



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Southern Local School District
Meigs County

Financial Forecast
For The Fiscal Year Ending June 30, 2001

Southern Local School District
Meigs County

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Board of Education
Southern Local School District
P.O. Box 176
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CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Division of the Auditor of State's Office has examined the financial forecast of the General Fund of the Southern Local School District, Meigs County, Ohio. This forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. However, some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material. The forecast reflects an operating deficit for the fiscal year ending June 30, 2001, of \$766,000 which includes a budget reserve of \$25,000.

Section 5705.29, Revised Code, allows the school district board to appropriate monies from the budget reserve pursuant to a resolution adopted by two-thirds of the membership of the board for unanticipated deficiencies in revenue or other emergencies. Senate Bill 345, effective April 10, 2001, will eliminate the requirement for school districts to maintain a budget reserve. Any monies on hand in the school district's budget reserve at that time may, at the discretion of the board, be returned to the district's general fund or may be left in the account to offset any future deficits. Additionally, any portion of the budget reserve consisting of rebates or refunds from the Bureau of Workers' Compensation may only be used for purposes specified in the code, including to offset a budget deficit.

Section 133.301, Revised Code, allows the School District to issue notes during the current fiscal year in anticipation of fiscal year 2002 property tax revenues provided that such amount, referred to as the spending reserve, is included in the current year tax budget and the State Superintendent of Public Instruction has authorized such notes. The School District did not include a spending reserve in their current year tax budget.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2002 scheduled property tax settlements. The potential advances have been excluded due to the District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The projected operating deficit could be reduced to the extent tax advances are received prior to June 30, 2001 and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2001.

Christine L. Hansen, CPA
Chief of Local Government Services

January 26, 2001



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We have examined the accompanying forecasted schedules of revenues, expenditures and changes in fund balance of the general fund of the Southern Local School District for the fiscal year ending June 30, 2001. Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by the Board of Education and the preparation and presentation of the forecast.

The accompanying forecast was prepared for the purpose of determining whether the Southern Local School District will incur an operating deficit for the current fiscal year under Section 3316.08 of the Ohio Revised Code and should not be used for any other purpose.

In our opinion, the forecasted schedules referred to above are presented in conformity with the guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after its date.

The historical financial statements for the years ended June 30, 1998, 1999, and 2000 (from which the historical data are derived) were audited by the Auditor of State's Office. The financial statements for these years included a qualified opinion due to (1) the School District not reporting in accordance with generally accepted accounting principles; (2) the School District not reflecting reserves required by House Bill 412; and (3) the School District not accurately reflecting appropriations in the financial statements for fiscal year ending June 30, 2000. These reports were dated March 12, 1999, March 9, 2000, and October 4, 2000, respectively.

JIM PETRO
Auditor of State

January 26, 2001

SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 1998, 1999 AND 2000 ACTUAL;
FISCAL YEAR ENDING JUNE 30, 2001 FORECASTED
GENERAL FUND

	Fiscal Year 2001 Forecasted
<hr/>	
Revenues	
General Property Tax (Real Estate)	\$1,468,000
Tangible Personal Property Tax	58,000
Unrestricted Grants-in-Aid	2,309,000
Restricted Grants-in-Aid	308,000
Property Tax Allocation	119,000
All Other Revenues	31,000
<i>Total Revenues</i>	<hr/> 4,293,000
 Other Financing Sources	
Advances-In	1,000
	<hr/>
<i>Total Revenues and Other Financing Sources</i>	<hr/> 4,294,000
 Expenditures	
Personal Services	2,607,000
Employees' Retirement/Insurance Benefits	1,111,000
Purchased Services	296,000
Supplies and Materials	195,000
Capital Outlay	171,000
Debt Service:	
Principal - School District Solvency Assistance Fund	314,000
Principal - Asbestos	12,000
Principal-HB 264 Loans	45,000
Interest and Fiscal Charges	14,000
Other Objects	416,000
<i>Total Expenditures</i>	<hr/> 5,181,000
 <i>Excess of Revenues and Other Financing Sources under Expenditures</i>	 (887,000)
 <i>Cash Balance July 1, 2000</i>	 <hr/> 189,000
 <i>Cash Deficit June 30, 2001</i>	 (698,000)
 Estimated Encumbrances June 30, 2001	43,000
 Reservation of Fund Balance - Budget Reserve	<hr/> 25,000
 <i>Unencumbered/Unreserved Fund Deficit June 30, 2001</i>	 <hr/> <hr/> (\$766,000)

See accompanying summary of significant forecast assumptions and accounting policies, and accountant's report.

SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 1998, 1999 AND 2000 ACTUAL;
FISCAL YEAR ENDING JUNE 30, 2001 FORECASTED
GENERAL FUND

	Fiscal Year 1998 Actual	Fiscal Year 1999 Actual	Fiscal Year 2000 Actual	Fiscal Year 2001 Forecasted
Revenues				
General Property Tax (Real Estate)	1,422,000	1,467,000	1,438,000	1,468,000
Tangible Personal Property Tax	47,000	42,000	48,000	58,000
Unrestricted Grants-in-Aid	1,932,000	2,061,000	2,322,000	2,309,000
Restricted Grants-in-Aid	207,000	206,000	254,000	308,000
Property Tax Allocation	115,000	115,000	117,000	119,000
All Other Revenues	65,000	56,000	37,000	31,000
<i>Total Revenues</i>	<u>3,788,000</u>	<u>3,947,000</u>	<u>4,216,000</u>	<u>4,293,000</u>
Other Financing Sources				
State Emergency Loans and Advancements	0	0	627,000	0
Advances-In	0	113,000	0	1,000
<i>Total Other Financing Sources</i>	<u>0</u>	<u>113,000</u>	<u>627,000</u>	<u>1,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>3,788,000</u>	<u>4,060,000</u>	<u>4,843,000</u>	<u>4,294,000</u>
Expenditures				
Personal Services	2,307,000	2,486,000	2,552,000	2,607,000
Employees' Retirement/Insurance Benefits	754,000	911,000	995,000	1,111,000
Purchased Services	225,000	254,000	194,000	296,000
Supplies and Materials	141,000	127,000	135,000	195,000
Capital Outlay	54,000	72,000	192,000	171,000
Debt Service:				
Principal - School District Solvency Assistance Fund	0	0	0	314,000
Principal - State Loan	97,000	0	0	0
Principal - Asbestos	12,000	12,000	12,000	12,000
Principal - HB 264 Loans	35,000	40,000	40,000	45,000
Interest and Fiscal Charges	24,000	19,000	16,000	14,000
Other Objects	100,000	227,000	413,000	416,000
<i>Total Expenditures</i>	<u>3,749,000</u>	<u>4,148,000</u>	<u>4,549,000</u>	<u>5,181,000</u>
Other Financing Uses				
Operating Transfers-Out	2,000	5,000	0	0
Advances-Out	0	0	114,000	0
<i>Total Other Financing Uses</i>	<u>2,000</u>	<u>5,000</u>	<u>114,000</u>	<u>0</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>3,751,000</u>	<u>4,153,000</u>	<u>4,663,000</u>	<u>5,181,000</u>
<i>Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses</i>				
	37,000	(93,000)	180,000	(887,000)
<i>Cash Balance July 1</i>	<u>65,000</u>	<u>102,000</u>	<u>9,000</u>	<u>189,000</u>
<i>Cash Balance June 30</i>	102,000	9,000	189,000	(698,000)
Estimated Encumbrances June 30	0	0	15,000	43,000
Reservation of Fund Balance - Budget Reserve	0	0	0	25,000
<i>Unencumbered/Unreserved Fund Balance/(Deficit) June 30</i>	<u>\$102,000</u>	<u>\$9,000</u>	<u>\$174,000</u>	<u>(\$766,000)</u>

See accompanying summary of significant forecast assumptions and accounting policies, and accountant's report.

Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

Note 1 - Nature and Limitations of the Forecast

This financial forecast presents, to the best of the Southern Local School District Board of Education and the Financial Planning and Supervision Commission's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of January 26, 2001, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

The accompanying forecast was prepared for the purpose of determining whether the Southern Local School District will incur an operating deficit for the current fiscal year under Section 3316.08 of the Ohio Revised Code and should not be used for any other purpose.

Note 2 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also requires general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund.

For presentation in the forecast, the general fund has been adjusted to include the financial activity and balances of the disadvantaged pupil impact aid (DPIA) and textbook subsidy funds, and the activity of the debt service fund related to the general fund supported debt. The inclusion of this activity has generated differences from the audited financial statements for the fiscal years ended June 30, 1998, 1999, and 2000. These differences are as follows:

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
	<u> </u>	<u> </u>	<u> </u>
<u>Revenues and Other Sources</u>			
General Fund as Previously Reported	\$3,442,000	\$3,634,000	\$4,469,000
Removal of Intrafund Transfers	0	0	(32,000)
DPIA	226,000	343,000	338,000
Textbook Subsidy	12,000	12,000	0
Debt Service Activity Related to General Fund Supported Debt	<u>108,000</u>	<u>71,000</u>	<u>68,000</u>
Total Revenues and Other Sources per Forecast	<u>3,788,000</u>	<u>4,060,000</u>	<u>4,843,000</u>
<u>Expenditures and Other Uses</u>			
General Fund as Previously Reported	3,352,000	3,727,000	4,292,000
Removal of Intrafund Transfers	0	0	(32,000)
DPIA	226,000	343,000	328,000
Textbook Subsidy	5,000	12,000	7,000
Debt Service Activity Related to General Fund Supported Debt	<u>168,000</u>	<u>71,000</u>	<u>68,000</u>
Total Expenditures and Other Uses per Forecast	<u>3,751,000</u>	<u>4,153,000</u>	<u>4,663,000</u>

Continued

Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
Excess of Revenues and Other Sources Over(Under) Expenditures and Other Uses	\$37,000	(\$93,000)	\$180,000
Cash Fund Balance at Beginning of Fiscal Year	65,000	102,000	9,000
Cash Fund Balance at End of Fiscal Year	102,000	9,000	189,000
Encumbrances at Fiscal Year End	0	0	(15,000)
Unencumbered Fund Balance at Fiscal Year End	<u>\$102,000</u>	<u>\$9,000</u>	<u>\$174,000</u>

Note 3 - Summary of Significant Accounting Policies

A. - Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts and disbursements which is consistent with the cash basis of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. - Fund Accounting

The School District maintains its accounting 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 segregation 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 class of funds are as follows:

Governmental Funds

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

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

Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

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

Proprietary Funds

Enterprise Funds - Enterprise funds 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.

Fiduciary Funds

Trust and Agency Funds - Trust and agency funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (a) expendable trust funds, (b) non-expendable trust funds, and (c) agency funds.

C. - 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 cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Budget - A budget of estimated cash receipts and disbursements is submitted to the Meigs County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any 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.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 4 - General Operating Assumptions

The Southern Local School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 5 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

Property taxes consist of real estate, public utility real and personal property, and tangible personal property taxes. Advances may be requested from the Meigs County Auditor as the tax is collected. When settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times.

State law allows for certain reductions in the form of rollbacks and homestead exemption for real estate taxes and exempts from taxation the first \$10,000 of tangible personal property. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is included in the forecasted amount for property tax allocation.

Property taxes are levied and collected on a calendar year basis. Settlements that occur in the second half of the year are recorded as revenue in next fiscal year. New and/or expiring levies result in one-half of the annual revenue being recorded in the first and/or last year of collection.

The property tax revenues for the School District are generated from several levies. The type of levies, the year approved, last year of collection, and the full tax rate are as follows:

<u>Tax Levies</u>	<u>Year Approved</u>	<u>Last year of Collection</u>	<u>Full Tax Rate (Mills)</u>
Inside Ten Mill Limitation	n/a	n/a	\$3.50
Continuing Operating	Prior to 1976	n/a	16.50
Continuing Operating	1982	n/a	3.00
Current Operating	2000	2003	4.00
Total Tax Rate			<u><u>\$27.00</u></u>

Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

General Property Tax (Real Estate) - General property tax revenue includes real estate taxes, public utility property taxes, and manufactured home taxes. The amount shown in the revenue section of the forecast schedules represent gross property tax revenue. The general property tax revenue estimate is based upon actual receipts and information provided by the Meigs County Auditor. Amounts forecasted for the rollback and homestead exemption are included under the property tax allocation account. Based upon these estimates, the School District anticipates receiving \$1,468,000 in real estate tax revenue, a \$30,000 increase from the previous fiscal year. This increase is caused by an additional assessment against the South Ohio Coal Company.

Tangible Personal Property Tax - Tangible personal property tax revenues are generated from the property used in business (except for public utilities). As with general property taxes, tangible personal property tax revenues are based upon information provided by the Meigs County Auditor. Based upon these estimates, the School District anticipates receiving \$58,000 in tangible personal property tax revenue, a \$10,000 increase from the previous fiscal year. This is due to increased taxable personal property in the County.

The School District has assumed in the forecast that it will be held harmless with respect to the changes implemented in the taxing structure of public utilities (namely electric companies). Additionally, the Ohio legislature passed and the governor approved legislation during 1999 calling for the reduction in the assessed valuation of the inventory component of personal property tax by one percent each year over the next 25 years.

B. - Unrestricted Grants-in-Aid

State foundation payments established by Chapter 3317 of the Ohio Revised Code are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM) and classroom teacher ratios plus other factors. The funds are distributed on a semi-monthly basis. Deductions from the monthly payments for contributions to the two school retirement systems are included in the expenditure section. Unrestricted grants-in-aid includes formula aid, special education aid, training and experience of classroom teachers funding, unrestricted disadvantaged pupil impact aid, extended service, gifted aid, transportation, and vocational education.

In 1998, State law set the base cost per pupil at \$4,063 and increased the rate each year thereafter, based on annual rate of inflation of two and eight-tenths percent, to \$4,177 for fiscal year 2000, and \$4,294 for fiscal year 2001.

The anticipated revenue for fiscal year 2001 is based on current estimates provided by the Ohio Department of Education. The anticipated decrease of \$141,000 is caused by a decrease in ADM due to open enrollment. The decrease is offset by increases in the per pupil funding, as well as increases in vocational, special education, and transportation aid.

C. - Restricted Grants-in-Aid

Restricted grants-in-aid consists of a bus purchase allowance, a driver education reimbursement, and restricted disadvantaged pupil impact aid in the amounts of \$27,000, \$2,000, and \$279,000 respectively, which reflects a \$54,000 increase over fiscal year 2000.

Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

D. - Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the above (rollback and homestead).

Property tax allocation revenue, based on information provided by the Meigs County Auditor, is anticipated to increase \$2,000 from the prior fiscal year.

E. - All Other Revenues

All other revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
Interest on Investments	\$17,000	\$17,000	\$0
Classroom Materials and Fees	5,000	5,000	0
Tuition	0	2,000	2,000
Miscellaneous	15,000	7,000	(8,000)
Totals	\$37,000	\$31,000	(\$6,000)

Interest on Investments are expected to remain consistent with prior years. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the balance recorded to the general fund.

The decrease in miscellaneous revenue is due to a decrease in math tutoring revenue.

F. - Advances In

Advances in represents amounts advanced to other funds in the current or prior fiscal year which are being repaid to the general fund in the forecast year. The general fund will receive \$1,000 which represents the repayment of an advance from the Title 6R special revenue fund.

Note 6 - Significant Assumptions For Expenditures and Other Financing Uses

A. - Personal Services

Personal service expenditures represent the salaries and wages paid to certified and classified staff, supplemental contracts, substitutes, severance pay, and board members' compensation. All employees receive their compensation on a bi-weekly basis. Historically, the certified, classified, and administrative staff levels have remained the same.

Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

Certified (teacher) staff salaries are based on a negotiated contract which includes step increases and educational incentives. The contract covers the period of July 1, 2000, to June 30, 2001. Classified staff salaries are also based on a negotiated contract which includes step increases. The contract covers the period from July 1, 2000, to June 30, 2001. Administrative salaries are set by the Board of Education.

The School District offers severance pay to its employees with twenty or more years of service in the Southern Local School District of up to one-fourth of the accumulated sick leave to a maximum of 240 days, depending on years of service. Also, unused personal leave is to be paid at the employee's current per diem rate upon retirement.

Presented below is a comparison of salaries and wages for the fiscal year 2000 and the forecast period.

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
Certified Salaries	\$1,904,000	\$1,933,000	\$29,000
Classified Salaries	511,000	522,000	11,000
Substitute Salaries	60,000	67,000	7,000
Supplemental Contracts	52,000	54,000	2,000
Severance Pay	12,000	15,000	3,000
Other Salaries and Wages	13,000	16,000	3,000
	\$2,552,000	\$2,607,000	\$55,000

The increase in salaries is due to step increases and two additional part time staff members for fiscal year 2001.

B. - Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers' contribution rate of 14 percent for STRS and SERS. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next fiscal year.

Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, and the monthly premiums. The School District participates in a traditional health plan and pays 100 percent of the premiums. The School District will experience an increase of 17 percent in health insurance premiums and 14 percent in vision insurance premiums during fiscal year 2001.

Medicare benefits are based on the employers' rate of 1.45 percent and the payroll costs for contributing staff.

Workers' compensation premiums are based on the School District's rate and the anticipated salaries for the fiscal year.

Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

Presented below is a comparison of fiscal year 2000 and the forecast period:

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
Employer's Retirement	\$363,000	\$377,000	\$14,000
Health Care Insurance	615,000	708,000	93,000
Workers' Compensation	4,000	12,000	8,000
Medicare	13,000	14,000	1,000
	\$995,000	\$1,111,000	\$116,000

The significant changes in employees' retirement and insurance benefits are based on the following:

An increase in health insurance premiums;

An increase in employee retirement costs due to salary increases and variances in the estimated and actual salary data provided to the pension systems; and,

A 75 percent reduction in workers' compensation premiums for the prior year.

C. - Purchased Services

Purchased service expenditures forecasted in the amount of \$296,000 are comprised of the following:

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
Professional and Technical Services	\$38,000	\$28,000	(\$10,000)
Property Services	17,000	30,000	13,000
Travel and Meeting Expenses	11,000	13,000	2,000
Communication Costs	17,000	22,000	5,000
Utility Services	90,000	184,000	94,000
Tuition Payments	7,000	5,000	(2,000)
Pupil Transportation	14,000	14,000	0
	\$194,000	\$296,000	\$102,000

Purchased services are anticipated to increase, primarily due to a significant increase in natural gas costs.

Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

D. - Supplies and Materials

Supplies and materials are comprised of the following:

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$41,000	\$41,000	\$0
Operations, Maintenance, and Repair	64,000	86,000	22,000
Textbooks	30,000	68,000	38,000
	<u>\$135,000</u>	<u>\$195,000</u>	<u>\$60,000</u>

Significant increases are based on the following:

An increase in fuel cost for bus service;

An increase in bus repairs due to the age of the fleet; and,

The purchase of reading, language arts and spelling textbooks.

E. - Capital Outlay

Property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these general fixed assets as the purpose of the financial statements for the general government services is to report the expenditure of resources, not costs.

Capital outlay expenditures are forecasted in the amount of \$171,000, a decrease of \$21,000 from the previous fiscal year. This is primarily due to the purchase of a boiler during fiscal year 2000 that will not occur in fiscal year 2001.

F. - Debt Service

General fund supported debt consists of a school district solvency assistance fund advance, an asbestos abatement loan, and energy conservation notes. The forecasted changes in the general fund obligations are as follows:

	Interest Rate	Balance 6/30/00	Issued	Retired	Total
State Solvency Assistance Advance 2000	0.00%	\$627,000	\$0	\$314,000	\$313,000
Asbestos Abatement Loan 1995	5.75%	245,000	0	45,000	200,000
Energy Conservation Note 1995	0.00%	148,000	0	12,000	136,000
Total		<u>\$1,020,000</u>	<u>\$0</u>	<u>\$371,000</u>	<u>\$649,000</u>

G. - Other Objects

Other objects include dues, fees, liability insurance, and county educational service center costs. The School District is projecting \$416,000 of expenditures in this area in fiscal year 2001.

Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

H. - Operating Transfers and Advances Out

The School District does not expect to make any transfers or advances during fiscal year 2001. Advances out during fiscal year 2000 represented the repayment of cash flow borrowing by the general fund.

I. - Spending Reserve

Section 133.301, Revised Code, allows the School District to issue notes during the current fiscal year in anticipation of fiscal year 2001 property tax revenues provided that such amount, referred to as the spending reserve, is included in the current year tax budget. The School District did not include a spending reserve in their current year tax budget.

Note 7 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund balance.

Historically, the School District has very limited encumbrances at the end of a fiscal year. The amount forecasted for fiscal year 2001 represents the State Teacher's Retirement System advance in the amount of \$28,000, \$7,000 in purchased services, \$7,000 in supplies and materials, and \$1,000 in capital outlay.

Note 8 - Reservations of Fund Balance

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues 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 the future years. The School District is also required to set aside money for budget stabilization.

In prior years, the School District did not report reserves for textbooks and instructional materials, capital acquisition and improvements, or budget stabilization. For presentation in the forecast, the School District has established a beginning balance for the reserves by identifying, annually, the required set aside, qualifying expenditures, and off-sets for the prior years. Based on this information, a budget stabilization reserve in the amount of \$25,000 is the only reserve that exists at July 1, 2000.

A. - Textbooks and Instructional Materials

The School District is required to set aside annually three percent of certain revenues for the purchase of textbooks and instructional materials. The set aside amount for fiscal year 2001 is \$87,000. There was no carryover from fiscal year 2000. Qualifying expenditures in the amount of \$125,000 are anticipated; therefore, no textbook and instructional materials reserve is required.

Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

B. - Capital Acquisition and Improvements

The School District is also required to set aside annually three percent of certain revenues for capital acquisition and improvements. The set aside amount for fiscal year 2001 is \$87,000. \$87,000 in off-sets are anticipated; therefore, no reserve is anticipated.

C. - Budget Reserve

A contribution for budget stabilization is required if the School District's revenue base for the prior fiscal year grew by at least three percent, unless the School District is in fiscal watch or emergency.

The School District has a carry over budget reserve of \$25,000, which represents a workers' compensation refund. Since the School District is currently in fiscal emergency, no set aside is required for the budget reserve for fiscal year 2001.

Senate Bill 345, effective April 10, will eliminate the requirement for school districts to maintain a budget reserve. Any monies on hand in the budget reserve at that time may, at the discretion of the Board, be returned to the School District's general fund or may be left in the account to offset any future deficits. Additionally, any portion of the budget reserve consisting of rebates or refunds from the Bureau of Workers' Compensation may only be used for purposes specified in the SB 345, including the offset of a budget deficit. The School District does not anticipate expending the existing balance in the budget reserve during the forecast period.

D. - Disadvantaged Pupil Impact Aid (DPIA)

DPIA restricted revenues are projected to be expended completely during fiscal year 2001; therefore, no carryover reserve is anticipated.

Note 9 - Levies

The School District does not plan to place any levies on the ballot during fiscal year 2001. In the past ten years the School District has placed several levies on the ballot. The type of levy, rate, term, and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
November 1990	Operating	5.3 mills	Continuing	Failed
November 1992	Bond Issue	5.3 mills	23 Years	Failed
May 1994	Operating	4 mills	Continuing	Failed
November 1994	Operating	4 mills	3 Years	Passed
March 1996	Bond Issue	5.6 mills	23 Years	Failed
August 1996	Bond Issue	4.92 mills	23 Years	Failed
November 1997	Operating/Renewal	4 mills	3 Years	Passed
May 1998	Bond Issue	4.89 mills	23 Years	Passed
November 2000	Operating/Renewal	4 mills	3 Years	Passed

Southern Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

Note 10 - Pending Litigation

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 11 - State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$2,322,459 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the School District had been awarded a total of \$5.8 million under this program.

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.

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

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



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SOUTHERN LOCAL SCHOOL DISTRICT

MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 6, 2001**