



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2012
Fiscal Year Audited Under GAGAS: 2012



Dave Yost • Auditor of State

Board of Education
Southern Local School District
10390 State Route 155 SE
Corning, Ohio 43730

We have reviewed the *Independent Auditor's Report* of the Southern Local School District, Perry County prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2011 through June 30, 2012. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 13, 2013

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SOUTHERN LOCAL SCHOOL DISTRICT

Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Members of the Board of Education
Southern Local School District
10390 State Route 155 SE
Corning, Ohio 45730

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Local School District, Perry County, (the School District) as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Local School District, Perry County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General and Classroom Maintenance fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and outstanding debt. The Schedule of Federal Awards Receipts and Expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
October 26, 2012

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The discussion and analysis of Southern Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

HIGHLIGHTS

Key financial highlights for the fiscal year 2012 are as follows:

- Net assets of governmental activities decreased \$281,232.
- General cash receipts accounted for \$8,062,312 or 78% of all cash receipts. Program cash receipts in the form of charges for services and sales, grants, and contributions, accounted for \$2,287,467 or 22% of total cash receipts of \$10,349,779.
- The District had \$10,631,011 in cash disbursements related to governmental activities; only \$2,287,467 of these cash disbursements were offset by program specific charges for services and sales, grants, and contributions.

USING THE BASIC FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

REPORT COMPONENTS

The *Statement of Net Assets – Cash Basis* and *Statement of Activities – Cash Basis* provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specific purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

BASIS OF ACCOUNTING

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during 2012, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. It is important to note that fiduciary funds are not included in these statements. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other non-financial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the District has one type of activity; governmental.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, the Bond Retirement Fund, and the Classroom Maintenance Special Revenue Fund.

Governmental Funds Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs.

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Proprietary Funds Proprietary fund reporting focuses on the determination of operating receipts over (under) operating disbursements and changes in net assets. Proprietary funds are classified as enterprise or internal service and the District only has an internal service fund which is used to account for their self-insurance program for employee dental and vision claims. This fund is reported using the cash basis of accounting.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The District's fiduciary funds are an agency fund which is used to maintain financial activity of the District's Student Managed Activities and a private purpose trust fund which is used to maintain the financial activity of the District's scholarship funds. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs.

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2012 compared to 2011.

Table 1
Net Assets

	Governmental Activities	
	2012	2011
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 782,097	\$ 1,063,329
Total Assets	782,097	1,063,329
Net Assets		
Restricted	523,213	1,044,815
Unrestricted	258,884	18,514
Total Net Assets	\$ 782,097	\$ 1,063,329

Total assets, of the District as a whole, decreased \$281,232. This increase is due to cash disbursements exceeding cash receipts, which will be further discussed under Table 2 below.

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2012 as compared to 2011.

Table 2
Changes in Net Assets

	Governmental Activities	
	2012	2011
Cash Receipts		
Program Cash Receipts		
Charges for Services and Sales	\$ 238,284	\$ 358,397
Operating Grants and Contributions	2,049,183	2,753,439
Total Program Cash Receipts	<u>2,287,467</u>	<u>3,111,836</u>
General Cash Receipts		
Property Taxes	1,128,850	1,004,619
Grants and Entitlements, Not Restricted	6,752,477	6,751,995
Inception of Capital Lease	42,223	-
Interest	1,753	1,808
Miscellaneous	137,009	145,015
Total General Cash Receipts	<u>8,062,312</u>	<u>7,903,437</u>
Total Cash Receipts	<u>10,349,779</u>	<u>11,015,273</u>
Program Cash Disbursements		
Instruction:		
Regular	3,710,766	3,259,634
Special	1,689,312	1,701,341
Vocational	244,963	233,244
Other	2,205	-
Support Services:		
Pupils	438,031	375,269
Instructional Staff	467,687	409,929
Board of Education	69,698	60,735
Administration	1,029,465	1,623,281
Fiscal	247,871	668,311
Operation and Maintenance of Plant	824,064	690,145
Pupil Transportation	729,094	626,226
Central	72,464	72,547
Operation of Non-Instructional Services	486,402	489,548
Extracurricular Activities	227,724	253,687
Capital Outlay	101,936	76,541
Principal Retirement	135,378	133,191
Interest and Fiscal Charges	153,951	152,735
Total Cash Disbursements	<u>10,631,011</u>	<u>10,826,364</u>
Changes in Net Assets	(281,232)	188,909
Net Assets, Beginning of Year	1,063,329	874,420
Net Assets, End of Year	<u>\$ 782,097</u>	<u>\$ 1,063,329</u>

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Cash receipts decreased \$665,494. The decrease in operating grants and contributions is primarily due to District decreases in the Miscellaneous Federal Grants and Fiscal Stabilization programs.

Cash disbursements decreased \$195,353. The decrease in administration expenses is partially due to District decreases in the Miscellaneous Federal Grants programs. The decrease to administration disbursements were partially offset by an increase in regular instruction disbursements due to the new Education Jobs grant. The majority of the decrease in fiscal and part of the decrease in administration is due to reclassifications in fiscal year 2012 to the more appropriate line items regular and special instruction.

Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	2012	2012	2011	2011
Program Cash Disbursements				
Instruction:				
Regular	\$ 3,710,766	\$3,307,744	\$ 3,259,634	\$ 2,617,097
Special	1,689,312	1,186,021	1,701,341	835,106
Vocational	244,963	239,276	233,244	227,249
Other	2,205	2,178	-	-
Support Services:				
Pupils	438,031	333,263	375,269	260,755
Instructional Staff	467,687	179,395	409,929	227,655
Board of Education	69,698	68,836	60,735	59,174
Administration	1,029,465	702,984	1,623,281	1,064,603
Fiscal	247,871	244,327	668,311	650,944
Operation and Maintenance of Plant	824,064	732,559	690,145	656,707
Pupil Transportation	729,094	682,740	626,226	568,334
Central	72,464	68,356	72,547	68,735
Operation of Non-Instructional Services	486,402	64,281	489,548	(5,261)
Extracurricular Activities	227,724	140,319	253,687	120,963
Capital Outlay	101,936	101,936	76,541	76,541
Principal Retirement	135,378	135,378	133,191	133,191
Interest and Fiscal Charges	153,951	153,951	152,735	152,735
Total	<u>\$ 10,631,011</u>	<u>\$8,343,544</u>	<u>\$ 10,826,364</u>	<u>\$ 7,714,528</u>

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

THE DISTRICT FUNDS

The District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$10,485,618 and cash disbursements and other financing uses of \$10,781,388. The most significant change in fund balance was in the General Fund.

For the General Fund, cash receipts and other financing sources increased \$24,819 and cash disbursements and other financing uses increased \$174,136 from the prior year. The most significant increases in revenue were in property taxes and miscellaneous receipts which were partially offset by a decrease in tuition and fees. The most significant increase in disbursements was in regular instruction and special instruction which were partially offset in decreases in administration and fiscal. All of the above changes resulted in a decrease in fund cash balance for the fund in the amount of \$40,742.

The Bond Retirement Fund had an increase in fund balance of \$29,355. The Classroom Maintenance Fund had a decrease in fund balance of \$2,297.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2012, there were revisions to the General Fund budget. The final budget cash receipts of \$7,935,545 increased \$8,243 over original cash receipts. Actual cash receipts of \$7,935,658 were \$113 more than the final estimate.

Final budget cash disbursements of \$8,157,472 increased \$8,331 over original budgeted cash disbursements. Actual cash disbursements of \$8,051,823 were \$105,649 less than the final estimate. The General fund's ending unobligated cash balance was \$105,844.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The District had capital outlay disbursements of \$101,936 during 2012.

Debt

Under the cash basis of accounting the District does not report bonds or long-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds and long-term notes. At June 30, 2012 the District had \$1,142,477 in bonds and notes outstanding. For additional information regarding debt, please see Note 6 to the basic financial statements.

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 4 summarizes bonds and long-term notes outstanding for Governmental Activities for the past two years:

Table 4		
Outstanding Debt at June 30		
Governmental Activities		
	<u>2012</u>	<u>2011</u>
School Improvement Advance Refunding Bonds	\$ 124,443	\$ 170,773
School Facilities Improvement Notes	132,953	141,966
Energy Conservation Improvement Notes	<u>885,081</u>	<u>936,756</u>
Totals	<u>\$1,142,477</u>	<u>1,249,495</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jeff Kaaz, Treasurer at Southern Local School District, 10397 State Route 155 SE, Corning, Ohio 43730.

Southern Local School District
Statement of Net Assets - Cash Basis
June 30, 2012

	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 782,097</u>
<i>Total Assets</i>	<u>782,097</u>
NET ASSETS:	
Restricted for Debt Service	233,296
Restricted for Capital Outlay	43,905
Restricted for Classroom Maintenance	169,295
Restricted for Other Purposes	76,717
Unrestricted	<u>258,884</u>
<i>Total Net Assets</i>	<u><u>\$ 782,097</u></u>

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

Southern Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2012

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Receipts and Changes in Net Assets
Governmental Activities:				
Instruction:				
Regular	\$ 3,710,766	\$ 64,429	\$ 338,593	\$ (3,307,744)
Special	1,689,312	45,833	457,458	(1,186,021)
Vocational	244,963	3,167	2,520	(239,276)
Other	2,205	27	-	(2,178)
Support Services:				
Pupils	438,031	10,545	94,223	(333,263)
Instructional Staff	467,687	20,362	267,930	(179,395)
Board of Education	69,698	862	-	(68,836)
Administration	1,029,465	28,951	297,530	(702,984)
Fiscal	247,871	3,010	534	(244,327)
Operation and Maintenance of Plant	824,064	14,390	77,115	(732,559)
Pupil Transportation	729,094	9,372	36,982	(682,740)
Central	72,464	1,062	3,046	(68,356)
Operation of Non-Instructional Services	486,402	27,487	394,634	(64,281)
Extracurricular Activities	227,724	8,787	78,618	(140,319)
Capital Outlay	101,936	-	-	(101,936)
Debt Service:				
Principal Retirement	135,378	-	-	(135,378)
Interest and Fiscal Charges	153,951	-	-	(153,951)
Total Governmental Activities	<u>\$ 10,631,011</u>	<u>\$ 238,284</u>	<u>\$ 2,049,183</u>	(8,343,544)
General Cash Receipts:				
Property Taxes Levied for:				
General Purposes				949,785
Other Purposes				15,816
Debt Service				163,249
Grants and Entitlements, Not Restricted to Specific Programs				6,752,477
Inception of Capital Lease				42,223
Interest				1,753
Miscellaneous				137,009
Total General Cash Receipts				<u>8,062,312</u>
Change in Net Assets				(281,232)
Net Assets Beginning of Year				<u>1,063,329</u>
Net Assets End of Year				<u>\$ 782,097</u>

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

Southern Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2012

	General	Bond Retirement	Classroom Maintenance	All Other Governmental Funds	Total Governmental Funds
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	\$ 205,148	\$ 233,296	\$ 169,295	\$ 78,636	\$ 686,375
<i>Total Assets</i>	<u>\$ 205,148</u>	<u>\$ 233,296</u>	<u>\$ 169,295</u>	<u>\$ 78,636</u>	<u>\$ 686,375</u>
FUND BALANCES:					
Nonspendable	\$ 8,107	\$ -	\$ -	\$ -	\$ 8,107
Restricted	-	233,296	169,295	120,622	523,213
Assigned	94,584	-	-	-	94,584
Unassigned	102,457	-	-	(41,986)	60,471
<i>Total Fund Balances</i>	<u>\$ 205,148</u>	<u>\$ 233,296</u>	<u>\$ 169,295</u>	<u>\$ 78,636</u>	<u>\$ 686,375</u>

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

Southern Local School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2012

Total Governmental Fund Balances	\$ 686,375
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Amounts reported for governmental activities in the statement of net assets are different because:

An internal service fund is used by management to account for their self-insurance program for employee dental and vision claims. The cash basis assets of the internal service fund are included in governmental activities in the statement of net assets.

95,722

Net Assets of Governmental Activities

\$ 782,097

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

Southern Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Bond Retirement	Classroom Maintenance	All Other Governmental Funds	Total Governmental Funds
CASH RECEIPTS:					
Property Taxes	\$ 949,785	\$ 163,249	\$ 15,816	\$ -	\$ 1,128,850
Intergovernmental	6,751,406	28,984	2,591	2,017,139	8,800,120
Interest	1,526	-	-	227	1,753
Tuition and Fees	85,220	-	-	-	85,220
Rent	10,768	-	-	-	10,768
Extracurricular Activities	1,692	-	-	60,553	62,245
Gifts and Donations	-	-	-	1,540	1,540
Customer Sales and Services	-	-	-	80,051	80,051
Miscellaneous	103,128	-	-	33,881	137,009
<i>Total Cash Receipts</i>	<u>7,903,525</u>	<u>192,233</u>	<u>18,407</u>	<u>2,193,391</u>	<u>10,307,556</u>
CASH DISBURSEMENTS:					
Current:					
Instruction:					
Regular	3,301,830	-	-	417,330	3,719,160
Special	1,129,295	-	-	563,835	1,693,130
Vocational	241,857	-	-	3,106	244,963
Other	2,205	-	-	-	2,205
Support Services:					
Pupils	321,897	-	-	116,134	438,031
Instructional Staff	137,452	-	-	330,235	467,687
Board of Education	69,698	-	-	-	69,698
Administration	665,073	-	-	366,718	1,031,791
Fiscal	240,335	6,878	658	-	247,871
Operation and Maintenance of Plant	729,017	-	20,046	75,001	824,064
Pupil Transportation	721,109	-	-	7,985	729,094
Central	68,710	-	-	3,754	72,464
Operation of Non-Instructional Services	-	-	-	486,402	486,402
Extracurricular Activities	130,825	-	-	96,899	227,724
Capital Outlay	42,223	-	-	59,713	101,936
Debt Service:					
Principal Retirement	80,035	55,343	-	-	135,378
Interest and Fiscal Charges	53,294	100,657	-	-	153,951
<i>Total Cash Disbursements</i>	<u>7,934,855</u>	<u>162,878</u>	<u>20,704</u>	<u>2,527,112</u>	<u>10,645,549</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(31,330)</u>	<u>29,355</u>	<u>(2,297)</u>	<u>(333,721)</u>	<u>(337,993)</u>
OTHER FINANCING SOURCES AND USES:					
Transfers In	-	-	-	93,737	93,737
Advances In	42,102	-	-	-	42,102
Inception of Capital Lease	42,223	-	-	-	42,223
Transfers Out	(93,737)	-	-	-	(93,737)
Advances Out	-	-	-	(42,102)	(42,102)
<i>Total Other Financing Sources and Uses</i>	<u>(9,412)</u>	<u>-</u>	<u>-</u>	<u>51,635</u>	<u>42,223</u>
<i>Net Change in Fund Balances</i>	<u>(40,742)</u>	<u>29,355</u>	<u>(2,297)</u>	<u>(282,086)</u>	<u>(295,770)</u>
<i>Fund Balances at Beginning of Year</i>	<u>245,890</u>	<u>203,941</u>	<u>171,592</u>	<u>360,722</u>	<u>982,145</u>
<i>Fund Balances at End of Year</i>	<u>\$ 205,148</u>	<u>\$ 233,296</u>	<u>\$ 169,295</u>	<u>\$ 78,636</u>	<u>\$ 686,375</u>

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

Southern Local School District
*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
in Fund Balances of Governmental Funds - Cash Basis to the Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2012*

Net Change in Fund Balances - Total Governmental Funds \$ (295,770)

Amounts reported for governmental activities in the statement of activities are different because:

The internal service fund used by management to account for their self-insurance program for employee dental and vision claims is not reported in the government-wide statement of activities. Governmental fund disbursements and the related internal service fund receipts are eliminated. The net receipt (disbursement) of the internal service fund is allocated among the governmental activities.

14,538

Net Change in Net Assets of Governmental Activities \$ (281,232)

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

Southern Local School District
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget (Budgetary Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Cash Receipts and Other Financing Sources	\$ 7,927,302	\$ 7,935,545	\$ 7,935,658	\$ 113
Total Cash Disbursements and Other Financing Uses	8,149,141	8,157,472	8,051,823	105,649
Net Change in Fund Balance	(221,839)	(221,927)	(116,165)	105,762
Fund Balance at Beginning of Year	139,188	139,188	139,188	-
Prior Year Encumbrances Appropriated	82,821	82,821	82,821	-
Fund Balance at End of Year	\$ 170	\$ 82	\$ 105,844	\$ 105,762

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

Southern Local School District
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget (Budgetary Basis) and Actual
Classroom Maintenance Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Cash Receipts and Other Financing Sources	\$ 17,050	\$ 18,244	\$ 18,407	\$ 163
Total Cash Disbursements and Other Financing Uses	188,570	188,570	20,704	167,866
Net Change in Fund Balance	(171,520)	(170,326)	(2,297)	168,029
Fund Balance at Beginning of Year	170,592	170,592	170,592	-
Prior Year Encumbrances Appropriated	1,000	1,000	1,000	-
Fund Balance at End of Year	\$ 72	\$ 1,266	\$ 169,295	\$ 168,029

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

Southern Local School District
Statement of Net Assets - Cash Basis
Governmental Activities - Internal Service Fund
June 30, 2012

	<u>Internal Service</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 95,722</u>
<i>Total Assets</i>	<u>95,722</u>
NET ASSETS:	
Unrestricted	<u>95,722</u>
<i>Total Net Assets</i>	<u><u>\$ 95,722</u></u>

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

Southern Local School District

Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Cash Basis

Governmental Activities - Internal Service Fund

For the Fiscal Year Ended June 30, 2012

	<u>Internal Service</u>
OPERATING RECEIPTS:	
Charges for Services	\$ 70,476
<i>Total Operating Receipts</i>	<u>70,476</u>
OPERATING DISBURSEMENTS:	
Purchased Services	5,793
Claims	<u>50,145</u>
<i>Total Operating Disbursements</i>	<u>55,938</u>
<i>Change in Net Assets</i>	14,538
<i>Net Assets at Beginning of Year</i>	<u>81,184</u>
<i>Net Assets at End of Year</i>	<u>\$ 95,722</u>

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

Southern Local School District
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
June 30, 2012

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	\$ 9,208	\$ 28,560
<i>Total Assets</i>	<u>9,208</u>	<u>28,560</u>
NET ASSETS:		
Held in Trust for Scholarships	9,208	-
Unrestricted	<u>-</u>	<u>28,560</u>
<i>Total Net Assets</i>	<u>\$ 9,208</u>	<u>\$ 28,560</u>

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

Southern Local School District
Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2012

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Miscellaneous	<u>\$ 12,208</u>
Total Additions	12,208
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>4,000</u>
Change in Net Assets	8,208
Net Assets Beginning of Year	<u>1,000</u>
Net Assets End of Year	<u><u>\$ 9,208</u></u>

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

1. DESCRIPTION OF THE ENTITY

The Southern Local School District, Perry County (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 is a local school district as defined by Ohio Revised Code Section 3311.03. The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District. Average daily membership (ADM) as of October 1, 2011, was 756. The District employed 70 certificated employees and 39 non-certificated employees.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District 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.

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 organizations' 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 organizations' 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. There are no component units of the District.

The District is associated with the Southeastern Ohio Voluntary Educational Consortium and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations, the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool, and the State of Ohio Cooperative Purchasing Program, a cooperative purchasing pool. The organizations are presented in Notes 11 and 12, respectively.

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

- Tri-County Career Center
- Perry-Hocking Educational Service Center

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the District chooses to prepare its financial statements in accordance with the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Fund Accounting

The District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts. The District classifies each fund as either governmental, proprietary, or fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The following are the District's major governmental funds:

General Fund

The General Fund is the operating fund of the School District and is used to account for all financial resources not accounted for and reported in another fund. The General fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom Maintenance Fund

This fund accounts for the proceeds of a special levy for capital maintenance purposes.

Bond Retirement Fund

The Bond Retirement Fund is used to account for the accumulation of financial resources restricted, committed or assigned for the payment of general long-term debt.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The other governmental funds of the District account for grants and other resources and capital projects, whose use is restricted to a particular purpose.

Proprietary Fund Type

Proprietary fund reporting focuses on the determination of operating cash receipts over/(under) cash disbursements, changes in net assets, and cash basis financial position. Proprietary funds are classified as enterprise or internal service; the District has no enterprise funds.

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. The District's only internal service fund accounts for the District's self-insurance program for employee dental and vision claims.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The District's fiduciary funds are an agency fund and a private purpose trust fund. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The District's agency fund is used to maintain financial activity of the District's student managed activities, and its private purpose trust fund is used to maintain the financial activity of the District's scholarship funds.

Basis of Presentation

The District uses the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net assets-cash basis presents the cash basis financial condition of governmental activities of the District at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the District. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general cash receipts of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Cash Receipts – Exchange and Non-exchange Transactions

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the year in which the resources are received.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On a cash basis, receipts from property taxes are recognized in the year in which the taxes are received. Receipts from grants, entitlements and donations are recognized in the year in which the monies have been received.

Cash Disbursements

On the cash basis of accounting, disbursements are recognized at the time payments are made.

Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Operating Receipts and Disbursements

Operating receipts are those receipts that are generated directly from the primary activity of the proprietary funds. For the District, these receipts are charges for services to the various funds to cover the costs of the self insurance program. Operating disbursements are necessary costs incurred to provide the goods and/or services that are the primary activity of the fund.

Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of the total of fund cash balances of all funds as of June 30, 2012. Individual fund balance integrity is maintained through the District's records. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All interest receipts are reported in the General Fund except those specifically related to those funds deemed appropriate according to School Board policy. For fiscal year 2012, interest receipts amounted to \$1,753 of which \$1,526 was recorded in the General Fund and \$227 was recorded in All Other Governmental Funds.

Capital Assets and Depreciation

Capital assets acquired or constructed for the District are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting, capital assets and the related depreciation are not reported separately on the financial statements.

Compensated Absences

Vacation and sick leave benefits are not accrued under the cash basis of accounting as previously described. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees.

Long-Term Obligations

In general, bonds, long-term loans, and capital leases are not accrued, but rather are recorded as cash disbursements in the basic financial statements when paid.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net cash assets represent the cash assets held by the District at year end. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted for Other Purposes is comprised of net assets restricted for state and federal programs. The District applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2012, of the District's \$523,213 in restricted net assets, none was restricted by enabling legislation.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. In the government-wide financial statements transfers within governmental activities are eliminated.

Flows of cash from one fund to another with a requirement for repayment are reported as advances in and out. Advances between governmental activities are eliminated in the statement of activities.

3. DEPOSITS AND INVESTMENTS

State statutes classify 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 that the Board of Education has identified as not required for use within the current five 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 monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

3. DEPOSITS AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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. The District maintains a cash pool which is used by all funds.

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 if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

3. DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2012, the District’s bank balance of \$860,265 is either covered by FDIC or collateralized by the financial institution’s public entity deposit pool in the manner described above.

The District held no investments at June 30, 2012.

4. BUDGETARY BASIS FUND BALANCES

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statement of cash receipts, disbursements and changes in fund balance – budget and actual (budgetary basis) presented for the General Fund and the Classroom Maintenance Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The following table summarized the adjustments necessary to reconcile the cash basis and the budgetary basis statement for the General Fund and Classroom Maintenance Fund:

Net Change in Fund Balance		
	General	Classroom Maintenance
Cash Basis (as reported)	(\$40,742)	(\$2,297)
Perspective Difference:		
Activity of Funds Reclassified for Cash Reporting Purposes	283	0
Encumbrances	(75,706)	0
Budget Basis	(\$116,165)	(\$2,297)

5. PROPERTY TAX

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. 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. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2012, and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

5. PROPERTY TAX (Continued)

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied after April 1, 2011, on the value as of December 31, 2011. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

	Perry and Hocking Counties			
	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
<u>Real Property</u>				
Resident/Agricultural	\$ 35,924,500	83.04%	\$ 39,525,990	85.03%
Commercial/Industrial	3,174,180	7.34%	2,741,610	5.90%
Public Utilities	129,350	0.30%	134,620	0.29%
Minerals	825,280	1.91%	794,460	1.71%
<u>Tangible Personal Property</u>				
Public Utilities	3,206,030	7.41%	3,289,450	7.08%
Total	<u>\$ 43,259,340</u>	<u>100.00%</u>	<u>\$ 46,486,130</u>	<u>100.00%</u>

The Perry and Hocking County Treasurers collect property taxes on behalf of all taxing districts within their respective County. The Perry and Hocking County Auditors periodically remit to the taxing districts their portion of the taxes collected.

6. DEBT OBLIGATIONS

Debt outstanding at June 30, 2012, consisted of the following:

<u>Debt</u>	<u>Beginning Balance 6/30/2011</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance 6/30/2012</u>	<u>Due in One Year</u>
School Improvement					
Advance Refunding					
Bonds, 3.7% to 9.6%	\$ 170,773	\$ -	\$ 46,330	\$ 124,443	\$ 43,844
School Facilities					
Improvement Notes, 5.0%	141,966	-	9,013	132,953	9,469
Energy Conservation					
Improvement Notes, 4.5% to 5.5%	936,756	-	51,675	885,081	53,201
Capital Lease	54,749	42,223	28,360	68,612	23,415
Total	<u>\$1,304,244</u>	<u>\$ 42,223</u>	<u>\$ 135,378</u>	<u>\$ 1,211,089</u>	<u>\$ 129,929</u>

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

6. DEBT OBLIGATIONS (Continued)

The School Improvement Advance Refunding Bonds are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the District. The Advance Refunding Bonds were issued in the amount of \$1,204,995 in 1998 to reduce the District's debt service requirements from a previously issued school building construction issue. The District utilizes a trustee bank to service the bonds. Payments to the bank are recorded as disbursements in the year deposited with the bank. Payments are made from the Bond Retirement fund.

The School Facilities Improvement Notes were issued in the amount of \$214,000 in 2000 to finance building improvements. The notes are direct obligations of the District for which its full faith, credit and resources are pledged. Payments are made from the Bond Retirement fund.

The Energy Conservation Improvement Notes were issued in the amount of \$998,947 in 2010 for the purpose of purchasing and installing energy conservation measures. The notes are direct obligations of the District for which its full faith, credit and resources are pledged. Payments are made from the Bond Retirement fund.

The annual requirements to amortize debt outstanding as of June 30, 2012 are as follows:

Year Ending June 30	Advance Refunding Bonds		School Facilities Improvement Notes		Energy Conservation Improvement Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	43,844	96,156	9,469	6,531	53,201	46,651
2014	41,450	98,550	9,949	6,051	54,982	44,019
2015	39,149	100,852	10,452	5,548	57,782	41,218
2016	-	-	10,982	5,018	60,037	38,261
2017	-	-	11,537	4,462	62,620	34,973
2018-2022	-	-	67,063	12,937	367,371	118,496
2023-2024	-	-	13,501	483	229,088	17,761
Total	<u>\$ 124,443</u>	<u>\$295,558</u>	<u>\$132,953</u>	<u>\$ 41,030</u>	<u>\$ 885,081</u>	<u>\$ 341,379</u>

The District's overall legal debt margin was \$3,274,571 with an unvoted debt margin of \$46,486 at June 30, 2012.

7. LEASE OBLIGATION

In a previous fiscal year, the District entered into leases for security equipment and the use of copiers. The leases are being paid from the General fund. The annual requirements to amortize the lease obligations outstanding as of June 30, 2012, are as follows:

Year Ending June 30	Amount
2013	25,030
2014	25,030
2015	11,341
2016	9,562
2017	1,592
Total	72,555
Less: Amount Representing Interest	(3,943)
Present Value of Net Minimum Lease Payments	<u>\$ 68,612</u>

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

8. RISK MANAGEMENT

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. During the year ended June 30, 2012, the District contracted with the Ohio Casualty Company for property insurance and boiler and machinery coverage. Buildings and contents are 100 percent coinsured.

Vehicles are covered by the Ohio Casualty Company and include deductibles of \$500. Vehicle liability has a \$1,000,000 single occurrence limit. Professional and general liability is covered through the Ohio Casualty Company with a \$1,000,000 single occurrence limit and a \$2,000,000 aggregate limit.

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

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

The District has chosen to establish a risk financing fund for risks associated with the employee dental and vision insurance plans. The risk financing fund is accounted for as an Internal Service Fund where assets are set aside for claims and assessments. Medical Claims Services, Inc. acts as a third-party administrator for the payment of claims. A premium is charged to each fund that accounts for part-time and full-time employees. The premium charge is allocated to each of the funds based on trends in actual claims expense and the percentage of each fund's current year payroll expense to the total payroll expense of the District. Under the cash basis of accounting the District does not record a claims liability at fiscal year end, nor do they report claims liability information for previous years.

A comparison of Self Insurance Fund Equity in Pooled Cash and Cash Equivalents to the actuarially-measured liability follows:

	2012	2011
Equity in Pooled Cash and Cash Equivalents	\$95,722	\$81,184
Actuarial liabilities	\$3,140	\$5,308

9. PENSION PLANS

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. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained on SERS' website, www.ohsers.org, under *Employer/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions for SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$155,208, \$148,922, and \$134,388, respectively, which equaled the required annual contribution for each year.

9. PENSION PLANS (Continued)

State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

9. PENSION PLANS (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or an equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For fiscal years 2012, 2011, and 2010, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$460,368, \$525,720, and \$576,576, respectively, which were equal to the required amounts for each year.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, one member of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

10. POST-EMPLOYMENT BENEFITS

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2012, 2011, and 2010. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$32,883, \$37,551, and \$41,184 for fiscal years 2012, 2011, and 2010, respectively, which equaled the required amounts for these years.

School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2012, 2011, and 2010, the actuarially required allocations were 0.75 percent, 0.76 percent, and 0.76 percent, respectively. For the District, contributions for the years ended June 30, 2012, 2011, and 2010, were \$8,315, \$8,088, and \$7,295, which equaled the required contributions for those years.

10. POST-EMPLOYMENT BENEFITS (Continued)

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e).

Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2012, 2011, and 2010, the health care allocations were 0.55 percent, 1.43 percent, and 0.46 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the District, the amounts assigned to health care including the surcharge, during the 2012, 2011, and 2010 fiscal years equaled \$24,113, \$33,498, and \$22,551, respectively, which is equal to the required amounts for these years.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS website at www.ohsers.org under *Employer/Audit Resources*.

11. JOINTLY GOVERNED ORGANIZATIONS

A. Southeastern Ohio Voluntary Educational Consortium (SEOVEC)

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 28 participants consisting of 25 school districts and 3 educational service centers. SEOVEC's governing board is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. To obtain financial information write to the Southeastern Ohio Voluntary Educational Consortium, Jimmy Battrell, CEO/Director, at 221 North Columbus Road, Athens, Ohio 45701.

11. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. The Coalition of Rural and Appalachian Schools

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

12. PURCHASING POOLS

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

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

State of Ohio Cooperative Purchasing Program

The District participates in the State of Ohio Cooperative Purchasing Program, a cooperative purchasing pool. The Program, created by the Cooperative Purchasing Act of 1985, offers Ohio counties, townships, municipalities, school districts, public libraries, regional transit authorities, park districts, and other authorities and instrumentalities cost savings and convenience by empowering members to buy supplies and services through state government contracts. Each year, the participating entities pay a membership fee to cover the costs of administering the program.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

13. STATUTORY RESERVES

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

	Capital Acquisition
Set-Aside Reserve Cash Balance as of June 30, 2011	\$ -
Current Year Set-Aside Requirement	135,051
Qualifying Disbursements	(79,980)
Prior Year Offset from Bond Proceeds	(55,071)
Totals	-
Set-Aside Reserve Cash Balance as of June 30, 2012	\$ -

Effective July 1, 2011, the textbook reserve requirement was eliminated; therefore, no balance or other information is presented.

The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvements to zero. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$2,444,866 at June 30, 2012.

14. CONTINGENCIES

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

15. INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2012, were as follows:

Funds:	Transfer To:	Transfer From:
Major		
General Fund	\$ -	\$ 93,737
Non-Major Special Revenue Fund		
Lunchroom	93,737	-
Total	\$ 93,737	\$ 93,737

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

Interfund Advances

Advances made during the year ended June 30, 2012, were as follows:

Funds:	Advance To:	Advance From:
Major		
General Fund	\$ 42,102	\$ -
Non-Major Special Revenue Fund		
Lunchroom	-	42,102
Total	\$ 42,102	\$ 42,102

The advance from the Lunchroom special revenue fund was made to repay a prior year advance.

16. COMPLIANCE

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This is not in compliance with Ohio law.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

17. FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Classroom Maintenance	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Unclaimed Monies	\$8,107	\$0	\$0	\$0	\$8,107
Restricted for					
Other Purposes	0	0	0	32,179	32,179
Classroom Maintenance	0	0	169,295	0	169,295
Other Grants	0	0	0	44,538	44,538
Debt Services Payments	0	233,296	0	0	233,296
Capital Projects	0	0	0	43,905	43,905
Other Federal Programs	0	0	0	0	0
Total Restricted	<u>0</u>	<u>233,296</u>	<u>169,295</u>	<u>120,622</u>	<u>523,213</u>
Assigned to					
Other Purposes	94,584	0	0	0	94,584
Unassigned (Deficit)					
	<u>102,457</u>	<u>0</u>	<u>0</u>	<u>(41,986)</u>	<u>60,471</u>
Total Fund Balances	<u><u>\$205,148</u></u>	<u><u>\$233,296</u></u>	<u><u>\$169,295</u></u>	<u><u>\$78,636</u></u>	<u><u>\$686,375</u></u>

18. ACCOUNTABILITY

The following funds had deficit fund balances at June 30, 2012.

Other Governmental Funds	Deficit
Vocational Education	\$1,239
Race to the Top	1,148
Special Education, IDEA Part B	5,406
Title II-D Technology	1,442
Title I	1,017
Title II-A	20,367
Miscellaneous Federal Grants	11,367

These deficits were created as these funds are awaiting receipts of requested grant funds.

Southern Local School District
Perry County

*Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2012*

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 147,947	\$ -	\$ 147,947	\$ -
National School Lunch Program	3L60	10.555	199,844	19,479	199,844	19,479
Total Nutrition Cluster			347,791	19,479	347,791	19,479
Distance Learning and Telemedicine Loans and Grants	N/A	10.855	-	-	326	-
Total United States Department of Agriculture			347,791	19,479	348,117	19,479
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
<i>Title I Cluster</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	306,821	-	338,943	-
Title I Grants to Local Educational Agencies - ARRA	3DK0	84.389	12,773	-	38,033	-
Total Title I Cluster			319,594	-	376,976	-
<i>Special Education Cluster</i>						
Special Education- Grants to States	3M20	84.027	217,424	-	217,547	-
Special Education- Grants to States - ARRA	3DJ0	84.391	8,215	-	13,254	-
Special Education- Preschool Grants	3C50	84.173	2,382	-	1,898	-
Total Special Education Cluster			228,021	-	232,699	-
<i>Education Technology State Grants Cluster</i>						
Education Technology State Grants	3S20	84.318	20,588	-	27,831	-
Total Education Technology State Grants Cluster			20,588	-	27,831	-
<i>Teacher Incentive Fund Cluster</i>						
Teacher Incentive Fund - ARRA	3EC0	84.385	84,719	-	111,214	-
Total Teacher Incentive Fund Cluster			84,719	-	111,214	-
Safe and Drug Free Schools and Communities State Grants	3D10	84.186	75,000	-	75,000	-
Twenty-First Century Community Learning Centers	3Y20	84.287	148,151	-	188,630	-
Reading First State Grants	3Y40	84.357	19,861	-	73,919	-
Rural Education	3Y80	84.358	29,526	-	34,995	-
Improving Teacher Quality State Grants	3Y60	84.367	77,595	-	75,005	-
Education Jobs Fund	3ET0	84.410	386,765	-	386,765	-
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants - ARRA	3FD0	84.395	136,873	-	160,757	-
Total United States Department of Education			1,526,693	-	1,743,791	-
Total Federal Financial Assistance			\$ 1,874,484	\$ 19,479	\$ 2,091,908	\$ 19,479

N/A = Pass through entity number could not be located.
See Notes to Schedule of Federal Awards Receipts and Expenditures.

Southern Local School District
Perry County

Notes to Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards receipts and expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B -FOOD DISTRIBUTIONS

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Members of the Board of Education
Southern Local School District
10390 State Route 155 SE
Corning, Ohio 45730

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Local School District, Perry County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 26, 2012, wherein noted the District follows a comprehensive accounting basis other than generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, pass-through agencies, and others within the School District. We intend it for no one other than these specified parties.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
October 26, 2012



Balestra, Harr & Scherer, CPAs, Inc.

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Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Members of the Board of Education
Southern Local School District
10390 State Route 155 SE
Corning, Ohio 43730

Compliance

We have audited the compliance of Southern Local School District, Perry County, Ohio (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Southern Local School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with these requirements.

In our opinion, Southern Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Members of the Board of Education
Southern Local School District
Report on Compliance with Requirements Applicable to each Major Federal Program and on
Internal Control Over Compliance Required by OMB Circular A-133
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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
October 26, 2012

Southern Local School District
Perry County, Ohio

Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2012

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Teacher Incentive Fund Cluster: Teacher Incentive Fund - ARRA; CFDA# 84.385 Education Jobs Fund; CFDA# 84.410 State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants - ARRA; CFDA# 84.395
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

Southern Local School District
Perry County, Ohio

Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2012

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

FINDING NUMBER 2012-001

Material Noncompliance Citation

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

The District should take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

Client Response:

District officials do not believe preparing GAAP statements is cost beneficial for the District.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted

Southern Local School District
Perry County, Ohio

Schedule of Prior Audit Findings
OMB Circular A-133 §.315(b)
June 30, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2011-001	Ohio Revised Code section 117.38 and Ohio Administrative Code Section 117-2-03(B)-Not reporting GAAP	No	Not Corrected. Reissued as finding 2012-001.



Dave Yost • Auditor of State

SOUTHERN LOCAL SCHOOL DISTRICT

PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 24, 2013**