



**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash, Investments and Fund Cash Balances - All Fund Types	3
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types -	4
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types -	5
Combined Statement of Receipts - Budget and Actual - All Budgeted Fund Types	7
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority - All Budgeted Fund Types	8
Notes to the Financial Statements	11
Schedule of Federal Awards Receipts and Expenditures	25
Notes to Schedule of Federal Awards Receipts and Expenditures	26
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	27
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	29
Schedule of Findings - <i>OMB Circular A-133 §.505</i>	31
Schedule of Prior Audit Findings - <i>OMB Circular A-133 §.315(b)</i>	34

This page intentionally left blank.



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

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Southern Local School District
Perry County
10390 State Route 155 SE
Corning, Ohio 43730

To the Board of Education:

We have audited the accompanying financial statements of the Southern Local School District, Perry County, Ohio (the School District), as of and for the year ended June 30, 2001. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03(B) requires the School District to file its annual financial report pursuant to accounting principles generally accepted in the United States of America. However, as discussed in Note 2, for the year ended June 30, 2001, the School District prepared its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and combined fund cash balances of the Southern Local School District, Perry County, as of June 30, 2001, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2001, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Jim Petro
Auditor of State

November 19, 2001

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND
CASH BALANCES
ALL FUND TYPES
AS OF JUNE 30, 2001**

Cash	\$ 1,358,627
Investments	<u>558,839</u>
Total	<u>\$ 1,917,466</u>

CASH BALANCES BY FUND TYPE

Governmental Funds:	
General Fund	\$ 701,126
Special Revenue Funds	194,425
Debt Service Fund	200,542
Capital Projects Funds	495,161
Proprietary Funds:	
Enterprise Funds	2,325
Internal Service Fund	293,989
Fiduciary Funds:	
Expendable Trust Fund	5,910
Agency Funds	<u>23,988</u>
Total	<u>\$ 1,917,466</u>

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

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>(Memorandum Only)</u>
Receipts:						
Receipts from Local Sources						
Taxes	\$ 684,886	\$ 14,974	\$ 167,213	\$ 6,404	\$ 7	\$ 867,073
Earnings on Investment	76,513					82,924
Extracurricular Activities		114,544				114,544
Classroom Material & Fees	14,627					14,627
Miscellaneous	76,217	59,159			438	135,814
Receipts from Intermediate Sources						
Restricted Grants-In-Aid					7,479	7,479
Receipts from State Sources						
Unrestricted Grants-In-Aid	5,119,536	1,290	13,671			5,134,497
Restricted Grants-In-Aid	46,437	389,691		299,631		735,759
Revenue for/on Behalf of the District	17,059					17,059
Receipts from Federal Sources						
Restricted Grants-In-Aid		483,471				483,471
Total Receipts	<u>6,035,275</u>	<u>1,063,129</u>	<u>180,884</u>	<u>306,035</u>	<u>7,924</u>	<u>7,593,247</u>
Disbursements:						
Instruction:						
Regular	2,540,246	279,771		50,844	4,651	2,875,512
Special	925,749	282,221				1,207,970
Vocational Education	81,630					81,630
Supporting Services:						
Pupils	128,183	136,818				265,001
Instructional Staff	185,673	83,666				269,339
Board of Education	53,469					53,469
Administration	556,837	22,165				579,002
Fiscal Services	180,705	2,032	5,904	529		189,170
Operation and Maintenance - Plant	618,516	9,885			1,500	629,901
Pupil Transportation	388,036					388,036
Central	57,883	1,000				58,883
Extracurricular Activities:						
Academic and Subject Oriented Activities	6,172	35,105				41,277
Sports Oriented	82,454	42,510				124,964
Co-Curricular Activities	26,129	93,006				119,135
Facilities Acquisition and Construction Services:						
Building Acquisition and Construction				1,436		1,436
Building Improvement				4,080		4,080
Debt Service:						
Repayment of Debt	17,293		151,041			168,334
Total Disbursements	<u>5,848,975</u>	<u>988,179</u>	<u>156,945</u>	<u>56,889</u>	<u>6,151</u>	<u>7,057,139</u>
Excess of Receipts Over/(Under) Disbursements	<u>186,300</u>	<u>74,950</u>	<u>23,939</u>	<u>249,146</u>	<u>1,773</u>	<u>536,108</u>
Other Financing Sources/(Uses):						
Proceeds from Sale of Notes				214,000		214,000
Advances-In	38,843					38,843
Transfers-Out	(15,000)					(15,000)
Total Other Financing Sources/(Uses)	<u>23,843</u>			<u>214,000</u>		<u>237,843</u>
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing (Uses)	210,143	74,950	23,939	463,146	1,773	773,951
Beginning Cash Balances, July 1, 2000	490,983	119,475	176,603	32,015	4,137	823,213
Ending Cash Balances, June 30, 2001	<u>\$ 701,126</u>	<u>\$ 194,425</u>	<u>\$ 200,542</u>	<u>\$ 495,161</u>	<u>\$ 5,910</u>	<u>\$ 1,597,164</u>

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

SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
Operating Receipts:				
Food Service	\$ 129,834	\$	\$	\$ 129,834
Extracurricular Activities			34,788	34,788
Classroom Materials and Fees	693			693
Total Operating Receipts	<u>130,527</u>		<u>34,788</u>	<u>165,315</u>
Operating Disbursements:				
Personal Services - Salaries	99,713			99,713
Employees' Retirement and Insurance	41,738			41,738
Purchased Services	178,916	736,156		915,072
Supplies and Materials	1,748			1,748
Other			29,449	29,449
Total Operating Disbursements	<u>322,115</u>	<u>736,156</u>	<u>29,449</u>	<u>1,087,720</u>
Operating Income/(Loss)	<u>(191,588)</u>	<u>(736,156)</u>	<u>5,339</u>	<u>(922,405)</u>
Nonoperating Receipts/(Disbursements):				
Earnings on Investments			76	76
Miscellaneous	1,061	162,794	4,797	168,652
State Restricted Grants-In-Aid	13,262			13,262
Federal Unrestricted Grants-In-Aid	202,213			202,213
Total Nonoperating Receipts/(Disbursements)	<u>216,536</u>	<u>162,794</u>	<u>4,873</u>	<u>384,203</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Advances	24,948	(573,362)	10,212	(538,202)
Transfers-In	15,000			15,000
Advances-Out	<u>(38,843)</u>			<u>(38,843)</u>
Net Income/(Loss)	1,105	(573,362)	10,212	(562,045)
Fund Cash Balances, July 1, 2000	<u>1,220</u>	<u>867,351</u>	<u>13,776</u>	<u>882,347</u>
Fund Cash Balances, June 30, 2001	<u>\$ 2,325</u>	<u>\$ 293,989</u>	<u>\$ 23,988</u>	<u>\$ 320,302</u>

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

This page intentionally left blank.

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL -
ALL BUDGETED FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$ 6,068,766	6,074,118	\$ 5,352
Special Revenue	1,062,544	1,063,129	585
Debt Service	180,884	180,884	0
Capital Projects	518,921	520,035	1,114
Proprietary			
Enterprise	347,063	362,063	15,000
Internal Service	154,774	162,794	8,020
Fiduciary			
Expendable Trust	<u>7,922</u>	<u>7,924</u>	<u>2</u>
Totals (Memorandum Only)	<u>\$ 8,340,874</u>	<u>\$ 8,370,947</u>	<u>\$ 30,073</u>

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

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY
ALL BUDGETED FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
Governmental			
General	\$ 66,951	\$ 6,492,799	\$ 6,559,750
Special Revenue	28,657	1,153,425	1,182,082
Debt Service		357,487	357,487
Capital Projects	195	330,692	330,887
Proprietary			
Enterprise		309,438	309,438
Internal Service	5,089	1,017,036	1,022,125
Fiduciary			
Expendable Trust		9,884	9,884
Totals (Memorandum Only)	<u>\$ 100,892</u>	<u>\$ 9,670,761</u>	<u>\$ 9,771,653</u>

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

<u>Disbursements</u>	<u>Encumbrances Outstanding 6/30/01</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 5,863,975	\$ 105,788	\$ 5,969,763	\$ 589,987
988,179	16,525	1,004,704	177,378
156,945		156,945	200,542
56,889	7,168	64,057	266,830
360,958	150	361,108	(51,670)
736,156		736,156	285,969
6,151	50	6,201	3,683
<u>\$ 8,169,253</u>	<u>\$ 129,681</u>	<u>\$ 8,298,934</u>	<u>\$ 1,472,719</u>

This page intentionally left blank.

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. DESCRIPTION OF THE ENTITY

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

Average daily membership (ADM) as of October 1, 2000, was 1,074. The School District employed 86 certificated employees and 46 non-certificated employees.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

Failing to follow generally accepted accounting principles is a condition sufficient for the Ohio Department of Education to place the School District in a Fiscal Caution Status. This status requires the School District to submit a corrective action plan to the Department. The Auditor of State is referring this report to the Ohio Department of Education.

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

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Pooled Cash and Investments

The School District Treasurer invests all available funds of the School District in interest-bearing checking. The School District also has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2001. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2000. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings.

C. Fund Accounting

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

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

1. Governmental Fund Types:

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

1. Governmental Fund Types: (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 and Trust Funds).

2. Proprietary Fund Types

Enterprise Funds

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

Internal Service Funds

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

3. Fiduciary Fund Types

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

D. Budgetary Process

1. Budget

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

2. Estimated Resources

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

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

2. Estimated Resources (Continued)

Prior to June 30, the School District must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2000, unencumbered fund balances. However, those fund balances are available for appropriations

3. Appropriations

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

4. Encumbrances

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

E. Property, Plant and Equipment

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

F. Accumulated Unpaid Vacation and Sick Leave

Accumulated unpaid vacation and sick leave are not accrued under the cash basis of accounting described in Note 1. At June 30, 2001, management estimates that \$25,204 in vacation leave and \$2,719,810 in sick leave has been accumulated by the employees of the School District. All leave will either be absorbed by time off from work or, within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of June 30, 2001.

G. Total Columns on Financial Statements

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

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

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

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

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$1,358,627 and the bank balance was \$1,653,230. Of the bank balance, \$100,000 was covered by federal deposit insurance, and \$1,553,230 was collateralized by securities held by a third party bank in the School District's name.

Investments - Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2001. The School District's investment in STAROhio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

<u>Investments:</u>	<u>Carrying Value</u>	<u>Market Value</u>
STAROhio	<u>\$558,839</u>	<u>\$558,839</u>

4. PROPERTY TAXES

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

4. PROPERTY TAXES (Continued)

The full tax rate applied to real property for fiscal year ended June 30, 2000, was \$39.10 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$28.30 per \$1,000 of assessed valuation for real property classified as residential/agricultural and was \$31.14 and per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the School District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for tax year 2000 was \$39.10 per \$1,000 of assessed valuation.

Real Property - 2000 Valuation

Residential/Agricultural	\$23,285,690
Commercial/Industrial	2,006,290
Public Utilities	149,500
Minerals	802,050

Tangible Personal Property - 2000 Valuation

General	1,575,512
Public Utilities	<u>5,102,500</u>
Total	<u>\$32,921,542</u>

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

5. DEBT OBLIGATIONS

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

School Improvement Advance Refunding Bonds

Principal Outstanding	\$1,089,995
Interest Rate	3.7% to 9.6%

School Energy Conservation Loan

Principal Outstanding	\$43,879
Interest Rate	5.5%

School Facilities Improvement Notes

Principal Outstanding	\$211,350
Interest Rate	5%

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

5. DEBT OBLIGATIONS (Continued)

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

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

The school facility notes were issued to finance building improvements. The notes are direct obligations of the School District for which its full faith, credit and resources are pledged.

The annual requirements to amortize debt outstanding as of June 30, 2001, including interest payments of \$1,029,554, are as follows:

<u>Year Ending June 30</u>	<u>General Obligation Bonds</u>	<u>School Energy Conservation Loan</u>	<u>School Facilities Improvement Notes</u>	<u>Total</u>
2002	\$143,488	\$17,293	\$16,000	\$176,781
2003	143,679	17,293	16,000	176,972
2004	138,710	12,969	16,000	167,679
2005	138,545	0	16,000	154,545
2006	142,940	0	16,000	158,940
2007 - 2011	710,000	0	80,000	790,000
2012 - 2016	560,000	0	80,000	640,000
2017- 2020	0	0	80,000	80,000
2020 - 2022	<u>0</u>	<u>0</u>	<u>29,861</u>	<u>29,861</u>
Total	<u>\$1,977,362</u>	<u>\$47,555</u>	<u>\$349,861</u>	<u>\$2,374,778</u>

6. LEASE OBLIGATION

The School District entered into a sixty month lease agreement for the use of three Xerox copiers on April 8, 1997. The annual requirements to amortize the lease obligations outstanding as of June 30, 2001, are as follows:

<u>Year Ending June 30</u>	<u>Leases</u>
2002	<u>\$14,448</u>
Total	<u>\$14,448</u>

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

7. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the year ending June 30, 2001, the School District contracted with Nationwide Insurance Company for a Commercial Package Insurance Policy.

Buildings are 90% coinsured and policies include a \$1,000 deductible for boiler and machinery coverage. Professional and general liability coverages are; \$1,000,000 single occurrence limit with a \$5,000,000 aggregate and no deductible. Vehicle coverages include deductibles from \$25 to \$500. Automobile liability has a \$1,000,000 combined single limit for each accident.

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

B. Workers' Compensation

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

C. Employee Medical and Life Benefits

The School District has chosen to establish a risk financing fund for risks associated with the employee Dental and Vision insurance plans. The risk financing fund is accounted for as an Internal Service Fund where assets are set aside for claims and settlements. Medical Mutual of Ohio acts as a third party to administer the activity. A premium is charged to each fund that accounts for part-time and full-time employees. The total charge allocated to each of the funds (the allocation is based upon the percentage of each fund's current-year payroll as it relates to total payroll of the School District) is calculated using trends in actual claims experience.

Until September 1, 2000, the District had also offered employees health insurance through the risk financing fund described above. Effective September 1, 2000, the District offered health insurance coverage through a private carrier with the employees contributing \$20 dollars per month for single coverage and \$40 per month for family coverage with the District paying the balance of the premiums. The charge allocated to each of the funds for the District paid amounts is based upon the percentage of each fund's monthly payroll expense.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. 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. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

8. DEFINED BENEFIT PENSION PLANS(Continued)

A. School Employees Retirement System (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$37,132, \$48,009, and \$66,525, respectively.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established 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 for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$296,173, 177,544, and \$233,132, respectively.

9. POST-EMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$140,274 for fiscal year 2001.

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.3 percent for fiscal year 2000. 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 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during 2001 fiscal year equaled \$86,640.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

10. OTHER EMPLOYEE BENEFITS

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

11. JOINTLY GOVERNED ORGANIZATIONS

A. Southeast Ohio Voluntary Educational Consortium (SEOVEC)

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

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

11. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. The Coalition of Rural and Appalachian Schools

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

12. INSURANCE PURCHASING POOL

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

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

13. STATUTORY RESERVES

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

The School District was also previously required to set aside an amount for budget stabilization. Effective April 10, 2001 this requirement was eliminated by S.B. No. 345. However, restrictions were placed on the budget stabilization balance representing Bureau of Worker's Compensation refunds that were previously required to be deposited into the reserve.

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

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

13. STATUTORY RESERVES (Continued)

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Set-aside Reserve Balance as of June 30, 2000	\$0	\$0	\$49,207	\$49,207
Current Fiscal Year Set-Aside Requirement	100,750	100,750	0	201,500
Set Aside Balance Carried Forward from Prior Fiscal Years	(17,769)			(17,769)
Offset Credits		(16,263)	0	(16,263)
Qualifying Expenditures	(84,405)	(185,277)	0	(269,682)
Total	(\$1,424)	(\$100,790)	\$49,207	\$ (\$53,007)
Set-aside Balance Carried to Future Fiscal Years	(\$1,424)	\$0	\$0	(\$1,424)
Set-aside Reserve Balance as of June 30, 2000	\$0	\$0	\$49,207	\$49,207

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. State statute allows this extra amount to be used to reduce the set-aside requirement in future fiscal years. Additionally, the School District had qualifying disbursements during the fiscal year that reduced the capital maintenance set-aside amount below zero. However, State statute does not permit this extra amount to be used to reduce the set-aside requirement in future fiscal years. Therefore, negative amounts are not presented as being carried forward to the next fiscal year.

The Budget Stabilization Reserve amount listed in the table above represents Bureau of Workers Compensation rebates previously required by statute to be placed in the account. As of June 20, 2001, the School District had designated an additional amount from the General Fund for budget stabilization of \$74,669.

The Ohio School Facilities Commission agreed that the District may fund its half-mill maintenance obligation for its construction project by establishing an account and funding it with a local donation contribution as provided for in Ohio Revised Code Section 3318.084. On August 21, 2001, the School District committed \$176,000 for this purpose using amounts previously designated for budget stabilization purposes (\$74,669), as well as additional General Fund monies. These monies were subsequently transferred to a separate bank account to be used to meet the half-mill levy requirement concerning classroom facilities maintenance.

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

14. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 19, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirements that changes be made retroactive to July 1, 2001.

15. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

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

16. ACCOUNTABILITY AND COMPLIANCE

Expenditures exceeded appropriations at February 28, 2001 in the Public School Support Fund (\$10,131), on April 30, 2001 in the Public School Support Fund (\$17,702) and on June 30, 2001 in the Lunchroom Fund (\$52,339). Ohio Revised Code § 5705.41(B) prohibits the expenditure of funds unless unencumbered appropriations are available for expenditure.

Purchase commitments were incurred without the fiscal officer's certification in certain instances. Ohio Revised Code § 5705.41(D) requires the fiscal officer's certification to be obtained prior to incurring a commitment.

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Cash Receipts	Noncash Receipts	Cash Disbursements	Noncash Disbursements
U.S. Department of Agriculture						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$	\$21,449	\$	\$21,466
National School Breakfast	49064-05-PU-00/01	10.553	56,326		56,326	
National School Lunch Program	49064-LL-P1/4-00/01	10.555	<u>145,887</u>		<u>145,887</u>	
Total Nutrition Cluster			<u>202,213</u>	<u>21,449</u>	<u>202,213</u>	<u>21,466</u>
Total U.S. Department of Agriculture			202,213	21,449	202,213	21,466
U.S. Department of Education						
<i>Passed Through Ohio Department of Education:</i>						
Educationally Deprived Children - Local						
Educational Agencies Title I	49064-C1-S1-00	84.010	44,290		81,311	
	49064-C1-S1-01	84.010	<u>226,682</u>		<u>164,688</u>	
Total Title I			270,972		245,999	
Education of the Handicapped						
	49064-6B-SF-00	84.027			15,087	
	49064-6B-SF-01	84.027	<u>97,825</u>		<u>81,175</u>	
Total Education of the Handicapped			97,825		96,262	
Drug Free Schools and Communities Grant	49064-DR-S1-00	84.186	10,891		10,891	
Goals 2000 - State and Local Education Systemic Improvement Grants						
	49064-G2-S2-00	84.276	14,000		10,411	
	49064-G2-S2-01	84.276	13,000			
	49064-G2-S1-99	84.276			770	
	49064-G2-S1-00	84.276			5,795	
	49064-G2-S1-01	84.276	<u>28,598</u>		<u>7,887</u>	
Total Goals 2000			55,598		24,863	
Eisenhower Professional Development State Grant						
	49064-MS-S1-00	84.281	5,103		6,056	
	49064-MS-S1-01	84.281	<u>6,447</u>		<u>298</u>	
Total Eisenhower Professional Development State Grant			11,550		6,354	
Innovative Programs, IASA Title VI						
	49064-C2-S1-99	84.298			303	
	49064-C2-S1-00	84.298			2,887	
	49064-C2-S1-01	84.298	<u>5,349</u>		<u>389</u>	
Total Title VI			5,349		3,579	
Reducing Class Size Title VI - R						
	49064-CR-S1-00	84.340	4,212		15,573	
	49064-CR-S1-01	84.340	<u>27,074</u>		<u>15,527</u>	
Total Reducing Class Size Title VI - R			<u>31,286</u>		<u>31,100</u>	
Total U.S. Department of Education			483,471		419,048	
Total Federal Awards Receipts and Expenditures			<u>\$685,684</u>	<u>\$21,449</u>	<u>\$621,261</u>	<u>\$21,466</u>

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

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



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

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

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

Southern Local School District
Perry County
10390 State Route 155 SE
Corning, Ohio 43730

To the Board of Education:

We have audited the financial statements of the Southern Local School District, Perry County, Ohio (the School District), as of and for the year ended June 30, 2001, and have issued our report thereon dated November 19, 2001, wherein we noted that the School District had not adopted accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2001-11064-001 through 2001-11064-003. We also noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated November 19, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated November 19, 2001.

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

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

Jim Petro
Auditor of State

November 19, 2001



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

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

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

Southern Local School District
Perry County
10390 State Route 155 SE
Corning, Ohio 43730

To the Board of Education:

Compliance

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

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

November 19, 2001

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS
--

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

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
JUNE 30, 2001
(Continued)**

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

Finding Number 2001-11064-001

Noncompliance Citation

Ohio Admin. Code Section 117-2-03(B) requires the School District to file its annual financial report pursuant to generally accepted accounting principles.

The School District prepared and filed its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other legal administrative remedies may be taken against the School District.

Failing to follow generally accepted accounting principles is a condition sufficient for the Ohio Department of Education to place the School District in a Fiscal Caution Status. This status requires the School District to submit a corrective action plan to the Department. The Auditor of State is referring this report to the Ohio Department of Education.

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

Finding Number 2001-11064-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirements:

1. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate stating that there was at the time of the making of such contract or order and at the time of execution of such certificate a sufficient sum appropriated for the purchase of such contract and in the treasury or process of collection to the credit of an appropriate fund free from any previous encumbrances, the Board of Education may authorize the drawing of a warrant in payment of amounts due upon such contract, but such resolution, if such expenditure is otherwise valid.
2. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Education.

Twenty percent of expenditure transactions tested were not certified by the Treasurer prior to the liability being incurred and the "Then and Now" exception was not followed.

We recommend the certificate of the fiscal officer be obtained prior to incurring any School District obligations.

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
JUNE 30, 2001
(Continued)**

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

Finding Number 2001-11064-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated.

The School District had expenditures exceeding appropriations at February 28, 2001 in the Public School Support Fund (\$10,131), on April 30, 2001 in the Public School Support Fund (\$17,702) and on June 30, 2001 in the Lunchroom Fund (\$52,339).

We recommend the School District implement procedures to insure expenditures do not exceed appropriations.

3. FINDINGS FOR FEDERAL AWARDS

There were no findings related to federal awards.

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

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

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid
2000-11064-001	A noncompliance citation was issued under Ohio Admin. Code Section 117-2-03(B) for failing to prepare the School District's financial statements in accordance with generally accepted accounting principles.	No	Not corrected: The School District's officials do not believe that preparing financial statements in accordance with generally accepted accounting principles is cost beneficial.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

SOUTHERN LOCAL SCHOOL DISTRICT

PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 4, 2001**