



Mary Taylor, CPA  
Auditor of State



**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Southern Local School District  
Meigs County  
920 Elm Street  
Racine, Ohio 45771

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Local School District, Meigs County, Ohio (the School District), as of and for the year ended June 30, 2008, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Local School District, Meigs County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the School District was in fiscal emergency until April 22, 2009, when the Auditor of State certified that the School District no longer met the fiscal emergency conditions.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2009 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

May 4, 2009

## **Southern Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2008*

Unaudited

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The discussion and analysis of the Southern Local School District's (School District's), financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for the fiscal year 2008 are as follows:

- Net assets of governmental activities increased \$305,002.
- General revenues accounted for \$5,471,623 in revenue or 70% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$2,395,341 or 30% of total revenues of \$7,866,964.
- The School District had \$7,561,962 in expenses related to governmental activities; only \$2,395,341 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$5,471,623 were adequate to provide for these programs.
- The School District's major funds were the General Fund and the Bond Retirement Debt Service Fund. The General Fund had \$5,502,119 in revenues and \$4,958,931 in expenditures. The General Fund's balance increased \$521,029. The Bond Retirement Fund had \$265,113 in revenues and \$320,170 in expenditures. The Bond Retirement Fund's balance decreased \$43,206.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look as the School District's most significant funds with all other non-major funds presented in total in one column.

**Southern Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
Unaudited

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***Reporting the School District as a Whole***

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non instructional services, bond service operations, and extracurricular activities.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Bond Retirement Debt Service Fund.

***Governmental Funds*** Most of the School 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 an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. They are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The School District uses the accrual basis of accounting to report fiduciary funds.



**Southern Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
 Unaudited

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007.

Table 1  
Net Assets

	Governmental Activities		
	2008	2007	Change
<b>Assets</b>			
Current and Other Assets	\$4,323,676	\$3,337,799	\$985,877
Capital Assets	9,678,450	9,827,151	(148,701)
Total Assets	<u>14,002,126</u>	<u>13,164,950</u>	<u>837,176</u>
<b>Liabilities</b>			
Long-term Liabilities	3,336,155	3,457,897	(121,742)
Other Liabilities	2,729,855	2,075,939	653,916
Total Liabilities	<u>6,066,010</u>	<u>5,533,836</u>	<u>532,174</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	6,666,306	6,712,151	(45,845)
Restricted	598,654	709,053	(110,399)
Unrestricted	671,156	209,910	461,246
Total Net Assets	<u><u>\$7,936,116</u></u>	<u><u>\$7,631,114</u></u>	<u><u>\$305,002</u></u>

Total assets increased \$837,176. This increase was mainly due to an increase in cash and cash equivalents of \$938,769, attributed to newly awarded grants. These increases were offset by a decrease in intergovernmental receivables of \$135,280. This decrease is attributed to a large amount of fiscal year 2007 federal grant monies still left to be drawn down at June 30, 2007, thus making the prior year intergovernmental receivables number larger. Capital assets decreased \$148,701 due mainly to depreciation. As the assets increased, the total governmental activities liabilities also increased \$532,174. This increase is attributed mainly to an increase in deferred revenue of \$544,608 as a result of property taxes. The amount of property taxes available as an advance at June 30, 2008, decreased due to the County Auditor moving the tax collection due date back, therefore increasing the amount of deferred revenue.

**Southern Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
 Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008, and comparisons to fiscal year 2007.

Table 2  
 Changes in Net Assets

	Governmental Activities		
	2008	2007	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$411,570	\$418,353	(\$6,783)
Operating Grants, Contributions and Interest	1,976,517	1,677,001	299,516
Capital Grants and Contributions	7,254	8,056	(802)
Total Program Revenues	<u>2,395,341</u>	<u>2,103,410</u>	<u>291,931</u>
General Revenues			
Property Taxes	1,418,472	1,813,374	(394,902)
Grants and Entitlements	3,989,121	3,608,901	380,220
Investment Earnings	31,963	5,404	26,559
Miscellaneous	32,067	73,239	(41,172)
Total General Revenues	<u>5,471,623</u>	<u>5,500,918</u>	<u>(29,295)</u>
Total Revenues	<u>7,866,964</u>	<u>7,604,328</u>	<u>262,636</u>
<b>Program Expenses</b>			
Instruction:			
Regular	2,676,303	2,945,585	(269,282)
Special	953,633	881,291	72,342
Vocational	130,405	160,654	(30,249)
Adult/Continuing	5,707	0	5,707
Support Services:			
Pupil	248,055	259,499	(11,444)
Instructional Staff	270,864	273,751	(2,887)
Board of Education	15,846	19,478	(3,632)
Administration	1,172,331	622,460	549,871
Fiscal	301,199	220,239	80,960
Operation and Maintenance of Plant	573,209	589,808	(16,599)
Pupil Transportation	482,517	500,410	(17,893)
Central	63,793	55,751	8,042
Operation of Non-Instructional Services:			
Food Service Operations	382,410	367,114	15,296
Other	1,347	1,412	(65)
Extracurricular Activities	129,730	128,690	1,040
Interest and Fiscal Charges	154,613	160,007	(5,394)
Total Expenses	<u>7,561,962</u>	<u>7,186,149</u>	<u>375,813</u>
Increase in Net Assets	305,002	418,179	(113,177)
Net Assets Beginning of Year	7,631,114	7,212,935	418,179
Net Assets End of Year	<u>\$7,936,116</u>	<u>\$7,631,114</u>	<u>\$305,002</u>

**Southern Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2008*

Unaudited

During fiscal year 2008, the School District saw a decrease in property tax revenue. State foundation funding remained relatively consistent with the prior year. The School District receives substantial funding from the State due to the depressed economic condition of the area.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. 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

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2008	2008	2007	2007
<b>Program Expenses</b>				
Instruction:				
Regular	\$2,676,303	\$2,251,434	\$2,945,585	\$2,296,844
Special	953,633	245,870	881,291	206,122
Vocational	130,405	80,435	160,654	89,230
Adult/Continuing	5,707	2,667	0	0
Support Services:				
Pupil	248,055	224,848	259,499	176,458
Instructional Staff	270,864	257,679	273,751	218,455
Board of Education	15,846	15,846	19,478	19,478
Administration	1,172,331	533,386	622,460	535,575
Fiscal	301,199	291,302	220,239	209,959
Operation and Maintenance of Plant	573,209	524,346	589,808	563,540
Pupil Transportation	482,517	418,356	500,410	468,948
Central	63,793	45,603	55,751	22,534
Operation of Non-Instructional Services:				
Food Service Operations	382,410	33,366	367,114	35,341
Other	1,347	702	1,412	(673)
Extracurricular Activities	129,730	86,168	128,690	80,921
Interest and Fiscal Charges	154,613	154,613	160,007	160,007
<b>Total</b>	<b>\$7,561,962</b>	<b>\$5,166,621</b>	<b>\$7,186,149</b>	<b>\$5,082,739</b>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2008, 69% of instructional activities were supported through taxes and other general revenues.

**Southern Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2008*

Unaudited

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**The School District Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$7,817,679 and expenditures of \$7,553,011. The School District is focusing its efforts to reduce expenditures, first through strict monitoring of its discretionary budgets, such as supplies and capital outlay, and also through the retirement of several staff members. Also, the School District joined OME-RESA health consortium, effective July 1, 2008, therefore pooling the risk with fifty consortium members for the future fiscal year. The School District passed its renewal levy in November 2008 for five years.

***General Fund Budgeting Highlights***

The School 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 the course of fiscal 2008, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$5,860,382, above final estimates of \$5,804,367. The \$56,015 difference was due to additional tuition and fees and intergovernmental revenues being received than anticipated. Original estimated revenues were increased \$505,951 mainly in the taxes and intergovernmental revenue areas due to higher than expected state foundation monies. Actual expenditures were \$490,310 under final appropriations. Original appropriations were increased \$58,084 due in part to higher fuel and heating costs than originally budgeted.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2008, the School District had \$9,678,450 invested in land and land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2008 balances compared to 2007.

**Southern Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
 Unaudited

Table 4  
 Capital Assets  
 (Net of Depreciation)

	Governmental Activities	
	2008	2007
Land	\$199,100	\$199,100
Land Improvements	210,044	210,821
Buildings and Improvements	8,851,898	9,027,669
Furniture and Equipment	351,213	322,009
Vehicles	66,195	67,552
Totals	\$9,678,450	\$9,827,151

During fiscal year 2008, the School District purchased few capital assets. Additions included copies purchased through the inception of a capital lease as well as various computers. See Note 13 to the basic financial statements for more information on capital assets.

***Debt***

At June 30, 2008, the School District had the following debt outstanding.

Table 5  
 Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2008	2007
2006 Solvency Assistance Loan	\$0	\$20,500
1995 Asbestos Loan	53,115	70,873
1998 School Facilities Construction Bonds	2,980,000	3,115,000
Capital Leases	32,144	0
	\$3,065,259	\$3,206,373

See Notes 12, 16, and 18 to the basic financial statements for more information on debt.

**Southern Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2008*

Unaudited

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**Current Issues**

The School District continues to strengthen financially and expects to continue this trend under the leadership of a new superintendent and treasurer. Economic development will impact the School District greatly as two major industries have brought in facilities within the School District's borders.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Roy Johnson, Treasurer, at Southern Local School District, P.O. Box 176, Racine, Ohio 45771. Or E-Mail at [sm\\_rjohnson@seovec.org](mailto:sm_rjohnson@seovec.org).

**Southern Local School District, Ohio**

*Statement of Net Assets*

*June 30, 2008*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,866,871
Cash and Cash Equivalents in Segregated Accounts	617
Accounts Receivable	1,994
Intergovernmental Receivable	112,741
Materials and Supplies Inventory	8,343
Prepaid Items	5,578
Property Taxes Receivable	2,327,532
Nondepreciable Capital Assets	199,100
Depreciable Capital Assets, Net	<u>9,479,350</u>
<i>Total Assets</i>	<u>14,002,126</u>
<b>Liabilities</b>	
Accounts Payable	50,802
Accrued Wages and Benefits Payable	509,549
Accrued Interest Payable	12,268
Vacation Benefits Payable	21,684
Matured Compensated Absences Payable	15,157
Intergovernmental Payable	219,092
Deferred Revenue	1,901,303
Long-Term Liabilities:	
Due Within One Year	169,721
Due In More Than One Year	<u>3,166,434</u>
<i>Total Liabilities</i>	<u>6,066,010</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	6,666,306
Restricted for:	
Debt Service	312,565
Capital Projects	12,131
Bus Purchase	17,135
Unclaimed Monies	441
Other Purposes	256,382
Unrestricted	<u>671,156</u>
<i>Total Net Assets</i>	<u>\$ 7,936,116</u>

See accompanying notes to the financial statements

**Southern Local School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2008

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 2,676,303	\$ 255,293	\$ 169,576	\$	\$ (2,251,434)
Special	953,633		707,763		(245,870)
Vocational	130,405		49,970		(80,435)
Adult/Continuing	5,707		3,040		(2,667)
Support Services:					
Pupils	248,055	2,758	20,449		(224,848)
Instructional Staff	270,864		13,185		(257,679)
Board of Education	15,846				(15,846)
Administration	1,172,331		638,945		(533,386)
Fiscal	301,199		9,897		(291,302)
Operation and Maintenance of Plant	573,209		48,863		(524,346)
Pupil Transportation	482,517		56,907	7,254	(418,356)
Central	63,793		18,190		(45,603)
Operation of Non-Instructional Services:					
Food Service Operations	382,410	109,957	239,087		(33,366)
Other	1,347		645		(702)
Extracurricular Activities	129,730	43,562			(86,168)
Interest and Fiscal Charges	154,613				(154,613)
<b>Totals</b>	<b>\$ 7,561,962</b>	<b>\$ 411,570</b>	<b>\$ 1,976,517</b>	<b>\$ 7,254</b>	<b>(5,166,621)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
					1,165,785
					224,365
					28,322
					3,989,121
					31,963
					32,067
					<u>5,471,623</u>
					Change in Net Assets 305,002
					<u>Net Assets Beginning of Year 7,631,114</u>
					<u>Net Assets End of Year \$ 7,936,116</u>

See accompanying notes to the basic financial statements



**Southern Local School District, Ohio**

*Balance Sheet  
Governmental Funds  
June 30, 2008*

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,214,878	\$ 307,019	\$ 330,055	\$ 1,851,952
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	14,919			14,919
Cash and Cash Equivalents in Segregated Accounts			617	617
Receivables:				
Property Taxes	1,968,013	327,092	32,427	2,327,532
Accounts	145		1,849	1,994
Intergovernmental	2,657		110,084	112,741
Interfund	17,956		59,630	77,586
Prepaid Items	5,578			5,578
Materials and Supplies Inventory			8,343	8,343
<i>Total Assets</i>	<u>\$3,224,146</u>	<u>\$ 634,111</u>	<u>\$ 543,005</u>	<u>\$ 4,401,262</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 16,621	\$	\$ 34,181	\$ 50,802
Accrued Wages and Benefits Payable	369,006		140,543	509,549
Interfund Payable	59,630		17,956	77,586
Matured Compensated Absences Payable	15,157			15,157
Intergovernmental Payable	122,671		96,421	219,092
Deferred Revenue	1,944,844	323,403	140,021	2,408,268
<i>Total Liabilities</i>	<u>2,527,929</u>	<u>323,403</u>	<u>429,122</u>	<u>3,280,454</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	13,151		19,133	32,284
Reserved for Unclaimed Monies	441			441
Reserved for Property Taxes	22,540	3,575	371	26,486
Reserved for Bus Purchase	17,135			17,135
Unreserved, Undesignated, Reported in:				
General Fund	642,950			642,950
Special Revenue Funds			82,248	82,248
Debt Service Fund		307,133		307,133
Capital Projects Funds			12,131	12,131
<i>Total Fund Balances</i>	<u>696,217</u>	<u>310,708</u>	<u>113,883</u>	<u>1,120,808</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,224,146</u>	<u>\$ 634,111</u>	<u>\$ 543,005</u>	<u>\$ 4,401,262</u>

See accompanying notes to the financial statements

**Southern Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2008*

<b>Total Governmental Fund Balances</b>		<b>\$ 1,120,808</b>
 <i>Amounts reported for governmental activities in the statement of    net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		9,678,450
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	398,882	
Student Fees	1,754	
Grants	<u>106,329</u>	506,965
Accrued Interest Payable is recognized for outstanding long-term liabilities with interest accruals that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(12,268)
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due.		(21,684)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Construction Bonds	(2,980,000)	
Asbestos Abatement Loan	(53,155)	
Capital Leases Payable	(32,144)	
Sick Leave Benefits Payable	<u>(270,856)</u>	<u>(3,336,155)</u>
Net Assets of Governmental Activities		<u><u>\$ 7,936,116</u></u>

See accompanying notes to the financial statements

**Southern Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2008*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 1,096,696	\$ 210,026	\$ 27,456	\$ 1,334,178
Intergovernmental	4,091,051	55,087	1,846,222	5,992,360
Investment Earnings	31,963		252	32,215
Charges for Services			109,957	109,957
Tuition and Fees	250,342		5,842	256,184
Extracurricular Activities			46,320	46,320
Gifts and Donations			14,398	14,398
Miscellaneous	32,067		0	32,067
<i>Total Revenues</i>	<u>5,502,119</u>	<u>265,113</u>	<u>2,050,447</u>	<u>7,817,679</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,194,009		426,248	2,620,257
Special	449,254		478,806	928,060
Vocational	122,270			122,270
Adult/Continuing			5,707	5,707
Support Services:				
Pupils	176,504		67,469	243,973
Instructional Staff	181,789		75,685	257,474
Board of Education	15,846			15,846
Administration	510,135		644,016	1,154,151
Fiscal	275,618	12,393	8,609	296,620
Operation and Maintenance of Plant	476,869		82,888	559,757
Pupil Transportation	432,763		45,621	478,384
Central	41,716		24,189	65,905
Operation of Non-Instructional Services			369,800	369,800
Extracurricular Activities	82,158		44,872	127,030
Debt Service:				
Principal		152,718		152,718
Interest and Fiscal Charges		155,059		155,059
<i>Total Expenditures</i>	<u>4,958,931</u>	<u>320,170</u>	<u>2,273,910</u>	<u>7,553,011</u>
Excess of Revenues Over (Under) Expenditures	<u>543,188</u>	<u>(55,057)</u>	<u>(223,463)</u>	<u>264,668</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In		11,851	42,452	54,303
Inception of a Capital Lease	32,144			32,144
Transfers Out	(54,303)			(54,303)
<i>Total Other Financing Sources (Uses)</i>	<u>(22,159)</u>	<u>11,851</u>	<u>42,452</u>	<u>32,144</u>
<i>Net Change in Fund Balance</i>	521,029	(43,206)	(181,011)	296,812
<i>Fund Balances Beginning of Year</i>	<u>175,188</u>	<u>353,914</u>	<u>294,894</u>	<u>823,996</u>
<i>Fund Balances End of Year</i>	<u>\$ 696,217</u>	<u>\$ 310,708</u>	<u>\$ 113,883</u>	<u>\$ 1,120,808</u>

See accompanying notes to the financial statements

**Southern Local School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2008*

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**Net Change in Fund Balances - Total Governmental Funds** \$ 296,812

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital Asset Additions	66,794	
Depreciation Expense	(215,495)	(148,701)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Taxes	84,294	
Student Fees	(891)	
Grants	(34,118)	49,285

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 152,718

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. 446

The inception of a capital lease is reported as an other financing source in the governmental funds, but increases in long-term liabilities in the statement of net assets (32,144)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Vacation Benefits Payable	(14,582)	
Sick Leave Benefits Payable	1,168	(13,414)

*Change in Net Assets of Governmental Activities* \$ 305,002

See accompanying notes to the financial statements

**Southern Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2008*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Taxes	\$ 1,350,954	\$ 1,479,956	\$ 1,461,002	\$ (18,954)
Intergovernmental	3,696,624	4,049,619	4,088,394	38,775
Investment Earnings	36,513	40,000	31,963	(8,037)
Tuition and Fees	188,548	206,553	250,440	43,887
Miscellaneous	25,777	28,239	28,583	344
<i>Total Revenues</i>	<u>5,298,416</u>	<u>5,804,367</u>	<u>5,860,382</u>	<u>56,015</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,281,036	2,305,770	2,141,287	164,483
Special	484,119	489,369	454,009	35,360
Vocational	146,956	148,550	123,137	25,413
Support Services:				
Pupils	196,740	198,873	175,301	23,572
Instructional Staff	198,937	201,094	178,260	22,834
Board of Education	20,426	20,648	18,325	2,323
Administration	558,445	564,501	516,992	47,509
Fiscal	299,801	303,052	270,861	32,191
Operation and Maintenance of Plant	542,333	548,214	477,300	70,914
Pupil Transportation	473,727	478,864	425,335	53,529
Central	51,449	52,007	43,231	8,776
Extracurricular Activities	82,205	83,096	79,690	3,406
Debt Service:				
Principal	20,280	20,500	20,500	0
<i>Total Expenditures</i>	<u>5,356,454</u>	<u>5,414,538</u>	<u>4,924,228</u>	<u>490,310</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(58,038)</u>	<u>389,829</u>	<u>936,154</u>	<u>546,325</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	54,431	59,629	0	(59,629)
Refund of Prior Year Expenditures	547	600	4,798	4,198
Transfers Out	(53,720)	(54,303)	(54,303)	0
<i>Total Other Financing Sources (Uses)</i>	<u>1,258</u>	<u>5,926</u>	<u>(49,505)</u>	<u>(55,431)</u>
<i>Net Change in Fund Balance</i>	(56,780)	395,755	886,649	490,894
<i>Fund Balance Beginning of Year</i>	259,568	259,568	259,568	0
Prior Year Encumbrances Appropriated	70,299	70,299	70,299	0
<i>Fund Balance End of Year</i>	<u>\$ 273,087</u>	<u>\$ 725,622</u>	<u>\$ 1,216,516</u>	<u>\$ 490,894</u>

See accompanying notes to the basic financial statements

**Southern Local School District, Ohio**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2008*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 11,877</u>
<b>Liabilities</b>	
Due to Students	<u>\$ 11,877</u>
See accompanying notes to the basic financial statements	

**Southern Local School District, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Funds*  
*For the Fiscal Year Ended June 30, 2008*

	Private Purpose Trusts
<b>Additions</b>	
Interest	\$ 155
<b>Deductions</b>	
Payment to External Party	58,323
<i>Change in Net Assets</i>	(58,168)
<i>Net Assets Beginning of Year</i>	58,168
<i>Net Assets End of Year</i>	\$ 0

See accompanying notes to the basic financial statements

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**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 1 - Description of the School District and Reporting Entity**

Southern Local School District, Meigs County (the School District), is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by State and/or local guidelines. The School District is staffed by 58 certificated employees and 29 classified employees who provide services to 729 students. The School District currently operates one elementary school (grades kindergarten to eighth) and one high school (grades ninth to twelfth).

The Auditor of State of Ohio declared the School District to be in fiscal emergency on November 8, 1999. A financial planning and supervision commission has been established. On April 22, 2009, the Auditor of State certified that the School District no longer met the fiscal emergency conditions.

***Reporting Entity***

A reporting entity is composed of the primary government, component units, and other organizations included to ensure that the basic financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Southern Local School District, this includes general operations, food service, and student-related activities.

The School District participates in three jointly governed organizations and an insurance purchasing pool. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Coalition of Rural and Appalachian Schools, and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 21 and 22 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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***Government-Wide Financial Statements***

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund. The statements usually distinguish between those activities of the School District that are governmental (generally are financed through taxes, intergovernmental receipts or other nonexchange transactions) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

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

***Fund Financial Statements***

During the fiscal year, the School District segregates transactions related to certain School 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 School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

***B. Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The School District classifies each fund as either governmental or fiduciary.

***Governmental:*** The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

***General Fund*** The General Fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

***Bond Retirement Fund*** The Bond Retirement Fund provides for the retirement of bonds and long-term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds or loans, is paid into this fund.

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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

***Fiduciary:*** 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. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's private purpose trust funds account for programs that provide college scholarships to students. During fiscal year 2008, the School District transferred trust fund monies to a community foundation without relinquishing its control for the decision of scholarship selections (See Note 19). Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only agency fund accounts for student activities.

***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenditures) in total net assets.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

***E. Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds except the private purpose trust funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

At the end of fiscal year 2008, the School District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$31,963, which includes \$13,172 assigned from other School District funds.

The School District has a segregated bank account for athletic activities. This depository account is presented as "cash and cash equivalents in segregated accounts" since it is not deposited into the School District treasury.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**G. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food.

**H. Capital Assets**

The School District's only capital assets are general assets. General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	50 years
Buildings and Improvements	8 - 75 years
Furniture and Equipment	5 - 50 years
Vehicles	15 - 20 years

**I. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent unexpended grants restricted for the purchase of buses and unclaimed monies. Restricted assets do not equal reserves by the amount of the bus purchase receivable (See Note 8).

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation benefits payable", rather than long-term liabilities, as the balances are to be used by employees in the fiscal year following the fiscal year in which the benefit was earned.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees'

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees after seven years of current service with the School District.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which these payments will be made.

***K. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Long-term loans and bonds are recognized as a liability on the governmental fund financial statements when due.

***L. Interfund Activity***

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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 expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***M. Fund Balance Reserves***

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, unclaimed monies, property taxes, and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. Under Ohio law, unclaimed monies must be held for five years before it becomes available for appropriation. Monies not yet held for the five year period are presented as reserved.

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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***N. Interfund Assets and Liabilities***

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

***O. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations and athletic and music activities, and federal and state grants restricted to expenditure for specified purposes.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***P. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

***Q. Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***R. 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, except for the General Fund which has been established at the object level. The Treasurer has been given the authority to allocate appropriations to the function level for the General Fund and the function and object level for all other funds.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School 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.

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. 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.

**Note 3 – Change in Accounting Principle**

For fiscal year 2008, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the SERS and the STRS post-employment healthcare plans in the amount of \$13,799 and \$4,048, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

**Note 4 - Fund Deficits**

At June 30, 2008, the Food Service, Poverty Based Assistance, Title I and GRAA/SAPI Grant Special Revenue Funds had fund deficits in the amounts of \$21,088, \$24,983, \$22,496, and \$17,368, respectively. The deficits resulted from adjustments for accrued liabilities. The General Fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).



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The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	\$521,029
Revenue Accruals	363,061
Expenditure Accruals	23,446
Prepaid Items:	
Beginning of Fiscal Year	18,472
End of Fiscal Year	(5,578)
Principal Retirement	(20,500)
Encumbrances	<u>(13,281)</u>
Budget Basis	<u><u>\$886,649</u></u>

**Note 6 - Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

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

Inactive deposits are public deposits that the Board 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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;

**Southern Local School District, Ohio**  
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4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the School District's bank balance was \$1,930,086. \$212,033 was covered by Federal depository insurance; \$1,718,053 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

#### **Note 7 - Property Taxes**

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 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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.

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Tangible personal property tax revenue received during calendar 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value listed as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. 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. This fiscal year, however, the settlement was not received until July.

The School District receives property taxes from Meigs County. The County Auditor periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable as of June 30, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late settlement of tangible personal property tax were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance at June 30, 2008, was \$26,486 and is recognized as revenue: \$22,540 in the General Fund, \$371 in the Classroom Facilities Maintenance Special Revenue Fund, and \$3,575 in the Bond Retirement Fund. The amount available as an advance at June 30, 2007, was \$452,911 and is recognized as revenue: \$384,513 in the General Fund, \$139 in the Classroom Facilities Maintenance Special Revenue Fund, and \$68,259 in the Bond Retirement Fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$55,461,590	80%	\$59,797,210	82%
Public Utility Personal	12,751,270	18%	11,656,670	16%
Tangible Personal Property	1,353,804	2%	1,149,017	2%
	<u>\$69,566,664</u>	<u>100%</u>	<u>\$72,602,897</u>	<u>100%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$31.70		\$31.70	

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 8 - Receivables**

Receivables at June 30, 2008, consisted of taxes, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Except for property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities</b>	
Bus Reimbursement	\$2,657
Early Childhood Education	79,792
Title V	143
Safe and Drug Free	548
Title II-D	5,846
Alcoholic Prevention	20,000
Miscellaneous Reimbursements	3,755
Total	<u>\$112,741</u>

**Note 9 - Interfund Transfers and Balances**

Transfers made during fiscal year 2008 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$0	\$54,303
Bond Retirement Fund	11,851	0
Nonmajor Special Revenue Funds:		
State Grant Funds	1,584	0
Title VIB	13,714	0
Title I	14,429	0
Federal Grant Funds	12,725	0
Total Special Revenue Funds	42,452	0
Total All Funds	<u>\$54,303</u>	<u>\$54,303</u>

Unpaid interfund cash advances at June 30, 2008, were as follows:

**Southern Local School District, Ohio**  
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	Receivables	Payables
General Fund	\$17,956	\$59,630
Nonmajor Special Revenue Funds:		
Uniform School Supplies	0	6,200
State Grant Funds	0	10,757
Title VIB	15,617	370
Title I	18,721	0
Federal Grant Funds	25,292	629
Total Special Revenue Funds	59,630	17,956
Total All Funds	\$77,586	\$77,586

The interfund balances result from the provision of cash flow resources from the General Fund until the receipt of grant monies by the grant funds and to subsidize programs not covered by school fees by the Uniform School Supplies Special Revenue Fund. At June 30, 2008, the Title VIB, Title I and Federal Grants Special Revenue Funds owed the General Fund \$15,617, \$18,721 and \$25,292, respectively, for monies to cover a deficit cash balance.

**Note 10 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with Indiana Insurance Company for general liability, vehicle, and property insurance. Coverage provided by the Indiana Insurance Group is as follows:

Building and Contents-replacement cost	\$21,058,855
Inland Marine:	
Cameras and audio-visual equipment (\$500 deductible)	50,000
Signs	10,000
Music Instruments and Band Uniforms	50,000
Computers (\$1,000 deductible)	
Hardware	100,000
Extra Expense	10,000
Valuable Papers & Records per Building	100,000
Accounts Receivable	100,000
Crime (\$500 deductible) -	
Public Employee Dishonesty	10,000
Money and Securities -	
Inside Premises - Per Occurrence	10,000
Outside Premises - Per Messenger	10,000
Automobile Liability (no deductible):	
Bodily Injury and Property Damage - combined single limit	1,000,000

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Medical Payments – each person	5,000
Hired Auto Liability	1,000,000
Non-owned Auto Liability	1,000,000
General Liability (no deductible):	
Aggregate Limit	2,000,000
Medical Expense Limit – per person/accident	15,000
Employee Benefits Liability (\$1,000 deductible):	
Per Claim	1,000,000
Aggregate Limit	3,000,000
Umbrella:	
Each Occurrence	1,000,000
Aggregate Limit	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2007.

***B. Workers’ Compensation***

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 22). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**Note 11 – Employee Benefits**

***A. Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. The liability for vacation benefits is recorded as vacation benefits payable, rather than long-term liabilities, as the balances earned by employees on their anniversary hire date must be used within one year.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for all personnel. Upon retirement, personnel receive twenty-five percent of the number of days of sick leave accumulated not to exceed 40 days for employees with 10 years or less of service; 50 and 55 days for classified and certified employees, respectively, for those with more than 10 years but less than 20 years of services; and 60 and 65 days for classified and certified employees, respectively, for those with more than 20 years of service.

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**B. Insurance**

The School District provides dental and life insurance and accidental death and dismemberment insurance to most employees through Coresource, medical/surgical benefits thorough Medical Mutual of Ohio, and vision insurance through Vision Plus. The cost of premiums for the coverage is \$61.12 for dental, \$1,112.19 family and \$383.51 single for medical, and \$13.52 family and \$5.12 single for vision.

**Note 12 – Fund Obligations**

The changes in the School District’s fund obligations during the fiscal year consist of the following:

	Principal Outstanding 6/30/07	Additions	Deductions	Principal Outstanding 6/30/08	Amounts Due Within One Year
2006 Solvency Assistance Loan	\$20,500	\$0	\$20,500	\$0	\$0

**2006 Solvency Assistance Loan** - On June 12, 2006, the School District obtained a loan, in the amount of \$41,000, from the State of Ohio Department of Education Solvency Assistance Fund. This loan was obtained under the authority of Ohio Rev. Code Section 3316.20 for a three year period, with the first payment due in August 2005 and the final payment paid in June 2008. This loan was retired through bi-monthly deductions from the School District’s State Foundation Settlements in the General Fund.

**Note 13 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 6/30/2007	Additions	Deductions	Balance 6/30/2008
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$199,100	\$0	\$0	\$199,100
Total Capital Assets not being Depreciated	199,100	0	0	199,100
Depreciable Capital Assets:				
Land Improvements	533,074	0	0	533,074
Buildings and Improvements	13,101,574	0	0	13,101,574
Furniture and Equipment	746,393	66,794	0	813,187
Vehicles	580,526	0	0	580,526
Total Capital Assets being Depreciated	14,961,567	66,794	0	15,028,361
Less Accumulated Depreciation				
Land Improvements	(322,253)	(777)	0	(323,030)
Buildings and Improvements	(4,073,905)	(175,771)	0	(4,249,676)
Furniture and Equipment	(424,384)	(37,590)	0	(461,974)
Vehicles	(512,974)	(1,357)	0	(514,331)
Total Accumulated Depreciation	(5,333,516)	(215,495) *	0	(5,549,011)
Total Capital Assets being Depreciated, Net	9,628,051	(148,701)	0	9,479,350
Capital Assets, Net	\$9,827,151	(\$148,701)	\$0	\$9,678,450

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*Notes to the Basic Financial Statements*  
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\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$118,057
Special	14,431
Vocational	1,601
Support Services:	
Pupils	4,082
Instructional Staff	17,544
Administration	8,672
Fiscal	3,519
Operation and Maintenance of Plant	14,500
Pupil Transportation	11,984
Central	738
Food Service Operations	17,667
Extracurricular Activities	2,700
Total Depreciation Expense	<u>\$215,495</u>

**Note 14 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$105,557, \$77,212 and \$86,597, respectively; 44.46 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

***B. State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).



**Southern Local School District, Ohio**  
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New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB 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. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$305,550, \$310,229, and \$303,268, respectively; 82.04 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 no payments were made by the School District and \$2,181 were made by the plan members.

***C. 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, 2008, no members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 15 - Postemployment Benefits**

***A. School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans

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as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$66,749, \$34,568, and \$39,371, respectively; 39.83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$7,774, \$4,519, and \$6,382, respectively; 45.66 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

***B. State Teachers Retirement System***

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$23,504, \$23,864, and \$23,328, respectively; 82.04 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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**Note 16 - Long-Term Debt**

The changes in the School District's long-term obligations during the fiscal year consist of the following:

<b>Governmental Activities:</b>	Principal Outstanding 6/30/07	Additions	Deductions	Principal Outstanding 6/30/08	Amounts Due Within One Year
1995 Asbestos Abatement Loan - 0%	\$70,873	\$0	\$17,718	\$53,155	\$11,812
1998 Classroom Facilities Construction and Improvement Serial and Term Bonds - 3.2%-4.625%	3,115,000	0	135,000	2,980,000	145,000
Capital Leases	0	32,144	0	32,144	10,670
Sick Leave Benefits	272,024	23,974	25,142	270,856	2,239
<b>Total Long Term Obligations</b>	<b>\$3,457,897</b>	<b>\$56,118</b>	<b>\$177,860</b>	<b>\$3,336,155</b>	<b>\$169,721</b>

Sick leave benefits will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and Food Service and Title I Special Revenue Funds.

**Asbestos Abatement Loan** - On May 25, 1995, the School District obtained a loan, in the amount of \$212,618, for removing asbestos. The loan was obtained under the authority of Ohio Rev. Code Section 3317.22 for a twenty year period, with maturity in fiscal year 2013. The loan is being retired through the Bond Retirement Debt Service Fund.

**Classroom Facilities Construction and Improvement Bonds** - On December 1, 1998, the School District issued \$4,042,000 in voted general obligation bonds for building a new elementary and an addition to the high school. The bond issue included serial and term bonds, in the amount of \$1,372,000 and \$2,670,000, respectively. The bonds were issued for a twenty-three year period, with the final maturity date during fiscal year 2022. The bonds are being retired through the Bond Retirement Debt Service Fund.

The Bonds due December 1, 2012, are subject to mandatory sinking fund redemption pursuant to the terms of the mandatory sinking fund redemption requirements provided for in the Bond Legislation. The mandatory sinking fund redemption is to occur on December 1, 2010, and on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Date	Principal Amount To Be Redeemed
2010	\$175,000
2011	180,000

Unless otherwise called for redemption, the remaining \$190,000 principal amount of the Bonds due December 1, 2012, is to be paid at stated maturity.

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The Bonds due December 1, 2014, are subject to mandatory sinking fund redemption pursuant to the terms of the mandatory sinking fund redemption requirements provided for in the Bond Legislation. The mandatory sinking fund redemption is to occur on December 1, 2013, and on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Date</u>	<u>Principal Amount To Be Redeemed</u>
2013	\$195,000

Unless otherwise called for redemption, the remaining \$205,000 principal amount of the Bonds due December 1, 2014, is to be paid at stated maturity.

The Bonds due December 1, 2021, are subject to mandatory sinking fund redemption pursuant to the terms of the mandatory sinking fund redemption requirements provided for in the Bond Legislation. The mandatory sinking fund redemption is to occur on December 1, 2015, and on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Date</u>	<u>Principal Amount To Be Redeemed</u>
2015	\$215,000
2016	225,000
2017	235,000
2018	245,000
2019	255,000
2020	270,000

Unless otherwise called for redemption, the remaining \$280,000 principal amount of the Bonds due December 1, 2021, is to be paid at stated maturity.

The Bonds maturing on December 1, 2009, and thereafter are subject to optional redemption, in whole or in part on any date in inverse order of maturity and by lot within a maturity, at the option of the School District on or after December 1, 2008, as follows:

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2008 through November 30, 2009	102%
December 1, 2009 through November 30, 2010	101%
December 1, 2010 and thereafter	100%

Principal and interest requirements to retire debt outstanding at June 30, 2008, are as follows:

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

Fiscal Year Ending June 30	Asbestos Abatement Loan	Classroom Facilities Construction and Improvement Bonds Principal	Classroom Facilities Construction and Improvement Bonds Interest	Total
2009	\$11,812	\$145,000	\$140,764	\$297,576
2010	11,812	165,000	125,771	302,583
2011	11,812	175,000	118,369	305,181
2012	11,812	180,000	110,381	302,193
2013	5,907	190,000	102,057	297,964
2014-2018	0	1,075,000	371,230	1,446,230
2019-2022	0	1,050,000	99,901	1,149,901
Total	<u>\$53,155</u>	<u>\$2,980,000</u>	<u>\$1,068,473</u>	<u>\$4,101,628</u>

The School District's overall debt margin was \$3,836,468, with an unvoted debt margin of \$72,326 at June 30, 2008.

**Note 17 - Set-Aside Calculations**

State statute annually requires the School District to set aside in the General Fund an amount based on a statutory formula to purchase textbooks and other instructional materials and an equal amount to acquire and construct capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward for the same uses in future years.

ORC 3315.17 (B)(2) and ORC 3315.18 (D)(1) allows a School District that is in fiscal emergency to deposit no money into their textbook and capital set-asides. In fiscal year 2008, the School District decided not to deposit money in their textbooks and capital set-asides.

**Note 18 – Capital Leases**

During fiscal year 2008, the School District entered into a lease agreement with Cannon for seven photocopying pieces of equipment. This lease obligation meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital leases payable have been recorded on the government-wide statements. No principal payments were made during fiscal year 2008. The new equipment has been capitalized in the amount of \$32,144, the present value of the minimum lease payments at the inception of the lease. There was accumulated depreciation as of \$3,054 as of June 30, 2008, therefore, leaving a remaining book value of \$29,090. The agreements provide for minimum annual rental payments as follows:

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

Fiscal Year	Amount
2009	\$13,205
2010	12,189
2011	11,173
Total Minimum Lease Payments	36,567
Less: Amount Representing Interest	(4,423)
Present Value of Minumim Lease Payments	\$32,144

**Note 19 - Donor Restricted Endowments**

Originally, the School District's private purpose trust funds included donor restricted endowments, with a principal portion of \$55,789. State law permits the School District to appropriate, for purposes consistent with the endowments' intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that interest should be used to provide scholarships each year. During fiscal year 2008, the School District transferred the monies to a community foundation without relinquishing its control for the decision of scholarship selections.

**Note 20 - Contingencies**

**A. Grants**

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2008, will not have a material adverse effect on the School District.

**B. Litigation**

The School District is currently party to legal proceedings; the outcome of these proceedings is currently unknown.

**Note 21- Jointly Governed Organizations**

**A. Southeastern Ohio Voluntary Education Cooperative (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 30 participants consisting of 26 school districts and 4 educational service centers. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2008, the School District paid \$14,869 to SEOVEC. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative at 221 North Columbus Road, Athens, Ohio 45701.

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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***B. Coalition of Rural and Appalachian Schools***

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children 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 Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2008. The financial information for the Coalition can be obtained from Dick Fisher, Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

**Note 22 - Insurance Purchasing Pool**

***Ohio School Boards Association Workers' Compensation Group Rating Program***

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

**Note 23 – Subsequent Event**

On April 22, 2009, the Auditor of State certified that the School District no longer met the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 3316.10 of the Revised Code has been implemented, that the Board of Education has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Southern Local School District Financial Planning and Supervision Commission and its role in the operation of the School District was terminated as of April 22, 2009.

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**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<b>FEDERAL GRANTOR</b> <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Grant Year	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Food Donation	10.550	N/A	\$	\$ 14,744	\$	\$ 14,744
Nutrition Cluster:						
School Breakfast Program	10.553	2007	5,359		5,359	
		2008	67,568		67,568	
Total School Breakfast Program			72,927	0	72,927	0
National School Lunch Program	10.555	2007	12,628		12,628	
		2008	144,574		144,574	
Total National School Lunch Program			157,202	0	157,202	0
Total Nutrition Cluster			230,129	0	230,129	0
Total United States Department of Agriculture			230,129	14,744	230,129	14,744
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Direct from the Federal Government:</i>						
Safe and Drug-Free Schools and Communities - National Programs	84.184A	2008	342,072		311,348	
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	2007	47,816		51,388	
		2008	289,344		285,928	
Total Title I Grants to Local Educational Agencies			337,160	0	337,316	0
Special Education - Grants to States	84.027	2005			1,798	
		2007	32,899		50,467	
		2008	188,972		174,314	
Total Special Education - Grants to States			221,871	0	226,579	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	2007	1,253		683	
		2008	4,879		5,427	
Total Safe and Drug-Free Schools and Communities - State Grants			6,132	0	6,110	0
Twenty-First Century Community Learning Centers	84.287	2008	200,000	0	166,310	0
State Grants for Innovative Programs	84.298	2007			2	
		2008	998		141	
Total State Grants for Innovative Programs			998	0	143	0
Education Technology State Grants	84.318	2007	455		411	
		2008	1,923		1,908	
Total Education Technology State Grants			2,378	0	2,319	0
Comprehensive School Reform Demonstration	84.332	2007	21,666		26,125	
		2008			810	
Total Comprehensive School Reform Demonstration			21,666	0	26,935	0
Rural Education	84.358	2007	3,790		5,760	
		2008	13,696		19,256	
Total Rural Education			17,486	0	25,016	0
Improving Teacher Quality State Grants	84.367	2007	23,862		5,910	
		2008	88,119		65,081	
Total Improving Teacher Quality State Grants			111,981	0	70,991	0
Total United States Department of Education			1,261,744	0	1,173,067	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$ 1,491,873</b>	<b>\$ 14,744</b>	<b>\$ 1,403,196</b>	<b>\$ 14,744</b>

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

**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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 market value of the commodities received.

**NOTE D - TRANSFERS**

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30<sup>th</sup> and spent by September 30<sup>th</sup>). However, with Ohio Department of Education (ODE) approval, a School District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2008, ODE authorized the following transfers:

<u>CFDA Number</u>	<u>Grant Year</u>	<u>Transfers-In</u>	<u>Transfers-Out</u>
84.027	2005		\$1,756
84.027	2008	\$1,756	
84.298	2007		2
84.298	2008	2	
84.367	2007		19,408
84.367	2008	19,408	
	Total	\$21,166	\$21,166



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Southern Local School District  
Meigs County  
920 Elm Street  
Racine, Ohio 45771

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 Southern Local School District, Meigs County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 4, 2009, wherein we noted the School District was placed in fiscal emergency on November 8, 1999 and removed from fiscal emergency on April 22, 2009. 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 expressing our opinions on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted certain matters that we reported to the School District's management in a separate letter dated May 4, 2009.

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### **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 that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2008-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated May 4, 2009.

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 the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

May 4, 2009



# Mary Taylor, CPA

## Auditor of State

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

Southern Local School District  
Meigs County  
920 Elm Street  
Racine, Ohio 45771

To the Board of Education:

#### Compliance

We have audited the compliance of the Southern Local School District, Meigs 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 apply to each of its major federal programs for the year ended June 30, 2008. 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.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 those 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 those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that OMB Circular A-133 requires us to report, which are described in the accompanying Schedule of Findings as items 2008-002 and 2008-003. In a separate letter to the School District's management dated May 4, 2009, we reported other matters related to federal noncompliance not requiring inclusion in this report.

### **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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the School District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as finding 2008-002 to be a significant deficiency.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We did not consider the deficiency described in the accompanying Schedule of Findings to be a material weakness.

The School District's responses to the findings we identified are described in the accompanying Schedule of Findings. We did not audit the School District's responses and, accordingly, we express no opinion on them.

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



**Mary Taylor, CPA**  
Auditor of State

May 4, 2009

**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2008**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster CFDA #'s 10.553; 10.555 Special Education - Grants to States CFDA # 84.027 Safe and Drug Free Schools and Communities – National Program CFDA # 84.184A
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2008  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**FINDING NUMBER 2008-001**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)(1)**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The Treasurer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the Treasurer can certify that both at the time that the contract or order was made ("then"), and at the time that the Treasurer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the School District can authorize the drawing of a warrant for the payment of the amount due. The School District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Treasurer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the School District.

2. Blanket Certificate – Treasurer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The School District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Twenty-eight percent of disbursements tested were not properly encumbered at time of commitment. In addition, the Treasurer did not certify, with his signature, 11.67% of disbursements tested. Failure to properly certify the availability of funds eliminates a crucial internal control procedure designed to prevent overspending funds and negative cash fund balances.



**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2008  
(Continued)**

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

**FINDING NUMBER 2008-001 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the School District's funds exceeding budgetary spending limitations, we recommend that the Treasurer certify that the funds are or will be available prior to obligation by the School District. When prior certification is not possible, "then and now" certification should be used.

We recommend the School District certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Treasurer should sign the certification at the time the School District incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials' Response:** Due to personnel changes, the School District has made the required internal controls that implement the "Then and Now" certification on purchases within Section 5705.14. The issue should be resolved for FY09.

**3. FINDINGS FOR FEDERAL AWARDS**

**1. Cash Management**

<b>Finding Number</b>	2008-002
<b>CFDA Title and Number</b>	Safe and Drug Free Schools and Communities – National Program – CFDA # 84.184A
<b>Federal Award Number / Year</b>	Q184A070040
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	N/A

**Noncompliance Citation and Significant Deficiency**

34 C. F. R. Section 80.21(b) requires that for programs that received advances of Federal funds, the School District should establish procedures with the Federal Agency to minimize the time between the transfer of Federal Funds and the pay out of funds for program purposes.

Per testing, we noted the Treasurer made numerous advances throughout the fiscal year; however, we also noted the Treasurer was not expending the funds in a timely manner. The Treasurer did not expend the funds at a minimum of 10 days to a maximum of 91 days before the Treasurer requested another advance. This resulted excessive accumulation of funds throughout the fiscal year.

**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2008  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**FINDING NUMBER 2008-002 (Continued)**

**1. Cash Management (Continued)**

**Noncompliance Citation and Significant Deficiency - 34 C. F. R. Section 80.21(b) (Continued)**

In addition, the result of large fund balances in the grant fund would have earned \$238.21 of imputed interest during the fiscal year. While this amount is not material to the Federal program, it could result in a larger issue in the future if the Treasurer does not minimize the time elapsing between cash draw downs and programmatic expenditures.

We recommend the Treasurer request advances of Federal funds on an as needed basis and that expenditures occur within the following month to avoid accumulation of grant funds.

**Officials' Response and Corrective Action Plan:** Grant expenditures fluctuate greatly from month-to-month. The Treasurer will only draw down on an as needed basis to avoid excessive grant balances. The changes will not occur until FY10 due to getting FY08 report late in the current fiscal year.

**2. Cash Management**

<b>Finding Number</b>	2008-003
<b>CFDA Title and Number</b>	Special Education Grants to States - CFDA #'s 84.027
<b>Federal Award Number / Year</b>	2008 and 2007
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance Citation**

Ohio Department of Education (ODE) online Project Cash Request (PCR) form states, except for the initial PCR, cash requests are limited to one advance per month (up to 10% of the approved budget amount) plus any negative balance (amount by which program expenditures exceed project cash received to date). Districts may request more than one negative balance only PCR in a given month. ODE requires written explanation for monthly cash advance requests which exceed the 10% limit. Additionally, written explanations are required for cash advance requests when the balance on hand exceeds 10% of the approved budget amount.

The School District amounts reported for cash received on the IDEA B project cash requests (PCR) did not agree to the School District's accounting system for fiscal year 2008 due to a \$5,529 carry-over that the School District did not reflect in the accounting system. In addition, the amount of project expenditures did not agree to the expenditures in the School District's accounting system as follows:

**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2008  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b>
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**FINDING NUMBER 2008-003 (Continued)**

**2. Cash Management (Continued)**

**Noncompliance Citation (Continued)**

<b>Fiscal Information Date on PCR</b>	<b>Expenditures on PCR</b>	<b>Expenditures on Accounting System</b>	<b>Variance</b>
8/8/2007	\$ 168,416.64	\$ 205,651.15	\$ (37,234.51)
10/17/2007	9,861.01	14,481.81	(4,620.80)
12/21/2007	34,993.85	47,484.43	(12,490.58)
1/17/2008	59,887.88	55,990.71	3,897.17
2/19/2008	80,086.36	80,086.36	0
3/7/2008	96,786.31	92,286.31	4,500.00
4/11/2008	144,029.02	140,223.51	3,805.51
5/15/2008	192,744.38	156,710.09	36,034.29

In addition, the amount of project cash on hand did not agree to the cash balance in the School District's accounting system as follows:

<b>Fiscal Information Date on PCR</b>	<b>Cash Balance on Hand on PCR</b>	<b>Cash Balance on Accounting System</b>	<b>Variance</b>
8/8/2007	\$ (11,265.70)	\$ (15,289.45)	\$ 4,023.75
10/17/2007	9,413.42	4,792.62	4,620.80
12/21/2007	9,084.20	(8,935.57)	18,019.77
1/17/2008	3,464.60	1,832.58	1,632.02
2/19/2008	2,540.55	(2,988.64)	5,529.19
3/7/2008	5,114.60	3,585.41	1,529.19
4/11/2008	(22,853.68)	(24,577.26)	1,723.58
5/15/2008	(29,440.93)	1,064.27	(30,505.20)

From our testing, we noted the Treasurer did not attach supporting documentation for the numbers used on the Project Cash Requests. Additional procedures were performed to ensure the amounts on the financial statements and Schedule of Federal Awards Receipts and Expenditures were complete and accurate. We also noted the Treasurer did not request more funds than what was available to the School District at the time the Project Cash Requests were completed. However, failure to report accurate receipts, expenditures, and cash balance to the Ohio Department of Education could result in compliance errors resulting from reliance on erroneous information.

We recommend the Treasurer accurately report project receipts, expenditures, and cash balance on the project cash requests from the School District's accounting system.

SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY

SCHEDULE OF FINDINGS  
*OMB CIRCULAR A-133 § .505*  
JUNE 30, 2008  
(Continued)

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**FINDING NUMBER 2008-003 (Continued)**

**2. Cash Management (Continued)**

**Noncompliance Citation (Continued)**

**Officials' Response and Corrective Action Plan:** Due to several advances/transfers in prior fiscal years, it was difficult to determine what the true balances should be for each grant cost center and their respective period of availability. The treasurer in conjunction with ODE grant personnel has tried to determine what the true carryovers from prior fiscal years really are. The treasurer will document correspondence relating to ODE conversations. This finding may continue into a portion of FY09.

**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .315(b)  
JUNE 30, 2008**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding <u>No Longer Valid</u> ; <b><i>Explain:</i></b>
2007-001	Ohio Rev. Code Section 135.14(J) because there were several checking and savings account for outside organizations which had utilized the School District's EIN.	Yes	N/A.
2007-002	Ohio Rev. Code Sections 5705.14 and 5705.16 and AOS Bulletin 97-003 for transfers and advances not being approved by the Board of Education.	Yes	N/A.
2007-003	Ohio Rev. Code Section 5705.41(D)(1) for not always certifying the availability of funds prior to incurring obligations.	No	Not Corrected. This is repeated as Finding Number 2008-001 in the current Schedule of Findings.
2007-004	26 U.S.C. Sections 3402(a)(1), 3102 (a), Ohio Rev. Code Sections 5747.07(B)(4), 3307.29 and 3309.57 for not properly remitting withholdings for federal tax, state tax, medicare, and retirement.	Yes	N/A.
2007-005	Ohio Admin. Code Section 117-2-01D(D)(3) for the payroll account not reconciling.	Yes	N/A.
2007-006	2 C.F.R. Part 225, Appendix A, Section C(1) for Questioned Costs regarding illegal advances from federal funds to the General Fund.	Yes	N/A.
2007-007	Section 1114 of E.S.E.A for Questioned Costs regarding unallowable expenditures from the Title I grant.	Yes	Finding No Longer Valid based on information received from the Ohio Department of Education because the School District had a School-wide Program.





**Mary Taylor, CPA**  
Auditor of State

**SOUTHERN LOCAL SCHOOL DISTRICT**

**MEIGS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 2, 2009**