

Southern Local School District
Perry County, Ohio

Single Audit

July 1, 2008 through June 30, 2009
Fiscal Years Audited Under GAGAS: 2009



Balestra, Harr & Scherer, CPAs, Inc.

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Southern Local School District, Perry County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Mary Taylor, CPA
Auditor of State

October 27, 2009

This Page is Intentionally Left Blank.

Southern Local School District
Perry County, Ohio

Table of Contents

Independent Auditor’s Report	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis.....	9
Statement of Activities – Cash Basis	10
Fund Financial Statements:	
Statement of Assets and Fund Balances - Cash Basis - Governmental Funds	11
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis - Governmental Funds.....	12
Statement of Cash Receipts, Disbursements and Changes in Fund Balance - Budget (Budgetary Basis) and Actual – General Fund	13
Statement of Cash Receipts, Disbursements and Changes in Fund Balance - Budget (Budgetary Basis) and Actual – Classroom Maintenance Fund.....	14
Statement of Net Assets – Cash Basis- Governmental Activities – Internal Service Fund	15
Statement of Receipts, Disbursements and Changes in Fund Net Assets – Cash Basis – Governmental Activities - Internal Service Fund	16
Statement of Fiduciary Net Assets –Cash Basis- Fiduciary Fund.....	17
Notes to the Basic Financial Statements	18
Schedule of Federal Awards Receipts and Expenditures.....	36
Notes to Schedule of Federal Awards Receipts and Expenditures	37
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	38
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133	40
Schedule of Findings and Questioned Costs OMB Circular A-133 §.505	42
Schedule of Prior Audit Findings OMB Circular A-133 §.315(b).....	44
Independent Auditor’s Report on Applying Agreed-Upon Procedures.....	45



Independent Auditor's Report

Southern Local School District
10397 State Route 155 SE #1
Corning, Ohio 45730

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 (the School District), Perry County, Ohio, as of and for the year ended June 30, 2009, 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 Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

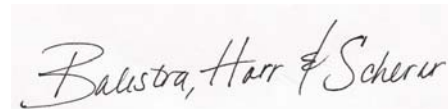
Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash basis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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2009, and the respective changes in cash basis financial position and the respective budgetary comparison for the general fund and the classroom maintenance fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2009, on our consideration of the School District's internal control over financial reporting and on 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.

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by the 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Balestra, Harr & Scherer, CPAs, Inc.

September 25, 2009

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

The discussion and analysis of Southern Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009, within the limitations of the School District's cash basis of accounting. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

HIGHLIGHTS

Key financial highlights for the fiscal year 2009 are as follows:

Net assets of governmental activities decreased \$698,879.

- General cash receipts accounted for \$6,506,337 or 63% of all cash receipts. Program cash receipts in the form of charges for services and sales, grants, and contributions, accounted for \$3,902,621 or 37% of total cash receipts of \$10,408,958.

The School District had \$11,107,837 in cash disbursements related to governmental activities; only \$3,902,621 of these cash disbursements were offset by program specific charges for services and sales, grants, and contributions.

USING THE BASIC FINANCIAL STATEMENTS

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

REPORT COMPONENTS

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

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

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

BASIS OF ACCOUNTING

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

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

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the School District did financially during 2009, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District uses many funds to account for a multitude 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, the Bond Retirement Fund, and the Classroom Maintenance Special Revenue 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 the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the School District is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the Fund Financial Statements to the Statement of Activities due to transfers netted on the Statement of Activities. See Note 2 to the basic financial statements in the section entitled *Government-Wide Financial Statements*.

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

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

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District's fiduciary fund is an agency fund which is used to maintain financial activity of the School District's Student Managed Activities. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

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 2009 compared to 2008.

Table 1
Net Assets

	Governmental Activities	
	2009	2008
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 753,654	\$ 1,488,599
Restricted Equity in Pooled Cash and Cash Equivalents	553,438	517,372
Total Assets	1,307,092	2,005,971
Net Assets		
Restricted	1,181,102	1,251,669
Unrestricted	125,990	754,302
Total Net Assets	\$ 1,307,092	\$ 2,005,971

Total assets, of the School District as a whole, decreased \$698,879. This increase is due to cash disbursements exceeding cash receipts, which will be further discussed under Table 2 below.

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2009 as compared to 2008.

Table 2
Changes in Net Assets

	Governmental Activities	
	2009	2008
Cash Receipts		
Program Cash Receipts		
Charges for Services and Sales	\$ 413,834	\$ 402,616
Operating Grants and Contributions	3,488,787	3,792,995
Total Program Cash Receipts	<u>3,902,621</u>	<u>4,195,611</u>
General Cash Receipts		
Property Taxes	963,944	1,137,148
Grants and Entitlements	5,413,600	5,422,427
Interest	14,730	23,471
Miscellaneous	114,063	219,755
Total General Cash Receipts	<u>6,506,337</u>	<u>6,802,801</u>
Total Cash Receipts	<u>10,408,958</u>	<u>10,998,412</u>
Program Cash Disbursements		
Instruction:		
Regular	3,250,178	3,137,007
Special	1,855,469	1,974,803
Vocational	227,207	162,209
Support Services:		
Pupils	406,445	335,474
Instructional Staff	374,192	332,068
Board of Education	69,366	35,040
Administration	1,476,746	1,380,806
Fiscal	648,286	652,935
Operation and Maintenance of Plant	915,938	807,436
Pupil Transportation	708,450	687,818
Central	62,700	45,111
Operation of Non-Instructional Services	484,204	479,832
Extracurricular Activities	302,081	346,919
Capital Outlay	161,090	-
Principal Retirement	72,477	74,190
Interest and Fiscal Charges	93,008	90,565
Total Cash Disbursements	<u>11,107,837</u>	<u>10,542,213</u>
Changes in Net Assets	(698,879)	456,199
Net Assets, Beginning of Year	<u>2,005,971</u>	<u>1,549,772</u>
Net Assets, End of Year	<u>\$ 1,307,092</u>	<u>\$ 2,005,971</u>

Cash receipts decreased \$589,454. The most significant decreases were cash receipts for operating grants and contributions, property taxes, and miscellaneous receipts. The decrease in cash receipts for property taxes was due to tax bills being sent out late by the County Auditor's office in 2009, resulting in these monies being received by the School District during fiscal year 2010. Operating grants decreased as a result of decreased funding for the Special Education, Title I, Reading First, and 21st Century grant programs. Miscellaneous receipts decreased due to a unusually large amount of varying other receipts collected in 2008 that were not received in 2009, such as athletic booster donations for uniforms and insurance proceeds.

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Cash disbursements increased \$565,624. The most significant increases were cash disbursements for regular and vocational instruction, administration, operation and maintenance of plant, and capital outlay. These disbursements were partially offset by a decrease in special instruction. Changes in the various instruction line items were a result of changes in pay codes for several employees. Administration increased primarily as a result of the addition of the Special Education Director as an "administrative" employee instead of a special instruction employee. Operation and maintenance of plant increased due to the remodeling of a portion of a building to house in school suspension students and due to numerous repairs on the HVAC system. Capital Outlay increased primarily due to an advance paid to a contractor for the upcoming HB 264 project.

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
	2009	2009	2008	2008
Program Cash Disbursements				
Instruction:				
Regular	\$ 3,250,178	\$2,695,499	\$ 3,137,007	\$ 2,475,804
Special	1,855,469	413,313	1,974,803	373,817
Vocational	227,207	221,354	162,209	158,467
Support Services:				
Pupils	406,445	319,194	335,474	229,614
Instructional Staff	374,192	255,303	332,068	186,360
Board of Education	69,366	67,579	35,040	34,237
Administration	1,476,746	1,200,447	1,380,806	1,050,683
Fiscal	648,286	610,441	652,935	578,129
Operation and Maintenance of Plant	915,938	859,032	807,436	745,813
Pupil Transportation	708,450	159,207	687,818	173,072
Central	62,700	59,554	45,111	42,105
Operation of Non-Instructional Services	484,204	(15,914)	479,832	7,686
Extracurricular Activities	302,081	33,632	346,919	126,060
Capital Outlay	161,090	161,090	-	-
Principal Retirement	72,477	72,477	74,190	74,190
Interest and Fiscal Charges	93,008	93,008	90,565	90,565
Total	\$ 11,107,837	\$ 7,205,216	\$ 10,542,213	\$ 6,346,602

THE SCHOOL DISTRICT FUNDS

The School District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$10,660,376 and cash disbursements and other financing uses of \$11,380,690. The most significant change in fund balance was in the General Fund.

For the General Fund, cash receipts decreased \$115,803 from the prior year. However, cash disbursements increased by \$562,620. The most significant increases were in cash disbursements for regular and vocational instruction, administration, operation of maintenance of plant, and pupil transportation. Changes for all except pupil transportation have been previously discussed. Pupil transportation increased as a result of a bus purchase. All of the above changes resulted in a decrease in fund cash balance for the fund in the amount of \$453,083.

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

The Bond Retirement Fund had an increase in fund balance of \$5,625. The Classroom Maintenance major special revenue fund had a decrease in fund balance of \$59,583. This decrease is primarily the result of a decrease in cash receipts for property taxes and an increase in cash disbursements for operation and maintenance of plant.

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 2009, there were revisions to the General Fund budget. The final budget cash receipts of \$7,587,363 decreased \$204,853 under original cash receipts. Actual cash receipts of \$7,639,931 were \$52,568 more than the final estimate.

Final budget cash disbursements of \$8,340,358 increased \$1,060,853 over original cash disbursements due primarily to an increase in estimates for regular and special instruction, administration, operation and maintenance of plant, and pupil transportation for increased benefit costs. Actual cash disbursements of \$8,181,824 were \$158,534 less than the final estimate. The General fund's ending unobligated cash balance was \$336,408.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The School District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The School District had capital outlay disbursements of \$161,090 during 2009.

Debt

Under the cash basis of accounting the School District does not report bonds or long-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds and long-term notes. At June 30, 2009 the School District had \$434,504 in bonds and notes outstanding. For additional information regarding debt, please see Note 6 to the basic financial statements.

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

	<u>2009</u>	<u>2008</u>
School Improvement Advance Refunding Bonds	\$275,794	\$331,014
School Facilities Improvement Notes	<u>158,710</u>	<u>166,482</u>
Totals	<u>\$434,504</u>	<u>\$497,496</u>

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, 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 Jeff Kaaz, Treasurer at Southern Local School District, 10397 St. Rt. 155 SE #1, Corning, Ohio 45730.

Southern Local School District
Statement of Net Assets - Cash Basis
June 30, 2009

	Governmental Activities
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 753,654
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	553,438
<i>Total Assets</i>	1,307,092
NET ASSETS:	
Restricted for Debt Service	197,673
Restricted for Capital Outlay	407,202
Restricted for Classroom Maintenance	167,674
Restricted for Other Purposes	262,317
Restricted for Set-Asides	146,236
Unrestricted	125,990
<i>Total Net Assets</i>	\$ 1,307,092

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

Southern Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2009

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 3,250,178	\$ 67,907	\$ 486,772	\$ (2,695,499)
Special	1,855,469	28,462	1,413,694	(413,313)
Vocational	227,207	5,853	-	(221,354)
Support Services:				
Pupils	406,445	6,161	81,090	(319,194)
Instructional Staff	374,192	4,805	114,084	(255,303)
Board of Education	69,366	1,787	-	(67,579)
Administration	1,476,746	29,776	246,523	(1,200,447)
Fiscal	648,286	16,469	21,376	(610,441)
Operation and Maintenance of Plant	915,938	21,357	35,549	(859,032)
Pupil Transportation	708,450	18,112	531,131	(159,207)
Central	62,700	1,520	1,626	(59,554)
Operation of Non-Instructional Services	484,204	121,388	378,730	15,914
Extracurricular Activities	302,081	90,237	178,212	(33,632)
Capital Outlay	161,090	-	-	(161,090)
Debt Service:				
Principal Retirement	72,477	-	-	(72,477)
Interest and Fiscal Charges	93,008	-	-	(93,008)
Total Governmental Activities	\$ 11,107,837	\$ 413,834	\$ 3,488,787	(7,205,216)
General Cash Receipts:				
Property Taxes Levied for:				
General Purposes				809,440
Other Purposes				14,407
Debt Service				140,097
Grants and Entitlements, Not Restricted to Specific Programs				5,413,600
Interest				14,730
Miscellaneous				114,063
Total General Cash Receipts				6,506,337
Change in Net Assets				(698,879)
Net Assets Beginning of Year				2,005,971
Net Assets End of Year				\$ 1,307,092

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

Southern Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2009

	General	Bond Retirement	Classroom Maintenance	All Other Governmental Funds	Total Governmental Funds
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	\$ 30,231	\$ 197,673	\$ 167,674	\$ 262,317	\$ 657,895
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	394,987	-	-	158,451	553,438
<i>Total Assets</i>	<u>\$ 425,218</u>	<u>\$ 197,673</u>	<u>\$ 167,674</u>	<u>\$ 420,768</u>	<u>\$ 1,211,333</u>
FUND BALANCES:					
Reserved:					
Reserved for Encumbrances	\$ 88,810	\$ -	\$ 2,763	\$ 179,517	\$ 271,090
Reserved for Textbooks and Instructional Materials	146,236	-	-	-	146,236
Reserved for Capital Improvements	248,751	-	-	158,451	407,202
Unreserved, Undesignated, Reported in:					
General Fund	(58,579)	-	-	-	(58,579)
Special Revenue Funds	-	-	164,911	134,522	299,433
Debt Service Funds	-	197,673	-	-	197,673
Capital Projects Funds	-	-	-	(51,722)	(51,722)
<i>Total Fund Balances</i>	<u>\$ 425,218</u>	<u>\$ 197,673</u>	<u>\$ 167,674</u>	<u>\$ 420,768</u>	<u>\$ 1,211,333</u>

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

Southern Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Bond Retirement	Classroom Maintenance	All Other Governmental Funds	Total Governmental Funds
CASH RECEIPTS:					
Property Taxes	\$ 809,440	\$ 140,097	\$ 14,407	\$ -	\$ 963,944
Intergovernmental	6,549,029	27,250	2,612	2,315,856	8,894,747
Interest	12,237	-	-	2,493	14,730
Tuition and Fees	199,951	-	-	624	200,575
Rent	5,400	-	-	-	5,400
Extracurricular Activities	-	-	-	90,237	90,237
Gifts and Donations	-	-	-	7,640	7,640
Customer Sales and Services	-	-	-	117,622	117,622
Miscellaneous	63,874	-	-	50,189	114,063
<i>Total Cash Receipts</i>	<u>7,639,931</u>	<u>167,347</u>	<u>17,019</u>	<u>2,584,661</u>	<u>10,408,958</u>
CASH DISBURSEMENTS:					
Current:					
Instruction:					
Regular	2,640,135	-	-	623,688	3,263,823
Special	1,106,612	-	-	756,647	1,863,259
Vocational	227,207	-	-	-	227,207
Support Services:					
Pupils	239,841	-	-	166,604	406,445
Instructional Staff	186,524	-	-	187,668	374,192
Board of Education	69,366	-	-	-	69,366
Administration	1,157,354	-	-	319,392	1,476,746
Fiscal	639,981	5,722	583	2,000	648,286
Operation and Maintenance of Plant	829,919	-	76,019	10,000	915,938
Pupil Transportation	703,910	-	-	4,540	708,450
Central	59,153	-	-	3,547	62,700
Operation of Non-Instructional Services	-	-	-	484,204	484,204
Extracurricular Activities	121,951	-	-	180,130	302,081
Capital Outlay	-	-	-	161,090	161,090
Debt Service:					
Principal Retirement	9,485	62,992	-	-	72,477
Interest and Fiscal Charges	-	93,008	-	-	93,008
<i>Total Cash Disbursements</i>	<u>7,991,438</u>	<u>161,722</u>	<u>76,602</u>	<u>2,899,510</u>	<u>11,129,272</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(351,507)</u>	<u>5,625</u>	<u>(59,583)</u>	<u>(314,849)</u>	<u>(720,314)</u>
OTHER FINANCING SOURCES AND USES:					
Transfers In	-	-	-	89,329	89,329
Advances In	-	-	-	162,089	162,089
Transfers Out	(89,329)	-	-	-	(89,329)
Advances Out	(12,247)	-	-	(149,842)	(162,089)
<i>Total Other Financing Sources and Uses</i>	<u>(101,576)</u>	<u>-</u>	<u>-</u>	<u>101,576</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	(453,083)	5,625	(59,583)	(213,273)	(720,314)
<i>Fund Balances at Beginning of Year</i>	<u>878,301</u>	<u>192,048</u>	<u>227,257</u>	<u>634,041</u>	<u>1,931,647</u>
<i>Fund Balances at End of Year</i>	<u>\$ 425,218</u>	<u>\$ 197,673</u>	<u>\$ 167,674</u>	<u>\$ 420,768</u>	<u>\$ 1,211,333</u>

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

Southern Local School District
*Statement of Cash Receipts, Disbursements and Changes
 In Fund Balance - Budget (Budgetary Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2009*

	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Cash Receipts and Other Financing Sources	\$ 7,792,216	\$ 7,587,363	\$ 7,639,931	\$ 52,568
Total Cash Disbursements and Other Financing Uses	7,279,505	8,340,358	8,181,824	158,534
Net Change in Fund Balance	512,711	(752,995)	(541,893)	211,102
Fund Balance at Beginning of Year	752,985	752,985	752,985	-
Prior Year Encumbrances Appropriated	125,316	125,316	125,316	-
Fund Balance at End of Year	\$ 1,391,012	\$ 125,306	\$ 336,408	\$ 211,102

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

Southern Local School District
*Statement of Cash Receipts, Disbursements and Changes
 In Fund Balance - Budget (Budgetary Basis) and Actual
 Classroom Maintenance Fund
 For the Fiscal Year Ended June 30, 2009*

	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Cash Receipts and Other Financing Sources	\$ 26,790	\$ 17,019	\$ 17,019	\$ -
Total Cash Disbursements and Other Financing Uses	215,699	235,556	79,365	156,191
Net Change in Fund Balance	(188,909)	(218,537)	(62,346)	156,191
Fund Balance at Beginning of Year	218,537	218,537	218,537	-
Prior Year Encumbrances Appropriated	8,720	8,720	8,720	-
Fund Balance at End of Year	\$ 38,348	\$ 8,720	\$ 164,911	\$ 156,191

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

Southern Local School District
Statement of Net Assets - Cash Basis
Governmental Activities - Internal Service Fund
June 30, 2009

	<u>Internal Service</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 95,759</u>
<i>Total Assets</i>	<u>95,759</u>
NET ASSETS:	
Unrestricted	<u>95,759</u>
<i>Total Net Assets</i>	<u><u>\$ 95,759</u></u>

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

Southern Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Cash Basis
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2009

	Internal Service
OPERATING RECEIPTS:	
Charges for Services	\$ 134,702
<i>Total Operating Receipts</i>	134,702
OPERATING DISBURSEMENTS:	
Purchased Services	86,173
Claims	27,094
<i>Total Operating Disbursements</i>	113,267
<i>Change in Net Assets</i>	21,435
<i>Net Assets at Beginning of Year</i>	74,324
<i>Net Assets at End of Year</i>	\$ 95,759

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

Southern Local School District
Statement of Fiduciary Net Assets - Cash Basis
Agency Fund
June 30, 2009

	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 29,367</u>
<i>Total Assets</i>	<u>29,367</u>
NET ASSETS:	
Unrestricted	<u>29,367</u>
<i>Total Net Assets</i>	<u><u>\$ 29,367</u></u>

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

1. DESCRIPTION OF THE ENTITY

The Southern Local School District, Perry County (the School District), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local school district as defined by Ohio Revised Code Section 3311.03. The School District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the School District. Average daily membership (ADM) as of October 1, 2008, was 882. The School District employed 85 certificated employees and 38 non-certificated employees.

Reporting Entity

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

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

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

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

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

Fund Accounting

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

Governmental Funds

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

General Fund

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

Classroom Maintenance Fund

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

Bond Retirement Fund

The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary Fund Type

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

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the School District's self-insurance program for employee dental and vision claims.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The School District's only fiduciary fund is an agency fund.

Agency Fund Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The School District's agency fund is used to account for student-managed activities.

Basis of Presentation

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

Government-wide Financial Statements

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements

During the 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 fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Cash Receipts – Exchange and Non-exchange Transactions

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

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

Cash Disbursements

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

Budgetary Process

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Operating Receipts and Disbursements

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

Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of the total of fund cash balances of all funds as of June 30, 2009. Individual fund balance integrity is maintained through the School District's records. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All interest receipts are reported in the General Fund except those specifically related to those funds deemed appropriate according to School Board policy. For fiscal year 2009, interest receipts amounted to \$14,730 of which \$12,237 was recorded in the General Fund and \$2,493 was recorded in All Other Governmental Funds.

Capital Assets and Depreciation

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

Compensated Absences

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

Long-Term Obligations

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net cash assets represent the cash assets held by the School District at year end. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted for Other Purposes is comprised of net assets restricted for state and federal programs. The School District applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2009, of the School District's \$1,181,102 in restricted net assets, none was restricted by enabling legislation.

Fund Balance Reserves

The School District records reservations for portions of cash fund balance which are legally segregated for 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 balance which is available for appropriation in future periods. Fund balance reserves are established for encumbrances and textbooks and instructional materials. Fund balance reserves are also established for capital improvements comprised of monies being held pending resolution of construction project issues.

Interfund Transactions

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

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

Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set aside by the School District for the purchase of textbooks and materials. See Note 13 for additional information regarding set-asides. Restricted assets in the General and Construction funds include unexpended receipts restricted for construction projects.

3. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

3. DEPOSITS AND INVESTMENTS (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

1. United States treasury notes, bills, bonds, or other obligations or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

3. DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

As of June 30, 2009, the School District's bank balance of \$1,572,518 is either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

The School District held no investments at June 30, 2009.

4. BUDGETARY BASIS FUND BALANCES

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances. The table below presents those differences for the School District's General and Major Special Revenue Funds:

	General Fund	Classroom Maintenance
Budgetary Basis Fund Balance	\$336,408	\$164,911
Encumbrances	<u>88,810</u>	<u>2,763</u>
Fund Cash Balance	<u>\$425,218</u>	<u>\$167,674</u>

5. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised values. The County Auditor reappraises all real property every six years with a triennial update. The last reappraisal was completed for tax year 2005 for Perry County.

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

The full tax rate applied to real property for the fiscal year ended June 30, 2009, was \$33.70 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$24.05 per \$1,000 of assessed valuation for real property classified as residential/agricultural and was \$26.57 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the School District by the State of Ohio.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

5. PROPERTY TAX (Continued)

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for tax year 2008 was \$37.00 per \$1,000 of assessed valuation.

Ohio House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces revenue lost by the School District due to the phasing out of the tax. In calendar years 2006 through 2010, the School District will be fully reimbursed at the level of calendar year 2004 assessed values for the lost revenue. In calendar years 2011 through 2017, the reimbursements will be phased out.

	Perry and Hocking Counties			
	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
<u>Real Property</u>				
Resident/Agricultural	\$ 34,196,050	79.33%	\$ 35,412,410	83.37%
Commercial/Industrial	2,768,870	6.42%	2,957,590	6.96%
Public Utilities	104,460	0.24%	118,150	0.28%
Minerals	886,070	2.06%	813,740	1.92%
<u>Tangible Personal Property</u>				
General	1,153,114	2.68%	-	0.00%
Public Utilities	3,997,730	9.27%	3,173,390	7.47%
Total	<u>\$ 43,106,294</u>	<u>100.00%</u>	<u>\$ 42,475,280</u>	<u>100.00%</u>

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

6. DEBT OBLIGATIONS

Debt outstanding at June 30, 2009, consisted of the following:

Debt	Beginning Balance 6/30/2008	Additions	Payments	Ending Balance 6/30/2009	Due in One Year
School Improvement					
Advance Refunding					
Bonds, 3.7% to 9.6%	\$ 331,014	\$ -	\$ 55,220	\$ 275,794	\$ 54,046
School Facilities					
Improvement Notes, 5.0%	166,482	-	7,772	158,710	8,165
Capital Lease	32,757	32,864	9,485	56,136	14,470
Total	<u>\$ 530,253</u>	<u>\$ 32,864</u>	<u>\$ 72,477</u>	<u>\$ 490,640</u>	<u>\$ 76,681</u>

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

6. DEBT OBLIGATIONS (Continued)

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

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

The annual requirements to amortize debt outstanding as of June 30, 2009 are as follows:

Year Ending June 30	Advance Refunding Bonds		School Facilities Improvement Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 54,046	\$ 90,954	\$ 8,165	\$ 7,835	\$ 62,211	\$ 98,789
2011	50,975	94,025	8,579	7,421	59,554	101,446
2012	46,330	93,670	9,013	6,987	55,343	100,657
2013	43,844	96,156	9,469	6,531	53,313	102,687
2014	41,450	98,550	9,949	6,051	51,399	104,601
2015-2019	39,149	100,853	57,828	22,172	96,977	123,025
2020-2023	-	-	55,707	6,277	55,707	6,277
Total	<u>\$275,794</u>	<u>\$574,208</u>	<u>\$158,710</u>	<u>\$ 63,274</u>	<u>\$ 434,504</u>	<u>\$ 637,482</u>

The School District's overall legal debt margin was \$3,585,944 with an unvoted debt margin of \$42,475 at June 30, 2009.

7. LEASE OBLIGATION

During fiscal year 2009, the School District entered into a lease for security equipment. In a previous fiscal year, the School District entered into a 60 month lease agreement with Wells Fargo Financial Services for the use of copiers. The leases are being paid from the General fund. The annual requirements to amortize the lease obligations outstanding as of June 30, 2009, are as follows:

Year Ending June 30	Amount
2010	\$ 14,793
2011	15,523
2012	13,260
2013	6,768
2012	6,768
Total	57,112
Less: Amount Representing Interest	(976)
Present Value of Net Minimum Lease Payments	<u>\$ 56,136</u>

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

8. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the year ended June 30, 2009, the School District contracted with the Ohio Casualty Company for property insurance and boiler and machinery coverage. Buildings and contents are 100 percent coinsured.

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

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

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

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

9. PENSION PLANS

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under *Forms and Publications*.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% 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 2009, 9.84% of annual covered salary was the portion allocated to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the years ended June 30, 2009, 2008, and 2007 were \$130,356, \$128,760, and \$138,384, respectively, which represents the required annual contribution for each year.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

9. PENSION PLANS (Continued)

State Teachers Retirement System

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

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

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

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

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

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

9. PENSION PLANS (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or an equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

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

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

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

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

For fiscal years 2009, 2008, and 2007, plan members are required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$541,008, \$518,832, and \$520,240, respectively, which represents the required annual contribution for each year.

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

9. PENSION PLANS (Continued)

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, 2009, none of the members of the Board of Education had elected Social Security.

10. POST-EMPLOYMENT BENEFITS

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2009, 2008 and 2007. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$38,643, \$37,059, and \$37,160 for fiscal years 2009, 2008, and 2007, respectively.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2009, 2008, and 2007, the actuarially required allocations were 0.75 percent, 0.66 percent, and 0.68 percent, respectively. For the School District, contributions for the years ended June 30, 2009, 2008, and 2007, were \$6,983, \$6,254, and \$6,722, which equaled the required contributions for those years.

Health Care Plan

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

10. POST-EMPLOYMENT BENEFITS (Continued)

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

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

Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2009, 2008, and 2007, the health care allocations were 4.16 percent, 4.18 percent, and 3.32 percent, respectively. For the School District, the amounts contributed to fund health care benefits, including the surcharge, during the 2009, 2008, and 2007 fiscal years equaled \$56,115, \$43,691, and \$47,518, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS website at www.ohsers.org under *Forms and Publications*.

11. JOINTLY GOVERNED ORGANIZATIONS

A. Southeastern Ohio Voluntary Educational Consortium (SEOVEC)

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

B. The Coalition of Rural and Appalachian Schools

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

12. PURCHASING POOLS

Ohio School Boards Association (OSBA) 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.

State of Ohio Cooperative Purchasing Program

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

13. STATUTORY RESERVES

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

	<u>Textbooks & Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Total</u>
Set-Aside Reserve Cash Balance as of June 30, 2008	\$ 112,663	\$ (2,688,868)	\$ (2,576,205)
Current Year Set-Aside Requirement	143,665	143,665	287,330
Qualifying Disbursements	<u>(110,092)</u>	<u>(102,883)</u>	<u>(212,975)</u>
Totals	<u>146,236</u>	<u>(2,648,086)</u>	<u>(2,501,850)</u>
Set-Aside Balances Carried Forward to Future Fiscal Years	<u>\$ 146,236</u>	<u>\$ (2,648,086)</u>	<u>\$ (2,501,850)</u>
Set-Aside Reserve Cash Balance as of June 30, 2009	<u>\$ 146,236</u>	<u>\$ -</u>	<u>\$ 146,236</u>

The School District had qualifying disbursements during the fiscal year that reduced the capital acquisition set-aside amount to zero. The carryover amount in the Capital Acquisition Reserve is limited to the balance of the offsets attributed to bond or tax levy proceeds.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

14. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

B. Litigation

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

15. INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2009, were as follows:

Funds:	Transfer To:	Transfer From:
General Fund	\$ -	\$ 89,329
Non-Major Special Revenue Fund		
Lunchroom	89,329	-
Total	<u>\$ 89,329</u>	<u>\$ 89,329</u>

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

Interfund Advances

Advances made during the year ended June 30, 2009, were as follows:

Funds:	Advance To:	Advance From:
General Fund	\$ -	\$ 12,247
Non-Major Special Revenue Fund		
Lunchroom	12,247	
Non-Major Capital Projects Funds		
Building Improvement	149,842	-
Building Constructions	-	149,842
Total	<u>\$ 162,089</u>	<u>\$ 162,089</u>

The advance to the Lunchroom special revenue fund was made to provide support until a reimbursement from the food service vendor is received. The advance between capital projects funds is to provide support until revenues from a note issuance is received.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

16. COMPLIANCE

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

Appropriations exceeded available resources in the Food Service Fund at year end, which is contrary to the Ohio Revised Code.

17. SUBSEQUENT EVENT

On July 8, 2009, the School District issued \$998,947 in Energy Conservation Notes. The notes were issued at a 4.5% interest rate and will mature in October 2024.

Southern Local School District
Perry County

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
National School Breakfast Program	05PU	10.553	\$ 75,114	\$ -	\$ 75,114	\$ -
National School Lunch Program	LLP4	10.555	180,260	14,200	180,260	14,200
Total Nutrition Cluster			255,374	14,200	255,374	14,200
Distance Learning Grant	N/A	10.855	-	-	57	-
Total United States Department of Agriculture			255,374	14,200	255,431	14,200
UNITED STATES DEPARTMENT OF EDUCATION						
Title I Grants to Local Education Agencies	C1S1	84.010	341,497	-	358,345	-
Special Education- Grants to States	6BSF	84.027	202,925	-	254,621	-
Safe and Drug Free Schools and Communities State Grants	DRS1	84.186	4,557	-	4,557	-
Twenty-First Century Community Learning Centers	T1S1	84.287	150,000	-	153,104	-
State Grants for Innovative Programs	C2S1	84.298	1,407	-	2,440	-
Education Technology State Grants	TJS1	84.318	2,758	-	2,758	-
Reading First State Grants	N/A	84.357	324,866	-	304,256	-
Rural Education	N/A	84.358	17,518	-	8,808	-
Javits Gifted Grant	N/A	84.206	3,000	-	3,000	-
Improving Teacher Quality State Grants	TRS1	84.367	85,250	-	70,218	-
Total United States Department of Education			1,133,778	-	1,162,107	-
Total Federal Financial Assistance			\$ 1,389,152	\$ 14,200	\$ 1,417,538	\$ 14,200

N/A = Pass through entity number was not identified.
See Notes to the Schedule of Federal Awards Receipts and Expenditures.

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

*Notes to Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2009*

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -FOOD DISTRIBUTIONS

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

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



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

Southern Local School District
10397 State Route 155 SE #1
Corning, Ohio 45730
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, Perry County (the School District) as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 25, 2009, wherein we noted that the School District follows the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not 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 the normal course of 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 the cash basis of accounting 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 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 deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about 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 on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as items 2009-001 and 002.

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

We noted certain non-compliance and other matter reported to the School District in a separate report dated September 25, 2009.

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



Balestra, Harr & Scherer, CPAs, Inc.

September 25, 2009



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

Southern Local School District
10397 State Route 155 SE #1
Corning, Ohio 45730
To the Board of Education

Compliance

We have audited the compliance of the Southern Local School District, Perry County (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the School District 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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an 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.

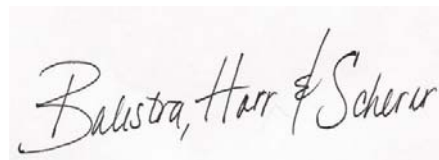
Internal Control Over Compliance (Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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



Balestra, Harr & Scherer, CPAs, Inc.

September 25, 2009

SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY
JUNE 30, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

SUMMARY OF AUDITOR'S RESULTS

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

SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY
JUNE 30, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

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

Finding Number 2009-001

Noncompliance Citation

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

Ohio Admin. Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omitted assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the School District prepare its annual financial report in accordance with generally accepted accounting principles.

Client Response:

The School District officials do not believe that preparing financial statements in accordance with generally accepted accounting principles is cost beneficial.

Finding Number 2009-002

Noncompliance Citation

Ohio Revised Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue.

5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

The District's appropriations exceeded available resources in the Food Service Fund by \$35,785 at year end. The District should monitor its available resources and ensure that amended certificates of estimated resources are obtained when it is determined that revenue collected will be greater or less than the amount in the official certificate of estimated resources.

Client Response:

Estimated revenues exceeded actual revenues by \$35,788 and actual disbursements were \$35,297 less than appropriations in the Food Service (006) Fund, however, this caused no deficit fund balance at June 30, 2009. This was an oversight and will be monitored more closely in the future.

SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY
JUNE 30, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-001	A noncompliance citation was Issued for Ohio Revised Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B), for failing to prepare the School District's financial statements in accordance with generally accepted accounting principles.	No	Not Corrected: The School District's officials do not believe that preparing financial Statements in accordance with generally accepted accounting principles is cost beneficial. Reissued as Finding Number 2008-001.



Independent Auditor's Report on Applying Agreed-Upon Procedures

Southern Local School District
Perry County
10397 State Route 155 SE #1
Corning, Ohio 45730

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Southern Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accounts. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on July 24, 2007.
2. We read the policy, noting it included the following requirements from the Ohio Rev. Code Section 3313.666(B)
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.66;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - 6) A procedure for documenting any prohibited incident that is reported;

- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student's rights under the first amendment to the Constitution of the United State;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

September 25, 2009



Mary Taylor, CPA
Auditor of State

SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 10, 2009