4,838)
Net cash used in capital and related financing activities	(4,838)	-	(4,838)
Cash flows from investing activities:			
Interest received	186	476	662
Net cash provided by investing activities	186	476	662
Net increase (decrease) in cash and cash equivalents	(3,194)	34,540	31,346
Cash and cash equivalents at beginning of year	21,000	0	21,000
Cash and cash equivalents at end of year.	\$17,806	\$34,540	\$52,346
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	(\$183,292)	\$21,178	(\$162,114)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	2,485		2,485
Federal donated commodities.	23,699		23,699
Changes in assets and liabilities:			
Increase in materials and supplies inventory	(395)		(395)
Increase in accounts payable	2,639		2,639
Increase in accrued wages and benefits	3,564		3,564
Decrease in compensated absences payable.	(527)		(527)
Increase in pension obligation payable	2,651		2,651
Decrease in due to other governments		(37,975)	(37,975)
Increase in claims payable.		50,861	50,861
Increase in deferred revenue.	809		809
Net cash provided by (used in) operating activities	(\$148,367)	\$34,064	(\$114,303)

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 1 - DESCRIPTION OF THE ENTITY

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

The District ranks as the 521st largest by total enrollment among the 660 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 four instructional/support facilities staffed by 40 classified employees and 66 certificated employees who provide services to 910 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

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

JOINTLY GOVERNED ORGANIZATIONS

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

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

Lincoln Way Special Education Regional Resource Center (LWSERRC)

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

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

Columbiana County Career Center

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

PUBLIC ENTITY RISK POOLS

Columbiana County School Employees Insurance Consortium (Consortium)

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

B. Basis of Presentation - Fund Accounting

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

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

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

GOVERNMENTAL FUNDS

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

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

PROPRIETARY FUNDS

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

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

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

FIDUCIARY FUNDS

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

ACCOUNT GROUPS

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

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

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

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred. There were no unbilled service charges receivable at 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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

D. Budgetary Process

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

Tax Budget:

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2000.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund 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 does not exceed the amounts set forth in the most recent certificate of estimated resources. Supplemental appropriations were legally enacted during fiscal 2000; however, none of the amendments were significant.

Encumbrances:

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

Lapsing of Appropriations:

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

E. Cash and Investments

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

During fiscal year 2000, investments were limited to certificates of deposit and repurchase agreements. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2000 amounted to \$74,728 which includes \$39,324 assigned from other District funds.

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

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

F. Inventory

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

G. Fixed Assets and Depreciation

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

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

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

H. Intergovernmental Revenues

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

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

Entitlements

General Fund

State Foundation Program
School Bus Purchase

Special Revenue Fund

Disadvantaged Pupil Impact Aid

Non-reimbursable Grants

Special Revenue Funds

Title I
Title VI
Drug Free Schools
Educational Management Information System
Professional Development
Goals 2000
Class Size Reduction
Ohio Reads
Disadvantaged Pupil Impact Aid

Capital Projects Funds

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

Reimbursable Grants

General Fund

Driver Education Reimbursement

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

Reimbursable Grants - (Continued)

Proprietary Funds

National School Lunch Program
School Breakfast Program
Government Donated Commodities

Grants and entitlements amounted to 61 percent of the District's operating revenue during the 2000 fiscal year.

I. Compensated Absences

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

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

The total liability for vacation and sick leave payments 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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

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.

J. Contributed Capital

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

L. Prepayments

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because 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.

M. Restricted Assets

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

N. Estimates

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

O. Interfund Transactions

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, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 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 no short-term interfund loans receivable or payable at June 30, 2000.
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, 2000.

An analysis of interfund transactions is presented in Note 5.

P. Fund Balance Reserves

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

Q. Total Columns (Memorandum Only)

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances/Retained Earnings

Fund balance/retained earnings at June 30, 2000, included the following individual fund deficits:

	<u>Deficit Balances</u>
<u>Special Revenue Funds</u>	
Title I	\$34,804
Miscellaneous Federal Grants	4,923
<u>Internal Service Fund</u>	
Employee Benefits Self-Insurance	49,263

The Title I special revenue fund did not comply with Ohio Revised Code Section 5705.10 which does not permit a cash basis deficit at year end. Title I had a deficit cash fund balance of \$1,897 at June 30, 2000. On a GAAP basis the deficit fund balance in the Title I special revenue fund is a result of a negative cash balance and accruing wage, benefit and pension obligations in accordance with GAAP. This deficit will be eliminated by anticipated intergovernmental revenues and/or other subsidies not recognized at June 30.

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

The deficit fund balance in the Miscellaneous Federal Grants special revenue fund is caused by accruing wage, benefit and pension obligations in accordance with GAAP. These deficits will be eliminated by anticipated intergovernmental revenues and/or other subsidies not recognized at June 30.

The deficit retained earnings in the internal service Employee Benefits Self-Insurance Fund is a result of the application of GAAP, namely in the recognition of incurred but not paid and incurred but not reported claims as a fund liability. This deficit will be eliminated as premiums are received to pay these claims.

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Agency Fund

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

ASSETS

Accounts payable	\$313
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C. Budgetary Compliance

In accordance with the Ohio Revised Code Section 5704.41 (B) the following funds had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 2000:

Fund Type Fund	Prior Year Carry over Plus Appropriations	Expenditures Plus Encumbrances	Excess
<u>Special Revenue Funds:</u>			
District Managed Activity	\$40,000	\$60,320	\$20,320
EMIS	991	4,717	3,762
Disadvantaged Pupil Impact Aid	38,871	92,874	54,003
Miscellaneous State Grants	0	864	864
<u>Capital Projects Funds:</u>			
Permanent Improvement	0	190,845	190,845
ADA Grant School Facilities	0	52,770	52,770
SchoolNet	0	8,772	8,772
Tech Equity	0	6,069	6,069
Emergency Building Repair	0	59,174	59,174
<u>Enterprise Fund:</u>			
Food Service	246,150	275,195	29,045

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

In accordance with the Ohio Revised Code Section 5705.39 the following funds had appropriations in excess of total estimated revenues plus available balances in the following funds:

<u>Fund Type</u>	<u>Fund</u>	<u>Excess Amount</u>
Special Revenue	Ohio Reads	\$ 15,000
Special Revenue	Title I	68,970
Special Revenue	Title VI	2,400
Special Revenue	Drug Free Schools	37
Special Revenue	Goals 2000	23,588
Internal Service	Self-Insurance	123,507
Internal Service	Library Automation	500

D. Budgetary (Non-GAAP) Basis Restatement

Balances at July 1, 1999, in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types have been restated to present true unencumbered cash balances at July 1, 1999 for the Special Revenue fund type.

NOTE 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings 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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash with fiscal agent: At June 30, 2000, the District's self-insurance internal service fund's cash balance of \$34,540 cannot be identified as either a deposit or investment. The money is held by the claims servicer in a pooled account which is representative of numerous entities. Information about the pool as a whole can be obtained by contacting the Treasurer at East Palestine City Schools, 200 W. North Ave., East Palestine, Ohio 44413.

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 \$3,160,734 and the bank balance was \$3,207,383. These balances included \$3,092,000 in nonnegotiable certificates of deposit. Of the bank balance:

1. \$215,383 was covered by federal depository insurance; and

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NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

2. \$2,992,000 was uninsured and unregistered because 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.

	<u>Category</u> 3	<u>Reported</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>
Repurchase agreement	<u>\$1,780,935</u>	<u>\$1,780,935</u>	<u>\$1,780,935</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".

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 4,976,209	\$ 0
Cash with fiscal agent	(34,540)	---
Investments of the cash management pool:		
Repurchase agreement	<u>(1,780,935)</u>	<u>1,780,935</u>
GASB Statement No. 3	<u>\$ 3,160,734</u>	<u>\$1,780,935</u>

NOTE 5 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the District's operating transfers for fiscal year 2000:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ ---	\$17,610
<u>Capital Projects Funds</u>		
SchoolNet	770	---
ADA Grant School Facilities	<u>16,840</u>	<u>---</u>
Total	<u>\$17,610</u>	<u>\$17,610</u>

NOTE 6 - PROPERTY TAXES

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 6 - PROPERTY TAXES - (Continued)

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

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25 percent of true value. The assessed value upon which the 1999 taxes were collected was \$61,081,680. Agricultural/residential and public utility/minerals real estate represented \$45,422,330 or 74.36 percent of this total, commercial & industrial real estate represented \$3,820,540 or 6.25 percent of this total, public utility tangible represented \$7,986,920 or 13.08 percent of this total and general tangible property represented \$3,851,890 or 6.31 percent of this total. The voted general tax rate at the fiscal year ended June 30, 2000 was \$42.00 per \$1,000.00 of assessed valuation for operations and \$3.90 per \$1,000.00 of assessed valuation for permanent improvements.

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

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. 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, 2000, was \$37,650 in the general fund and \$4,339 in the Permanent Improvement capital projects fund.

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 6 - PROPERTY TAXES - (Continued)

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000, 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 they are intended to finance the current fiscal year). Intergovernmental receivables have been reported as “due from other governments” on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$1,224,983
Accounts	3,953
 <u>Capital Projects Funds</u>	
Taxes - current and delinquent	76,417
Accrued interest	16,819
 <u>Enterprise Fund</u>	
Due from other governments	17,534

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and equipment	\$ 146,249
Less: accumulated depreciation	<u>(118,146)</u>
Net fixed assets	<u>\$ 28,103</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 8 - FIXED ASSETS - (Continued)

A summary of the changes in general fixed assets during fiscal year 2000 follows:

	<u>Balance</u> <u>July 1, 1999</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2000</u>
Land and Improvements	\$ 60,281	\$ ---	\$ ---	\$ 60,281
Buildings	1,635,284	---	---	1,635,284
Furniture and Equipment	1,589,592	115,182	---	1,704,774
Vehicles	<u>546,308</u>	<u>124,192</u>	<u>(33,742)</u>	<u>636,758</u>
Total	<u>\$3,831,465</u>	<u>\$239,374</u>	<u>\$(33,742)</u>	<u>\$4,037,097</u>

There was no significant construction in progress at June 30, 2000.

NOTE 9 - CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended June 30, 2000 are summarized by source as follows:

	<u>Food Service</u>
Contributed capital, July 1, 1999	\$1,847
Current fiscal year contributions	<u>---</u>
Contributed capital, June 30, 2000	<u>\$1,847</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$46,663, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2000.

Fiscal Year Ending June 30,	Amount
2001	\$11,482
2002	<u>10,525</u>
Total minimum lease payments	22,007
Less: amount representing interest	<u>(1,667)</u>
Present value of minimum lease payments	<u>\$20,340</u>

NOTE 11 - LONG-TERM OBLIGATIONS

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

	Outstanding July 1, 1999	Additions	Deductions	Outstanding June 30, 2000
Compensated Absences	\$368,584	\$25,825	\$ - - -	\$394,409
Pension Obligation Payable	43,283	42,913	(43,283)	42,913
Capital Leases Payable	<u>29,781</u>	<u>- - -</u>	<u>(9,441)</u>	<u>20,340</u>
Total General Long-Term Obligations	<u>\$441,648</u>	<u>\$68,738</u>	<u>\$(52,724)</u>	<u>\$457,662</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. Capital lease obligations will be paid from the general fund.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$5,497,351 and an unvoted debt margin of \$61,082.

C. Compensated Absences

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

NOTE 12 - OTHER EMPLOYEE BENEFITS

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

Life Insurance

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 13 - LOAN AND NOTE ACTIVITY

A. A summary of the loan and note transactions for the year ended June 30, 2000, follows:

	<u>Outstanding July 1, 1999</u>	<u>Retired in 2000</u>	<u>Outstanding June 30, 2000</u>
General Fund:			
1993 6.50% State Loan	\$687,008	\$(156,425)	\$530,583
Capital Projects Fund:			
1995 6.75% Tax Anticipation Note	<u>38,625</u>	<u>(38,625)</u>	<u>0</u>
Total Loan and Notes Payable	<u>\$725,633</u>	<u>\$(195,050)</u>	<u>\$530,583</u>

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

B. Bond Anticipation Note

On June 15, 2000, the District issued \$3,092,000 in a bond anticipation note to begin the construction of a new comprehensive building. This note bears an annual interest rate of 5.15% and is due on June 24, 2001. A summary of the bond anticipation note transactions for the year ended June 30, 2000 follows:

	<u>Principal Outstanding July 1, 1999</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2000</u>
<u>Capital Projects Fund</u>				
Bond Anticipation Note - 5.15%	<u>\$ 0</u>	<u>\$3,092,000</u>	<u>\$ 0</u>	<u>\$3,092,000</u>

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 13 - LOAN AND NOTE ACTIVITY - (Continued)

Principal and interest requirements to retire the State loan and bond anticipation note outstanding at June 30, 2000, is as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$3,258,732	\$189,150	\$3,447,882
2002	177,928	18,716	196,644
2003	<u>185,923</u>	<u>6,727</u>	<u>192,650</u>
Total	<u>\$3,622,583</u>	<u>\$214,593</u>	<u>\$3,837,176</u>

NOTE 14 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. For fiscal year 2000, the District contracted with Nationwide Insurance for property, boiler and inland marine insurance. This risk policy has a \$1,000 deductible.

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

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

B. Worker's Compensation

For fiscal year 2000, 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.

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 14 - RISK MANAGEMENT - (Continued)

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.

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 \$628.55 family coverage or \$212.96 individual coverage per month which represents the entire premium required. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information. Dental coverage is also provided on a self-insured basis. Premiums for this coverage are \$33.35 monthly for family coverage and \$13.52 monthly for single coverage. Vision coverage is also provided on a self-insured basis. Premiums for this coverage are \$5.10 monthly for family coverage and \$2.52 for single coverage. The District is responsible for payment of all claim amounts.

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 14 - RISK MANAGEMENT - (Continued)

The liability for unpaid claims of \$83,803 reported in the internal service fund at June 30, 2000, is based on the requirements of GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by GASB Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. The claims liability is based on an estimate supplied by the District’s third party administrator. Changes in the fund’s claims liability for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2000	\$32,942	\$606,865	\$(556,004)	\$83,803
1999	\$47,060	\$716,844	\$(730,962)	\$32,942

NOTE 15 - SEGMENT INFORMATION - ENTERPRISE FUND

The District maintains one enterprise fund which provides lunchroom/cafeteria services, therefore segment information for the year ended June 30, 2000 is not presented. The enterprise fund had no encumbrances outstanding at June 30, 2000.

NOTE 16 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer 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, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$95,617, \$86,965, and \$83,963, respectively; 40 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$57,120, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$331,992, \$289,421, and \$274,848, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$56,884, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

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.

**SOUTHERN LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2000, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 17 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the 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 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 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$189,710 during fiscal 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion at June 30, 1999 (the latest information available). For the year ended June 30, 1999 (the latest information available), net health care costs paid by STRS were \$249.929 million and STRS had 95,796 eligible benefit recipients.

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 17 - POSTEMPLOYMENT BENEFITS - (Continued)

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126.4 million and the target level was \$189.6 million. At June 30, 1999 (the latest information available), SERS had net assets available for payment of health care benefits of \$188.0 million and SERS had approximately 51,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$78,105 during the 2000 fiscal year.

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Budget basis	\$183,702	\$(88,047)	\$ 3,281,979
Net adjustment for revenue accruals	14,545	52,608	(26,733)
Net adjustment for expenditure accruals	126,287	(66,322)	40,634
Net adjustment for other financing sources (uses)	(76,014)	- - -	(3,015,986)
Encumbrances (budget basis)	<u>14,087</u>	<u>49,409</u>	<u>- - -</u>
GAAP Basis	<u>\$262,607</u>	<u>\$(52,352)</u>	<u>\$ 279,894</u>

NOTE 19 - CONTINGENCIES

A. Grants

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 19 - CONTINGENCIES - (Continued)

B. Litigation

The District is not a party to any legal proceedings.

C. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$3,169,096 of school foundation support for its general fund.

The Court also declared the emergency school loan assistance program unconstitutional. The emergency school loan program allowed the District to borrow money from a commercial financial institution with repayment going directly to the lender from the State through withholding a portion of the District's future school foundation payments. In prior fiscal years, the District had borrowed \$1,101,219 under this program; the final payment of this note will be made in fiscal year 2003. The terms of the debt are further described in Note 13 to these financial statements.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County 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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 19 - CONTINGENCIES - (Continued)

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 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.

NOTE 20 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance			
as of June 30, 1999	\$ 0	\$ 0	\$24,797
Current year set-aside requirement	112,056	112,056	---
Current year offsets	---	(161,568)	---
Qualifying disbursements	<u>(173,928)</u>	<u> </u>	<u>---</u>
Total	<u>\$ (61,872)</u>	<u>\$ (49,512)</u>	<u>\$24,797</u>
 Cash balance/qualifying carry forward to FY 2001	 <u>\$ 61,872</u>	 <u>\$ 49,512</u>	 <u>\$24,797</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero. These extra amounts are being carried forward to reduce the set-aside requirements of future years.

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

A schedule of the restricted assets at June 30, 2000 follows:

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

SUPPLEMENTAL DATA

**SOUTHERN LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(C) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(C) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Grant Cluster:						
(A) (D) Food Distribution	10.550	N/A		\$24,507		\$23,699
(B) (D) School Breakfast Program	10.553	N/A	\$29,282		\$29,282	
(B) (D) National School Lunch Program	10.555	N/A	109,305		109,305	
Total Nutrition Cluster and U. S. Department of Agriculture			<u>138,587</u>	<u>24,507</u>	<u>138,587</u>	<u>23,699</u>
U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Local Educational Agencies	84.010	46441-C1-S1-99	57,819		74,070	
Title I - Local Educational Agencies	84.010	46441-C1-S1-99C	5,194		5,194	
Title I - Local Educational Agencies	84.010	46441-C1-S1-00	161,322		163,218	
Total Title I			<u>224,335</u>		<u>242,482</u>	
Safe and Drug-Free Schools Grant	84.186	46441-DR-S1-99	673		1,349	
Safe and Drug-Free Schools Grant	84.186	46441-DR-S1-99C	3,162		937	
Total Drug-Free Schools Grant			<u>3,835</u>		<u>2,286</u>	
Goals 2000	84.276	46441-G2-S1-98P	0		33,627	
Goals 2000	84.276	46441-G2-S1-99	31,388		26,577	
Total Goals 2000			<u>31,388</u>		<u>60,204</u>	
Innovative Education Program Strategies - Title VI	84.298	46441-C2-S1-99C	662		0	
Innovative Education Program Strategies - Title VI	84.298	46441-C2-S1-00	1,332		738	
Total Title VI			<u>1,994</u>		<u>738</u>	
Class Size Reduction	84.340	46441-CR-S1-00	18,805		18,805	
Total U. S. Department of Education			<u>280,357</u>		<u>324,515</u>	
Total Federal Financial Assistance			<u>\$418,944</u>	<u>\$24,507</u>	<u>\$463,102</u>	<u>\$23,699</u>

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

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

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

We have audited the general purpose financial statements of Southern Local School District as of and for the fiscal year ended June 30, 2000, and have issued our report thereon dated November 14, 2000. We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Southern Local School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items: 2000-46441-001, 2000-46441-002, 2000-46441-003 and 2000-46441-004. We also noted a certain immaterial instance of noncompliance that we have reported to management of Southern local School District in a separate letter dated November 14, 2000.

Board of Education
Southern Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southern Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to the significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Southern Local School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2000-46441-001, 2000-46441-002, 2000-46441-003 and 2000-46441-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of Southern Local School District in a separate letter dated November 14, 2000.

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

Trimble, Julian & Grube, Inc.
November 14, 2000

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

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

Compliance

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

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

Board of Education
Southern Local School District

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

Internal Control Over Compliance

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

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

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

Trimble, Julian & Grube, Inc.
November 14, 2000

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program:</i>	Nutrition Grant Cluster: Food Distribution, CFDA #10.550; School Breakfast Program, CFDA #10.553; National School Lunch Program, CFDA #10.555.
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2000

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

Finding Number	2000-46441-001
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Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed total estimated revenues plus available balances.

It was noted during the audit that the total appropriations exceeded the total estimated revenues plus available balances in the following funds:

<u>Fund Type</u>	<u>Fund</u>	<u>Excess Amount</u>
Special Revenue	Ohio Reads	\$ 15,000
Special Revenue	Title I	68,970
Special Revenue	Title VI	2,400
Special Revenue	Drug Free Schools	37
Special Revenue	Goals 2000	23,588
Internal Service	Self-Insurance	123,507
Internal Service	Library Automation	500

With appropriations exceeding revenues, the District is spending monies that are not lawfully appropriated for those purposes and thus cause a fund deficit.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated revenue records and amending the budget prior to year end. If it is determined that estimated revenues will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated revenues. In addition, the District should monitor its budgetary process on a regular basis.

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2000

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

Finding Number	2000-46441-002
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Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

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

Fund Type Fund	<u>Appropriations</u>	Prior Year Carry Over Plus Plus Encumbrances	<u>Expenditures Excess</u>
<u>Special Revenue Funds:</u>			
District Managed Activity	\$ 40,000	\$ 60,320	\$ 20,320
EMIS	991	4,717	3,762
Disadvantaged Pupil Impact Aid	38,871	92,874	54,003
Miscellaneous State Grants	0	864	864
<u>Capital Projects Funds:</u>			
Permanent Improvement	0	190,845	190,845
ADA Grant School Facilities	0	52,770	52,770
SchoolNet	0	8,772	8,772
Tech Equity	0	6,069	6,069
Emergency Building Repair	0	59,174	59,174
<u>Enterprise Fund:</u>			
Food Service	246,150	275,195	29,045

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

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

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2000

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

Finding Number	2000-46441-003
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Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be used only for the purposes for which such fund is established.

It was noted during the audit that the District paid for Title I fund expenditures prior to any receipt of funds.

By expending funds without receipt of monies, the Title I fund maintained a negative cash fund balance at June 30, 2000.

We recommend that the District properly expend monies only after funds have been received. If funds are anticipated, but not yet received and expenditures are necessary, the District should advance or transfer funds from the General Fund with proper board approval.

Finding Number	2000-46441-004
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure must be made by Board resolution and comply with the same provisions of the law as used in making the original appropriations.

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

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

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

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2000

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2000**

<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
1999-46441-001	Ohio Revised Code Section 5705.40	No	Partially Corrected; the Treasurer made numerous supplemental appropriations to FY'00 permanent appropriations
1999-46441-002	Ohio Revised Code Section 5705.38	Yes	Finding No Longer Valid
1999-46441-003	Ohio Revised Code Section 5705.41 (B)	No	Partially Corrected; the Treasurer made numerous supplemental appropriations to FY'00 permanent appropriations.



STATE OF OHIO
OFFICE OF THE AUDITOR

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SOUTHERN LOCAL SCHOOL DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 16, 2001**