

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

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2001***

DOREEN MARSHALL, TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR

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

We have reviewed the independent auditor's report of the Southern Local School District, Columbiana County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

January 14, 2002

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

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Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of the Southern Local School District, Columbiana County, (the "District"), as of and for the fiscal year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Southern Local School District, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Trimble, Julian & Grube, Inc.
December 5, 2001

SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Types			Fiduciary	Account Groups			Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	Long-Term Obligations	General	
ASSETS AND OTHER DEBITS											
ASSETS:											
Equity in pooled cash and cash equivalents	\$1,463,442	\$100,883	\$93,296	\$5,864,908	\$38,179	\$0	\$28,771				\$7,589,479
Receivables (net of allowances of uncollectibles):											
Taxes - current & delinquent	1,575,313		157,275	31,626							1,764,214
Accounts	515			11,805							515
Accrued interest					908						11,805
Due from other governments		22,053									22,961
Interfund loan receivable	66,733										66,733
Due from other funds	26,407										26,407
Prepayments	3,849										3,849
Materials and supplies inventory					4,833						4,833
Restricted assets:											
Equity in pooled cash and cash equivalents	24,797										24,797
Property, plant and equipment (net of accumulated depreciation where applicable)					31,959			\$4,192,763			4,224,722
OTHER DEBITS:											
Amount available in debt service fund									\$98,285		98,285
Amount to be provided for retirement of general long-term obligations									3,445,410		3,445,410
Total assets and other debits	\$3,161,056	\$122,936	\$250,571	\$5,908,339	\$75,879	\$0	\$28,771	\$4,192,763	\$3,543,695		\$17,284,010

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

SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
LIABILITIES, EQUITY AND OTHER CREDITS										
LIABILITIES:										
Accounts payable	\$6,122	\$6,033		\$4,183	\$477					\$16,815
Accrued wages and benefits	464,480	44,715			20,344					529,539
Compensated absences payable	3,219				9,484				\$397,531	410,234
Claims payable						\$80,402				80,402
Pension obligation payable	76,396				15,526				44,048	135,970
Interfund loans payable		34,817			31,916					66,733
Deferred revenue	1,529,324	22,053	\$152,286	30,531	3,446	26,407				1,737,640
Due to other funds										26,407
Due to students							\$28,771			28,771
State loan payable	363,169									363,169
General obligation bonds payable								3,092,000		3,092,000
Obligation under capital lease								10,116		10,116
Total liabilities	2,442,710	107,618	152,286	34,714	81,193	106,809	28,771	3,543,695		6,497,796
EQUITY AND OTHER CREDITS:										
Investment in general fixed assets								\$4,192,763		4,192,763
Contributed capital					1,847					1,847
Retained earnings (accumulated deficit): unreserved					(7,161)	(106,809)				(113,970)
Fund balances:										
Reserved for encumbrances	9,781	4,450		245						14,476
Reserved for prepayments	3,849									3,849
Reserved for debt service			93,296							93,296
Reserved for tax revenue unavailable for appropriation	45,989		4,989	1,095						52,073
Reserved for BWC refund	24,797									24,797
Unreserved-undesignated	633,930	10,868		5,872,285						6,517,083
Total equity and other credits	718,346	15,318	98,285	5,873,625	(5,314)	(106,809)		4,192,763		10,786,214
Total liabilities, equity and other credits	\$3,161,056	\$122,936	\$250,571	\$5,908,339	\$75,879	\$0	\$28,771	\$4,192,763	\$3,543,695	\$17,284,010

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

SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
From local sources:					
Taxes	\$1,460,273		\$88,017	\$114,424	\$1,662,714
Tuition	6,545				6,545
Earnings on investments	103,760			187,294	291,054
Extracurricular		\$70,666			70,666
Other local revenues	61,663	10,822		10	72,495
Intergovernmental - State	3,593,900	144,012	12,568	2,952,352	6,702,832
Intergovernmental - Federal		372,668			372,668
Total revenues	5,226,141	598,168	100,585	3,254,080	9,178,974
Expenditures:					
Current:					
Instruction:					
Regular	2,316,137	144,078		64,890	2,525,105
Special	549,364	316,632			865,996
Vocational	68,448				68,448
Other		6,451			6,451
Support services:					
Pupil	213,547	767			214,314
Instructional staff	105,161	29,957			135,118
Board of Education	142,766				142,766
Administration	487,444	1,521			488,965
Fiscal	119,421	500	2,300	1,876	124,097
Operations and maintenance	427,580	9,000		45,372	481,952
Pupil transportation	422,599				422,599
Central		2,404			2,404
Community services		4,755			4,755
Extracurricular activities	96,658	85,881			182,539
Facilities acquisition and construction				524,057	524,057
Debt service:					
Principal retirement	10,224				10,224
Interest and fiscal charges	30,487			158,796	189,283
Bond issuance costs				80,427	80,427
Total expenditures	4,989,836	601,946	2,300	875,418	6,469,500
Excess of revenues over (under) expenditures	236,305	(3,778)	98,285	2,378,662	2,709,474
Other financing sources (uses):					
Premium and accrued interest on bonds sold				98,339	98,339
Proceeds from sale of bonds				3,092,000	3,092,000
Operating transfers in		667		20,000	20,667
Operating transfers out	(20,667)				(20,667)
Total other financing sources (uses)	(20,667)	667		3,210,339	3,190,339
Excess of revenues and other financing sources over (under) expenditures and other financing uses	215,638	(3,111)	98,285	5,589,001	5,899,813
Fund balances, July 1	502,708	18,429	0	284,624	805,761
Fund balances, June 30	<u>\$718,346</u>	<u>\$15,318</u>	<u>\$98,285</u>	<u>\$5,873,625</u>	<u>\$6,705,574</u>

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

SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$1,447,580	\$1,451,934	\$4,354				\$1,998	\$83,028	\$81,030	\$71,090	\$117,668	\$46,578	\$1,520,668	\$1,652,630	\$131,962
Tuition.....	6,536	6,545	9										6,536	6,545	9
Earnings on investments.....	103,452	103,760	308							183,046	192,308	9,262	286,098	296,068	9,570
Extracurricular.....				\$67,937	\$70,667	\$2,730							67,937	70,667	2,730
Other local revenues.....	62,573	62,760	187		10,403	418							72,976	73,581	605
Intergovernmental - State.....	3,583,268	3,593,900	10,632		140,208	4,404	302	12,568	12,266	1,729,745	2,952,352	1,222,607	5,453,523	6,703,432	1,249,909
Intergovernmental - Federal.....				286,917	299,130	12,213				1,983,881	3,262,328	1,278,447	286,917	299,130	12,213
Total revenues.....	5,203,409	5,218,899	15,490	505,465	525,230	19,765	2,300	95,596	93,296	1,983,881	3,262,328	1,278,447	7,695,055	9,102,053	1,406,998
Expenditures:															
Current:															
Instruction:															
Regular.....	2,286,304	2,285,186	1,118	145,282	144,925	357				65,115	65,115	0	2,496,701	2,495,226	1,475
Special.....	549,511	549,244	267	251,146	250,466	680							800,657	799,710	947
Vocational.....	67,787	67,754	33	6,470	6,452	18							67,787	67,754	33
Other.....													6,470	6,452	18
Support services:															
Pupil.....	210,719	210,617	102	821	819	2							211,540	211,436	104
Instructional staff.....	101,976	101,926	50	33,109	33,019	90							135,085	134,945	140
Board of Education.....	145,859	145,788	71										145,859	145,788	71
Administration.....	485,256	485,020	236										485,256	485,020	236
Fiscal.....	117,928	117,928	57	500	500	0	2,300	2,300	0	1,876	1,876	0	122,661	122,604	57
Operations and maintenance.....	443,058	442,843	215	9,024	9,000	24				45,392	45,392	0	497,474	497,235	239
Pupil transportation.....	416,629	416,427	202										416,629	416,427	202
Central.....				2,560	2,553	7							4,768	4,755	13
Community services.....				85,897	85,664	233				524,058	523,911	147	181,735	181,455	280
Extracurricular activities.....	95,838	95,791	47										524,058	523,911	147
Facilities acquisition and construction.....															
Debt service:															
Principal retirement.....	167,414	167,414	0							3,092,000	3,092,000	0	3,259,414	3,259,414	0
Interest and fiscal charges.....	29,314	29,229	85							158,796	158,796	0	188,110	188,025	85
Bond issuance costs.....										80,427	80,427	0	80,427	80,427	0
Total expenditures.....	5,117,650	5,115,167	2,483	539,577	538,153	1,424	2,300	2,300	0	3,967,664	3,967,517	147	9,627,191	9,623,137	4,054
Excess of revenues over (under) expenditures.....	85,759	103,732	17,973	(34,112)	(12,923)	21,189	0	93,296	93,296	(1,983,783)	(705,189)	1,278,594	(1,932,136)	(521,084)	1,411,052
Other financing sources (uses):															
Refund of prior years expenditures.....	2,334	2,341	7										2,340	2,351	11
Operating transfers in.....	187,656	188,215	559	640	666	26				12,162	20,000	7,838	200,458	208,881	8,423
Operating transfers out.....	(208,881)	(208,881)	102	33,472	34,817	1,345							(208,983)	(208,881)	102
Advances in.....													(66,765)	34,817	1,345
Advances out.....	(66,765)	(66,733)	32							1,880,301	3,092,000	1,211,699	1,880,301	3,092,000	1,211,699
Proceeds from sale of bonds.....															
Premium and accrued interest on bonds sold.....										10,893	98,339	87,446	10,893	98,339	87,446
Total other financing sources (uses).....	(85,758)	(85,058)	700	34,112	35,483	1,371				1,903,362	3,210,349	1,306,987	1,851,716	3,160,774	1,309,058
Excess of revenues and other financing sources over (under) expenditures and other financing uses.....	1	18,674	18,673	0	22,560	22,560	0	93,296	93,296	(80,421)	2,505,160	2,585,581	(80,420)	2,639,690	2,720,110
Fund balances, July 1.....	1,466,458	1,466,458	0	19,525	19,525	0	0	0	0	3,355,330	3,355,330	0	4,841,313	4,841,313	0
Prior year encumbrances appropriated.....	14,087	14,087	0	49,410	49,410	0	0	0	0	0	0	0	63,497	63,497	0
Fund balances, June 30.....	\$1,480,546	\$1,499,219	\$18,673	\$68,935	\$91,495	\$22,560	\$0	\$93,296	\$93,296	\$3,274,909	\$5,860,490	\$2,585,581	\$4,824,390	\$7,544,500	\$2,720,110

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

SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS (ACCUMULATED DEFICITS)
 ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Sales/charges for services.	\$119,114	\$777,847	\$896,961
Total operating revenues.	119,114	777,847	896,961
Operating expenses:			
Personal services	161,815	29,691	191,506
Contract services	1,914		1,914
Materials and supplies.	151,548		151,548
Depreciation.	2,694		2,694
Other operating expenses	561		561
Claims expense		806,723	806,723
Total operating expenses.	318,532	836,414	1,154,946
Operating loss.	(199,418)	(58,567)	(257,985)
Nonoperating revenues:			
Operating grants.	154,295		154,295
Federal commodities	25,867		25,867
Interest revenue	26	1,021	1,047
Total nonoperating revenues.	180,188	1,021	181,209
Net loss.	(19,230)	(57,546)	(76,776)
Retained earnings (accumulated deficit)			
at July 1	12,069	(49,263)	(37,194)
(Accumulated deficits)			
at June 30	<u>(\$7,161)</u>	<u>(\$106,809)</u>	<u>(\$113,970)</u>

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

SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from sales/service charges	\$119,114	\$777,847	\$896,961
Cash payments for personal services	(164,310)	(29,691)	(194,001)
Cash payments for contract services.	(1,785)		(1,785)
Cash payments for materials and supplies.	(128,307)		(128,307)
Cash payments for claims expenses		(810,124)	(810,124)
Cash payments for other expenses.	(652)		(652)
Net cash used in operating activities	(175,940)	(61,968)	(237,908)
Cash flows from noncapital financing activities:			
Cash received from operating grants.	170,921		170,921
Cash received from other funds		26,407	26,407
Cash received from interfund loans	31,916		31,916
Net cash provided by noncapital financing activities	202,837	26,407	229,244
Cash flows from capital and related financing activities:			
Acquisition of capital assets.	(6,550)		(6,550)
Net cash used in capital and related financing activities	(6,550)		(6,550)
Cash flows from investing activities:			
Interest received	26	1,021	1,047
Net cash provided by investing activities	26	1,021	1,047
Net increase (decrease) in cash and cash equivalents	20,373	(34,540)	(14,167)
Cash and cash equivalents at beginning of year	17,806	34,540	52,346
Cash and cash equivalents at end of year.	<u>\$38,179</u>	<u>\$0</u>	<u>\$38,179</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	(\$199,418)	(\$58,567)	(\$257,985)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	2,694		2,694
Federal donated commodities.	25,867		25,867
Changes in assets and liabilities:			
Decrease in materials and supplies inventory	187		187
Decrease in accounts payable	(2,212)		(2,212)
Decrease in accrued wages and benefits	(119)		(119)
Increase in compensated absences payable.	292		292
Decrease in pension obligation payable	(2,668)		(2,668)
Decrease in claims payable.		(3,401)	(3,401)
Decrease in deferred revenue.	(563)		(563)
Net cash used in operating activities	(\$175,940)	(\$61,968)	(\$237,908)

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 1 - DESCRIPTION OF THE ENTITY

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

The District ranks as the 524th largest by total enrollment among the 682 public and community school districts in the State. The District operates under a locally-elected five-member Board form of government. Each member is elected to a four-year term. The District provides educational services as authorized by its charter and further mandated by state and/or federal agencies. The Board of Education controls the District's 4 instructional/support facilities staffed by 41 classified employees and 71 certificated employees who provide services to 906 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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

JOINTLY GOVERNED ORGANIZATIONS

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

OME-RESA was created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an educational management information system, cooperative purchases services and legal services to member districts. OME-RESA has 11 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble and Tuscarawas Counties. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Deborah Campana, who serves as Treasurer, Steubenville, Ohio 43952.

Lincoln Way Special Education Regional Resource Center (LWSERRC)

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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

Columbiana County Career Center

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

PUBLIC ENTITY RISK POOLS

Columbiana County School Employees Insurance Consortium (Consortium)

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

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

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

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

B. Basis of Presentation - Fund Accounting

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

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

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

GOVERNMENTAL FUNDS

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

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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

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

PROPRIETARY FUNDS

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

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

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

FIDUCIARY FUNDS

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

ACCOUNT GROUPS

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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

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

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2002 operations, have been recorded as deferred revenue.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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

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

D. Budgetary Process

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

Tax Budget:

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. Supplemental appropriations were legally enacted during fiscal 2001; however, none of the amendments were significant.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

Encumbrances:

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

Lapsing of Appropriations:

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

E. Cash and Investments

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

During fiscal year 2001, investments were limited to certificates of deposit and repurchase agreements. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2001 amounted to \$103,760, which includes \$34,469 assigned from other District funds.

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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

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

F. Inventory

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

G. Fixed Assets and Depreciation

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

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

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life that ranges from 10 to 20 years.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

H. Intergovernmental Revenues

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

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

Entitlements

General Fund

State Foundation Program
School Bus Purchase
State Property Tax Relief

Capital Projects Fund

State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Special Revenue Fund

Disadvantaged Pupil Impact Aid

Non-reimbursable Grants

Special Revenue Funds

Title I
Title VI
Drug-Free Schools
Educational Management Information System
Eisenhower Professional Development
Ohio Reads
Disadvantaged Pupil Impact Aid
Performance Incentive
Continuous Improvement
Title VI-R
Data Communication
SchoolNet Professional Development
Summer School
Safe Schools Hotline
Reading Improvement Incentive Award

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

Non-reimbursable Grants - (Continued)

Capital Projects Funds

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

Reimbursable Grants

General Fund

- Driver Education Reimbursement

Proprietary Funds

- National School Lunch Program
- School Breakfast Program
- Government Donated Commodities (Food Distribution)
- Summer Food Service Program for Children

Grants and entitlements amounted to 71% of the District's operating revenue during the 2001 fiscal year.

I. Compensated Absences

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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

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

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

J. Contributed Capital

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Prepayments

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

M. Restricted Assets

Restricted assets in the general fund represent cash whose use is restricted by State statute. A fund balance reserve has also been established. See Note 20 for details.

N. Estimates

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

O. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as “interfund loans receivable or payable”. The District had short-term interfund loans receivable and payable at June 30, 2001.
4. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2001.

An analysis of interfund transactions is presented in Note 5.

P. Fund Balance Reserves

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

Q. Total Columns (Memorandum Only)

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," was implemented during fiscal 2001. This statement pertains to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

B. Deficit Fund Balances/Retained Earnings

Fund balance/retained earnings at June 30, 2001, included the following individual fund deficits:

	<u>Deficit Balances</u>
<u>Special Revenue Funds:</u>	
Disadvantaged Pupil Impact Aid	\$ 5,116
Title I	64,937
<u>Enterprise Fund:</u>	
Food Service	7,161
<u>Internal Service Fund:</u>	
Self Insurance	106,809

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The Self-Insurance internal service fund did not comply with Ohio Revised Code Section 5705.10, which does not permit a cash basis deficit at year-end. The Self-Insurance internal service fund had a deficit cash balance of \$(26,407) at June 30, 2001 (See Note 5.C). On a GAAP basis, the deficit retained earnings in the Self-Insurance internal service fund is the result of the negative cash balance and the recording of a liability in accordance with GAAP for claims incurred prior to June 30 but not paid until after that date. This deficit will be eliminated as premiums are collected to pay the claims and cover the negative cash balance.

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

The deficit fund balance in the Disadvantaged Pupil Impact Aid and Title I special revenue funds are caused by accruing wage, benefit and pension obligations in accordance with GAAP. These deficits will be eliminated by anticipated intergovernmental revenues and/or other subsidies not recognized at June 30.

The deficit retained earnings in the Food Service enterprise fund is a result of the application of GAAP, namely in the recording of "advances in" from other funds as a liability rather than as an "other nonoperating revenue". These amounts are subject to repayment in future periods. This deficit balance will be eliminated by charges for services and other subsidies not recognized or recorded at June 30.

C. Agency Fund

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

<u>ASSETS</u>	
Accounts payable	\$2,855

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

D. Statutory Noncompliance

The following funds had expenditures plus encumbrances in excess of appropriations in noncompliance with Ohio Revised Code Section 5705.41 (B).

Expenditures plus encumbrances exceeded appropriations as follows:

<u>Fund Type/ Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
Special Revenue/Ohio Reads	\$ 18,286	\$ 18,447	\$ 161
Internal Service/Self-Insurance	801,008	839,815	38,807

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and

**SOUTHERN LOCAL SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits: At year-end, the carrying amount of the District's deposits was \$5,570,769 and the bank balance was \$5,753,452. These balances included \$5,619,543 in nonnegotiable certificates of deposit. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$5,553,452 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreement	\$723,669	\$ 723,669	\$ 723,669
Investment in STAR Ohio	_____	<u>1,319,838</u>	<u>1,319,838</u>
Total	<u>\$723,669</u>	<u>\$2,043,507</u>	<u>\$2,043,507</u>

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 7,614,276	\$ 0
Investments of the cash management pool:		
Repurchase agreement	(723,669)	723,669
Investment in STAR Ohio	<u>(1,319,838)</u>	<u>1,319,838</u>
GASB Statement No. 3	<u>\$ 5,570,769</u>	<u>\$2,043,507</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 5 - INTERFUND TRANSACTIONS

- A.** The following is a summarized breakdown of the District's operating transfers for fiscal year 2001:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ ---	\$20,667
<u>Special Revenue Funds:</u>		
Ohio Reads	570	---
Title II	54	---
Drug Free	38	---
Title VI-R	<u>5</u>	<u>---</u>
Total Special Revenue Funds	<u>667</u>	<u>---</u>
<u>Capital Projects Fund</u>		
Building	<u>20,000</u>	<u>---</u>
Total	<u>\$20,667</u>	<u>\$20,667</u>

- B.** Interfund balances at June 30, 2001, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$66,733	\$ ---
<u>Special Revenue Funds:</u>		
Title I	---	34,386
Title II	---	431
<u>Enterprise Fund:</u>		
Food Service	<u>---</u>	<u>31,916</u>
Total	<u>\$66,733</u>	<u>\$66,733</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

C. At June 30, 2001, the Self-Insurance internal service fund had a negative cash balance. The fund overdraft of the internal investment pool has been subsidized by the general fund and reported as a fund liability:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$26,407	\$ - - -
<u>Internal Service Fund</u>		
Self Insurance	- - -	<u>26,407</u>
Total	<u>\$26,407</u>	<u>\$26,407</u>

NOTE 6 - PROPERTY TAXES

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

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

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2000 taxes were collected was \$59,610,070. Agricultural/residential and public utility/minerals real estate represented \$46,411,730 or 77.86% of this total; commercial & industrial real estate represented \$3,831,530 or 6.43% of this total, public utility tangible represented \$6,353,300 or 10.65% of this total and general tangible property represented \$3,013,510 or 5.06% of this total. The voted general tax rate at the fiscal year ended June 30, 2001, was \$35.84 per \$1,000.00 of assessed valuation for operations and \$3.71 per \$1,000.00 of assessed valuation for permanent improvements.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 6 - PROPERTY TAXES - (Continued)

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

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount available as an advance, and recorded as revenue, at June 30, 2001, was \$45,989 in the general fund, \$4,989 in the debt service fund and \$1,095 in the Permanent Improvement capital projects fund.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001, consisted of taxes, accounts (user charged services and student fees), accrued interest, interfund transactions related to charges for goods and services rendered and intergovernmental state and federal revenues (to the extent eligibility requirement have been met by year-end). Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current & delinquent	\$1,575,313
Accounts	515
Interfund loans	66,733
Due from other funds	26,407
 <u>Special Revenue Funds</u>	
Due from other governments	22,053
 <u>Debt Service Fund</u>	
Taxes - current & delinquent	157,275
 <u>Capital Projects Funds</u>	
Taxes - current & delinquent	31,626
Accrued interest	11,805
 <u>Enterprise Fund</u>	
Due from other governments	908

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and equipment	\$ 152,799
Less: accumulated depreciation	<u>(120,840)</u>
Net fixed assets	<u>\$ 31,959</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 8 - FIXED ASSETS - (Continued)

A summary of the changes in general fixed assets during fiscal year 2001 follows:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2001</u>
Land and Improvements	\$ 60,281	\$ ---	\$ ---	\$ 60,281
Buildings	1,635,284	---	---	1,635,284
Furniture and Equipment	1,704,774	79,456	---	1,784,230
Vehicles	<u>636,758</u>	<u>76,210</u>	<u>---</u>	<u>712,968</u>
Total	<u>\$4,037,097</u>	<u>\$155,666</u>	<u>\$ 0</u>	<u>\$4,192,763</u>

There was no significant construction in progress at June 30, 2001.

NOTE 9 - CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended June 30, 2001, are summarized by source as follows:

	<u>Food Service</u>
Contributed capital, July 1, 2000	\$1,847
Current fiscal year contributions	<u>---</u>
Contributed capital, June 30, 2001	<u>\$1,847</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$46,663, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. The District retired \$10,441 of principal retirement out of the general fund during the fiscal year ended June 30, 2001. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

<u>Ending June 30,</u>	<u>Fiscal Year Amount</u>
2002	<u>\$10,525</u>
Total minimum lease payments	10,525
Less: amount representing interest	<u>(409)</u>
Present value of minimum lease payments	<u><u>\$10,116</u></u>

NOTE 11 - LONG-TERM OBLIGATIONS

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

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2001, the total estimated cost of the Construction Project is \$17,000,000, of which OSFC will pay approximately 14,000,000.

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

This issue is comprised of both current interest bonds, par value \$3,057,000, and capital appreciation bonds, par value \$230,000. The interest rates on the current interest bonds range from 4.00% to 5.25%. The capital appreciation bonds mature on December 1, 2009 (effective interest 22.20%) and December 1, 2010 (effective interest 22.20%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the general long-term obligations account group at June 30, 2001 was \$35,000. As of June 30, 2001, no accreted interest on the capital appreciation bonds has been included in the general long-term obligations account group at June 30, 2001.

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

The following is a schedule of activity for fiscal 2001 on the 2000 series general obligation bonds:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2001</u>
Current interest bonds	\$ 0	\$3,057,000	\$ - - -	\$3,057,000
Capital appreciation bonds	<u>0</u>	<u>35,000</u>	<u>- - -</u>	<u>35,000</u>
Total G.O. bonds	<u>\$ 0</u>	<u>\$3,092,000</u>	<u>\$ 0</u>	<u>\$3,092,000</u>

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2002	\$ 0	\$ 153,436	\$ 153,436	\$ ---	\$ ---	\$ ---
2003	67,000	152,097	219,097	---	---	---
2004	75,000	149,257	224,257	---	---	---
2005	80,000	146,176	226,176	---	---	---
2006	85,000	142,857	227,857	---	---	---
2007 - 2011	285,000	665,323	950,323	230,000	0	230,000
2012 - 2016	685,000	561,090	1,246,090	---	---	---
2017 - 2021	885,000	355,554	1,240,554	---	---	---
2022 - 2025	<u>895,000</u>	<u>97,516</u>	<u>992,516</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total	<u>\$3,057,000</u>	<u>\$2,423,306</u>	<u>\$5,480,306</u>	<u>\$230,000</u>	<u>\$ 0</u>	<u>\$230,000</u>

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

	Outstanding July 1, 2000	Additions	Deductions	Outstanding June 30, 2001
Compensated Absences	\$394,409	\$ 3,122	\$ ---	\$ 397,531
Pension Obligation Payable	42,913	44,048	(42,913)	44,048
Capital Leases Payable	20,340	---	(10,224)	10,116
General Obligation Bonds Payable	<u>0</u>	<u>3,092,000</u>	<u>---</u>	<u>3,092,000</u>
Total General Long-Term Obligations	<u>\$457,662</u>	<u>\$3,139,170</u>	<u>\$(53,137)</u>	<u>\$3,543,695</u>

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2001, are a voted debt margin of \$2,371,192 (including available funds of \$98,285) and an unvoted debt margin of \$59,610.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Life Insurance

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 13 - LOAN AND NOTE ACTIVITY

A. State Loan Payable

The District faced an operating deficit during fiscal year 1992. During that fiscal year, the District obtained a \$1,101,219 State loan, which is being paid from State foundation payments. The loan is being repaid from the general fund. A summary of the loan activity for the year ended June 30, 2001, follows:

	<u>Principal Outstanding July 1, 2000</u>	<u>Retired in 2001</u>	<u>Principal Outstanding June 30, 2001</u>
General Fund:			
1993 6.50% State Loan	<u>\$530,583</u>	<u>\$(167,414)</u>	<u>\$363,169</u>

Principal and interest requirements to retire the State loan outstanding at June 30, 2001, is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$177,928	\$18,716	\$196,644
2003	<u>185,241</u>	<u>6,727</u>	<u>191,968</u>
Total	<u>\$363,169</u>	<u>\$25,443</u>	<u>\$388,612</u>

B. Bond Anticipation Note

On June 15, 2000, the District issued a \$3,092,000 bond anticipation note to begin the Construction Project described in Note 11.A. This note had an annual interest rate of 5.15% and matured on June 24, 2001. This bond anticipation note was retired during fiscal 2001 using the proceeds of the bond issue described in Note 11.A. A summary of the bond anticipation note transactions for the year ended June 30, 2001, follows:

	<u>Principal Outstanding July 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2001</u>
<u>Capital Projects Fund</u>				
Bond Anticipation Note - 5.15%	<u>\$3,092,000</u>	<u>\$ - - -</u>	<u>\$(3,092,000)</u>	<u>\$ - - - 0</u>

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 14 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. For fiscal year 2001, the District contracted with Nationwide Insurance for property, boiler and inland marine insurance. This risk policy has a \$1,000 deductible.

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

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

B. Worker's Compensation

For fiscal year 2001, the District participated in the GRP, an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 14 - RISK MANAGEMENT - (Continued)

C. Employee Health and Dental

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of seven school districts within the County, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. This plan provides a medical/surgical plan with a \$100 family and \$50 single deductible for certificated employees and a \$200 family and \$100 single deductible for classified employees. A third party administrator, Professional Risk Management, reviews all claims, which are then paid by the District. The District purchases stop-loss coverage of \$75,000 per employee. The District pays into the self-insurance internal service fund \$628.55 family coverage or \$212.96 individual coverage per month, which represents the entire premium required. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information. Dental coverage is also provided on a self-insured basis. Premiums for this coverage are \$33.35 monthly for family coverage and \$13.52 monthly for single coverage. Vision coverage is also provided on a self-insured basis. Premiums for this coverage are \$5.10 monthly for family coverage and \$2.52 for single coverage. The District is responsible for payment of all claim amounts.

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 14 - RISK MANAGEMENT - (Continued)

The liability for unpaid claims of \$80,402 reported in the internal service fund at June 30, 2001, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. The claims liability is based on an estimate supplied by the District's third party administrator. Changes in the fund's claims liability for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2001	\$83,803	\$806,723	\$(810,124)	\$80,402
2000	32,942	606,865	(556,004)	83,803

NOTE 15 - SEGMENT INFORMATION - ENTERPRISE FUND

The District maintains one enterprise fund, which provides lunchroom/cafeteria services, therefore segment information for the year ended June 30, 2001, is not presented. The enterprise fund had \$500 of outstanding encumbrances at June 30, 2001.

NOTE 16 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$99,987, \$95,617, and \$86,965, respectively; 43.92% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$56,076, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$354,495, \$331,992, and \$289,421, respectively; 82.62% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$61,616, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2001, two of the Board of Education members have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 17 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$113,945 during fiscal 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 (the latest information available), net health care costs paid by STRS were \$283.137 million and STRS had 99,011 eligible benefit recipients.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 17 - POSTEMPLOYMENT BENEFITS - (Continued)

For this fiscal year, employer contributions to fund health care benefits were 9.8% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of \$252.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$88,946 during the 2001 fiscal year.

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

**Excess of Revenues and Other Financing Sources
Over/(Under) Expenditures and Other Financing Uses**

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ 18,674	\$ 22,560	\$93,296	\$2,505,160
Net adjustment for revenue accruals	7,242	72,938	4,989	(8,248)
Net adjustment for expenditure accruals	109,903	(73,181)	---	3,087,671
Net adjustment for other financing sources (uses)	64,391	(34,816)	---	(10)
Encumbrances (budget basis)	<u>15,428</u>	<u>9,388</u>	<u>---</u>	<u>4,428</u>
GAAP Basis	<u>\$215,638</u>	<u>\$ (3,111)</u>	<u>\$98,285</u>	<u>\$5,589,001</u>

NOTE 19 - CONTINGENCIES

A. Grants

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 19 - CONTINGENCIES - (Continued)

B. Litigation

The District is not a party to any legal proceedings.

C. 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 December 5, 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 requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine the effect, if any, this decision and reconsideration will have on its future State funding and on its financial operations.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 20 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2000	\$ (61,872)	\$ (49,512)	\$ 24,797	\$ 0
Current year set-aside requirement	114,013	114,013	---	---
Reclassification of budget stabilization	---	---	(24,797)	24,797
Current year offsets	---	(118,856)	---	---
Qualifying disbursements	<u>(181,797)</u>	<u>(47,044)</u>	<u>---</u>	<u>---</u>
Total	<u>\$(129,656)</u>	<u>\$(101,399)</u>	<u>\$ 0</u>	<u>\$24,797</u>
Cash balance carried forward to FY 2002	<u>\$(129,656)</u>	<u>\$(101,399)</u>	<u>\$ 0</u>	<u>\$24,797</u>

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. The School Board has not taken action to designate these funds for a specific use. Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute and the School Board. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve.

A schedule of the restricted assets at June 30, 2001 follows:

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

SUPPLEMENTAL DATA

**SOUTHERN LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(F) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(F) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Grant Cluster:						
(A) (D) Food Distribution	10.550	N/A		\$24,304		\$25,867
(B) (D) School Breakfast Program	10.553	046441-05-PU-1999	\$35		\$35	
(B) (D) School Breakfast Program	10.553	046441-05-PU-2000	7,420		7,420	
(B) (D) School Breakfast Program	10.553	046441-05-PU-2001	24,746		24,746	
(B) (D) National School Lunch Program	10.555	046441-LL-P1-2000	24,994		24,994	
(B) (D) National School Lunch Program	10.555	046441-LL-P4-2000	4,945		4,945	
(B) (D) National School Lunch Program	10.555	046441-LL-P1-2001	81,810		81,810	
(B) (D) National School Lunch Program	10.555	046441-LL-P4-2001	16,734		16,734	
(B) (D) Summer Food Service Program for Children	10.559	046441-23-PU-2000	860		860	
(B) (D) Summer Food Service Program For Children	10.559	046441-24-PU-2000	86		86	
Total Nutrition Cluster and U. S. Department of Agriculture			161,630	24,304	161,630	25,867
U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Local Educational Agencies	84.010	046441-C1-S1-2000	23,039		54,029	
Title I - Local Educational Agencies	84.010	046441-C1-S1-2001	198,439		199,939	
Total Title I			221,478		253,968	
Special Education Cluster:						
(C) (E) Title VI-B-Education of the Handicapped Act	84.027	N/A	68,521		68,521	
(C) (E) Special Education Preschool Grant	84.173	N/A	0		1,248	
Total Special Education Cluster			68,521		69,769	
Safe and Drug-Free Schools Grant	84.186	046441-DR-S1-1999C	0		2,900	
Safe and Drug-Free Schools Grant	84.186	046441-DR-S1-2000	3,962		0	
Safe and Drug-Free Schools Grant	84.186	046441-DR-S1-2001	1,099		237	
Total Safe and Drug-Free Schools Grant			5,061		3,137	
Goals 2000	84.276	046441-G2-S2-1999	0		4,811	
Goals 2000	84.276	046441-G2-S2-2000	14,000		8,678	
Goals 2000	84.276	046441-G2-S2-2001	13,000		1,453	
Goals 2000	84.276	046441-G2-S1-2001	9,416		2,388	
Total Goals 2000			36,416		17,330	
(E) Eisenhower Professional Development Grant	84.281	N/A	0		3,769	
Eisenhower Professional Development Grant	84.281	046441-MS-S1-2001	4,220		3,700	
Total Eisenhower Professional Development Grant			4,220		7,469	
Innovative Education Program Strategies - Title VI	84.298	046441-C2-S1-1999C	0		761	
Innovative Education Program Strategies - Title VI	84.298	046441-C2-S1-2001	787		1,076	
Total Title VI			787		1,837	
Class Size Reduction	84.340	046441-CR-S1-2000	6,945		6,949	
Class Size Reduction	84.340	046441-CR-S1-2001	24,223		21,526	
Total Class Size Reduction			31,168		28,475	
Total U. S. Department of Education			367,651		543,615	
Total Federal Financial Assistance			\$529,281	\$24,304	\$543,615	\$25,867

(A) The Food Distribution Program is a noncash, in kind, federal grant.

(B) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.

(C) Included as part of "Special Education Grant Cluster" in determining major programs.

(D) Included as part of "Nutrition Grant Cluster" in determining major programs.

(E) Passed through Columbiana County ESC.

(F) This schedule was prepared on a cash basis.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the general purpose financial statements of Southern Local School District as of and for the fiscal year ended June 30, 2001, and have issued our report thereon dated December 5, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Southern Local School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items: 2001-SLSD-001 and 2001-SLSD-002. We also noted certain immaterial instances of noncompliance that we have reported to management of Southern Local School District in a separate letter dated December 5, 2001.

Board of Education
Southern Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southern Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to the significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Southern Local School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-SLSD-001 and 2001-SLSD-002.

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 general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of Southern Local School District in a separate letter dated December 5, 2001.

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

Trimble, Julian & Grube, Inc.
December 5, 2001

TRIMBLE, JULIAN & GRUBE, INC.

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Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance With *OMB Circular A-133*

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

Compliance

We have audited the compliance of Southern Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2001. Southern Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Southern Local School District's management. Our responsibility is to express an opinion on Southern Local School District's compliance based on our audit.

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

Board of Education
Southern Local School District

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

Internal Control Over Compliance

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

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

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

Trimble, Julian & Grube, Inc.
December 5, 2001

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2001**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS

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

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2001**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

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

Finding Number	2001-SLSD-001
----------------	---------------

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

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

Fund Type Fund	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Expenditures Excess</u>
<u>Special Revenue Fund:</u>			
Ohio Reads	\$ 18,286	\$ 18,447	\$ 161
<u>Internal Service Fund:</u>			
Employee Benefits Self-Insurance	801,008	839,815	38,807

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2001**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

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

Finding Number	2001-SLSD-002
----------------	---------------

Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be used only for the purpose for which such fund was established.

It was noted during the audit that the following fund had expenditures in excess of receipts at June 30, 2001:

<u>Fund Type</u>	<u>Fund</u>	<u>Excess Amount</u>
Internal Service	Self-Insurance	\$26,407

By expending funds without receipt of monies, this fund had a negative cash fund balance at year end.

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**SOUTHERN LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2001**

**SCHEDULE OF PRIOR AUDIT FINDINGS
*OMB CIRCULAR A-133 § .505***

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
2000-46441-001	Ohio Revised Code Section 5705.39	Yes	Finding No Longer valid.
2000-46441-002	Ohio Revised Code Section 5705.41(B)	Not Corrected	The District's Treasurer has improved on this requirement since fiscal year 2000 and continues to monitor its appropriations and expenditures.
2000-46441-003	Ohio Revised Code Section 5705.10	Not Corrected	The District's Treasurer will monthly monitor its cash balances and advance monies from the General fund when determined necessary.
2000-46441-004	Ohio Revised Code Section 5705.40	Partially Corrected	The District Treasurer has amended its appropriations more frequently in fiscal 2001 than in 2000.



STATE OF OHIO
OFFICE OF THE AUDITOR

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SOUTHERN LOCAL SCHOOL DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 24, 2002**