



Mary Taylor, CPA  
Auditor of State



**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Local School District, Meigs County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Local School District, Meigs County, Ohio, as of June 30, 2007, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The School District is experiencing certain financial difficulties and is in fiscal emergency. Those difficulties and management's plans are discussed in Note 1.

As described in Note 3 to the basic financial statements, the School District has presented, for the first time, financial statements in accordance with Generally Accepted Accounting Principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2008, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

August 8, 2008

**Southern Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
Unaudited

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The discussion and analysis of the Southern Local School District's (the School District), financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year 2007 are as follows:

- Net assets of governmental activities increased \$418,179.
- General revenues accounted for \$5,500,918 in revenue or 72% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$2,103,410 or 28% of total revenues of \$7,604,328.
- Total assets of governmental activities increased \$137,691. Cash and cash equivalents and intergovernmental receivables increased \$298,994 and \$240,534, respectively. Capital assets decreased \$467,624 due mainly to depreciation. As the assets increased, the total governmental activities liabilities decreased \$280,488. This decrease is attributed mainly to a decrease in long-term liabilities of \$160,604.
- The School District had \$7,186,149 in expenses related to governmental activities; only \$2,103,410 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$5,500,918 were adequate to provide for these programs.
- The School District's major funds were the General Fund and the Bond Retirement Debt Service Fund. The General Fund had \$5,670,904 in revenues and \$5,239,431 in expenditures. The General Fund's balance increased \$406,342. The Bond Retirement Fund had \$354,842 in revenues and \$306,038 in expenditures. The Bond Retirement Fund's balance increased \$48,804.

**Using this Annual Financial Report**

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

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

**Southern Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
Unaudited

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

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Bond Retirement Debt Service Fund.

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

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

**Southern Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2007*

Unaudited

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**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 2007 compared to 2006.

Table 1  
Net Assets

	Governmental Activities		
	2007	2006	Change
<b>Assets</b>			
Current and Other Assets	\$3,337,799	\$2,732,484	\$605,315
Capital Assets	9,827,151	10,294,775	(467,624)
Total Assets	13,164,950	13,027,259	137,691
<b>Liabilities</b>			
Long-term Liabilities	3,457,897	3,618,501	(160,604)
Other Liabilities	2,075,939	2,195,823	(119,884)
Total Liabilities	5,533,836	5,814,324	(280,488)
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	6,712,151	6,972,996	(260,845)
Restricted	709,053	463,463	245,590
Unrestricted (Deficit)	209,910	(223,524)	433,434
Total Net Assets	\$7,631,114	\$7,212,935	\$418,179

Total assets increased \$137,691. This increase was mainly due to an increase in cash and cash equivalents of \$298,994, and an increase in intergovernmental receivables of \$240,534. The increase in intergovernmental receivables are attributed to a large amount of fiscal year 2007 federal grant monies still left to be drawn down at June 30, 2007. Capital assets decreased \$467,624 due mainly to depreciation. As the assets increased, the total governmental activities liabilities decreased \$280,488. This decrease is attributed mainly to a decrease in long-term liabilities of \$160,604.

## Southern Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2007. Since this is the first year Southern Local Schools has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2006 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2  
Changes in Net Assets

	Governmental Activities
	<u>2007</u>
<b>Revenues</b>	
Program Revenues	
Charges for Services	\$418,353
Operating Grants, Contributions and Interest	1,677,001
Capital Grants and Contributions	8,056
Total Program Revenues	<u>2,103,410</u>
General Revenues	
Property Taxes	1,813,374
Grants and Entitlements	3,608,901
Investment Earnings	5,404
Miscellaneous	73,239
Total General Revenues	<u>5,500,918</u>
Total Revenues	<u>7,604,328</u>
<b>Program Expenses</b>	
Instruction:	
Regular	2,945,585
Special	881,291
Vocational	160,654
Support Services:	
Pupil	259,499
Instructional Staff	273,751
Board of Education	19,478
Administration	622,460
Fiscal	220,239
Operation and Maintenance of Plant	589,808
Pupil Transportation	500,410
Central	55,751
Operation of Non-Instructional Services:	
Food Service Operations	367,114
Other	1,412
Extracurricular Activities	128,690
Interest and Fiscal Charges	160,007
Total Expenses	<u>7,186,149</u>
Increase in Net Assets	418,179
Net Assets Beginning of Year	<u>7,212,935</u>
Net Assets End of Year	<u>\$7,631,114</u>

## Southern Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

During fiscal year 2007, the School District saw an increase in property tax revenue. State foundation funding remained relatively consistent with the prior year. The School District receives substantial funding from the State due to the depressed economic condition of the area.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2006 have not been made since they are not available.

Table 3  
Governmental Activities

	Total Cost of Services	Net Cost of Services
	2007	2007
<b>Program Expenses</b>		
Instruction:		
Regular	\$2,945,585	\$2,296,844
Special	881,291	206,122
Vocational	160,654	89,230
Support Services:		
Pupil	259,499	176,458
Instructional Staff	273,751	218,455
Board of Education	19,478	19,478
Administration	622,460	535,575
Fiscal	220,239	209,959
Operation and Maintenance of Plant	589,808	563,540
Pupil Transportation	500,410	468,948
Central	55,751	22,534
Operation of Non-Instructional Services:		
Food Service Operations	367,114	35,341
Other	1,412	(673)
Extracurricular Activities	128,690	80,921
Interest and Fiscal Charges	160,007	160,007
Total	<u>\$7,186,149</u>	<u>\$5,082,739</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2007, over 72% of instructional activities were supported through taxes and other general revenues.

### The School District Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$7,429,861 and expenditures of \$6,875,942. The School District is focusing its efforts to reduce expenditures, first through cuts to its discretionary budgets such as supplies and capital outlay, and also through the reduction of personnel, mainly through attrition. The economic condition within the School District would indicate the passage of an operating levy is highly unlikely.

## Southern Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

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### General Fund Budgeting Highlights

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

During the course of fiscal 2007, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$5,679,463, below final estimates of \$6,080,949. The \$401,486 difference was due to a change in the way open enrollment revenues were receipted. Previously, the School District receipted the net of incoming versus outgoing students. In fiscal 2007, the School District was required to receipt incoming students and record outgoing students as an expenditure. Original estimated revenues were increased \$594,062 mainly in the taxes and intergovernmental revenue areas due to higher than expected state foundation monies. Actual expenditures were \$431,368 under final appropriations. Original appropriations were increased \$591,628 due in part to higher fuel and heating costs than originally budgeted.

The School District's ending unobligated general fund balance was \$259,568.

### Capital Assets and Debt Administration

#### Capital Assets

At the end of fiscal year 2007, the School District had \$9,827,151 invested in land and land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2007 balances compared to 2006.

Table 4  
Capital Assets  
(Net of Depreciation)

	Governmental Activities	
	2007	2006
Land	\$199,100	\$199,100
Land Improvements	210,821	231,634
Buildings and Improvements	9,027,669	9,407,599
Furniture and Equipment	322,009	360,463
Vehicles	67,552	95,979
Totals	<u>\$9,827,151</u>	<u>\$10,294,775</u>

During fiscal year 2007, the School District purchased few capital assets. Additions included four pieces of equipment and a furnace for the vocational agriculture building. See note 13 to the basic financial statements for more information on capital assets.

**Southern Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
Unaudited

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***Debt***

At June 30, 2007, the School District had the following debt outstanding.

Table 5  
Outstanding Debt, at Fiscal Year End

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
2005 Solvency Assistance Loan	\$0	\$145,500
2006 Solvency Assistance Loan	20,500	41,000
1995 Asbestos Loan	70,873	76,779
1998 School Facilities Construction Bonds	3,115,000	3,245,000
	<u>\$3,206,373</u>	<u>\$3,508,279</u>

See notes 12 and 16 to the basic financial statements for more information on debt.

**Current Issues**

The School District continues to strengthen financially and expects to continue this trend under the leadership of a new superintendent and treasurer. Positive economic news was announced during fiscal year 2007 that will benefit the School District through new development and jobs within the School District.

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

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

**Southern Local School District, Ohio**

*Statement of Net Assets*

*June 30, 2007*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$928,102
Accounts Receivable	4,932
Intergovernmental Receivable	248,021
Materials and Supplies Inventory	10,477
Prepaid Items	18,472
Property Taxes Receivable	2,127,795
Nondepreciable Capital Assets	199,100
Depreciable Capital Assets, Net	<u>9,628,051</u>
<i>Total Assets</i>	<u>13,164,950</u>
<b>Liabilities</b>	
Accounts Payable	80,140
Accrued Wages and Benefits Payable	438,219
Accrued Interest Payable	12,714
Vacation Benefits Payable	7,102
Intergovernmental Payable	160,569
Deferred Revenue	1,356,695
State Solvency Assistance Loan Payable	20,500
Long-Term Liabilities:	
Due Within One Year	157,611
Due In More Than One Year	<u>3,300,286</u>
<i>Total Liabilities</i>	<u>5,533,836</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	6,712,151
Restricted for:	
Debt Service	323,268
Capital Projects	12,131
Bus Purchase	12,381
Unclaimed Monies	441
Other Purposes	360,832
Unrestricted	<u>209,910</u>
<i>Total Net Assets</i>	<u><u>\$7,631,114</u></u>

See accompanying notes to the basic financial statements

**Southern Local School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2007

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$2,945,585	\$247,834	\$400,907		(\$2,296,844)
Special	881,291		675,169		(206,122)
Vocational	160,654		71,424		(89,230)
Support Services:					
Pupils	259,499	6,419	76,622		(176,458)
Instructional Staff	273,751		55,296		(218,455)
Board of Education	19,478				(19,478)
Administration	622,460		86,885		(535,575)
Fiscal	220,239		10,280		(209,959)
Operation and Maintenance of Plant	589,808		26,268		(563,540)
Pupil Transportation	500,410		23,406	\$8,056	(468,948)
Central	55,751		33,217		(22,534)
Operation of Non-Instructional Services:					
Food Service Operations	367,114	116,331	215,442		(35,341)
Other	1,412		2,085		673
Extracurricular Activities	128,690	47,769			(80,921)
Interest and Fiscal Charges	160,007				(160,007)
<b>Totals</b>	<b>\$7,186,149</b>	<b>\$418,353</b>	<b>\$1,677,001</b>	<b>\$8,056</b>	<b>(5,082,739)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
					1,494,654
					28,918
					289,802
					3,608,901
					5,404
					73,239
					<b>5,500,918</b>
					418,179
					7,212,935
					<b>\$7,631,114</b>

See accompanying notes to the basic financial statements

**Southern Local School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2007*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$309,669	\$285,178	\$320,433	\$915,280
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	12,822			12,822
Receivables:				
Property Taxes	1,809,213	285,125	33,457	2,127,795
Accounts	2,079		2,853	4,932
Intergovernmental			248,021	248,021
Interfund	25,332		59,630	84,962
Prepaid Items	18,472			18,472
Materials and Supplies Inventory			10,477	10,477
<i>Total Assets</i>	<u>\$2,177,587</u>	<u>\$570,303</u>	<u>\$674,871</u>	<u>\$3,422,761</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$60,139		\$20,001	\$80,140
Accrued Wages and Benefits Payable	318,391		119,828	438,219
Interfund Payable	59,630		25,332	84,962
Intergovernmental Payable	122,106		38,463	160,569
Deferred Revenue	1,421,633	\$216,389	176,353	1,814,375
State Solvency Assistance Loan Payable	20,500			20,500
<i>Total Liabilities</i>	<u>2,002,399</u>	<u>216,389</u>	<u>379,977</u>	<u>2,598,765</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	60,724		33,051	93,775
Reserved for Unclaimed Monies	441			441
Reserved for Property Taxes	384,513	68,259	139	452,911
Reserved for Bus Purchase	12,381			12,381
Unreserved, Undesignated, Reported in:				
General Fund (Deficit)	(282,871)			(282,871)
Special Revenue Funds			249,573	249,573
Debt Service Fund		285,655		285,655
Capital Projects Funds			12,131	12,131
<i>Total Fund Balances</i>	<u>175,188</u>	<u>353,914</u>	<u>294,894</u>	<u>823,996</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,177,587</u>	<u>\$570,303</u>	<u>\$674,871</u>	<u>\$3,422,761</u>

See accompanying notes to the basic financial statements

**Southern Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2007*

<b>Total Governmental Fund Balances</b>		\$823,996
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		9,827,151
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	314,588	
Student Fees	2,645	
Grants	140,447	457,680
Accrued Interest Payable is recognized for outstanding long-term liabilities with interest accruals that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(12,714)
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due.		(7,102)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Construction Bonds	(3,115,000)	
Asbestos Abatement Loan	(70,873)	
Sick Leave Benefits Payable	(272,024)	(3,457,897)
Net Assets of Governmental Activities		\$7,631,114

See accompanying notes to the financial statements

**Southern Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2007*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$1,471,388	\$281,639	\$28,472	\$1,781,499
Intergovernmental	3,887,187	73,203	1,171,461	5,131,851
Investment Earnings	5,404		391	5,795
Charges for Services			116,331	116,331
Tuition and Fees	235,084		10,105	245,189
Extracurricular Activities			54,188	54,188
Gifts and Donations			21,769	21,769
Miscellaneous	71,841		1,398	73,239
<i>Total Revenues</i>	<u>5,670,904</u>	<u>354,842</u>	<u>1,404,115</u>	<u>7,429,861</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,371,239		322,101	2,693,340
Special	500,368		346,171	846,539
Vocational	157,538			157,538
Support Services:				
Pupils	190,152		62,095	252,247
Instructional Staff	190,195		40,121	230,316
Board of Education	19,478			19,478
Administration	518,847		85,203	604,050
Fiscal	201,615	9,706	1,986	213,307
Operation and Maintenance of Plant	512,245		62,170	574,415
Pupil Transportation	461,253		11,957	473,210
Central	46,135		18,357	64,492
Operation of Non-Instructional Services			330,621	330,621
Extracurricular Activities	70,366		49,691	120,057
Debt Service:				
Principal		135,906		135,906
Interest and Fiscal Charges		160,426		160,426
<i>Total Expenditures</i>	<u>5,239,431</u>	<u>306,038</u>	<u>1,330,473</u>	<u>6,875,942</u>
Excess of Revenues Over Expenditures	<u>431,473</u>	<u>48,804</u>	<u>73,642</u>	<u>553,919</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In			25,131	25,131
Transfers Out	(25,131)			(25,131)
<i>Total Other Financing Sources (Uses)</i>	<u>(25,131)</u>	<u>0</u>	<u>25,131</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>406,342</u>	<u>48,804</u>	<u>98,773</u>	<u>553,919</u>
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>(231,154)</u>	<u>305,110</u>	<u>196,121</u>	<u>270,077</u>
<i>Fund Balances End of Year</i>	<u>\$175,188</u>	<u>\$353,914</u>	<u>\$294,894</u>	<u>\$823,996</u>

See accompanying notes to the basic financial statements

**Southern Local School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2007*

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**Net Change in Fund Balances - Total Governmental Funds** \$553,919

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

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

Capital Asset Additions	37,649	
Depreciation Expense	<u>(505,273)</u>	(467,624)

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

Delinquent Taxes	31,875	
Student Fees	2,645	
Grants	<u>139,947</u>	174,467

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 135,906

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. 419

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

Vacation Benefits Payable	11,621	
Sick Leave Benefits Payable	<u>9,471</u>	<u>21,092</u>

*Change in Net Assets of Governmental Activities* \$418,179

See accompanying notes to the basic financial statements

**Southern Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2007*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Taxes	\$1,626,123	\$1,802,182	\$1,475,399	(\$326,783)
Intergovernmental	3,609,644	4,000,458	3,890,812	(109,646)
Investment Earnings	4,511	5,000	5,404	404
Tuition and Fees	223,149	247,309	234,946	(12,363)
Miscellaneous	23,460	26,000	72,902	46,902
<i>Total Revenues</i>	<u>5,486,887</u>	<u>6,080,949</u>	<u>5,679,463</u>	<u>(401,486)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,266,950	2,518,271	2,386,806	131,465
Special	463,104	514,445	497,193	17,252
Vocational	200,077	222,258	180,181	42,077
Support Services:				
Pupils	190,555	211,681	191,582	20,099
Instructional Staff	179,982	199,935	194,894	5,041
Board of Education	24,206	26,889	22,097	4,792
Administration	541,390	601,410	553,845	47,565
Fiscal	227,113	252,291	200,271	52,020
Operation and Maintenance of Plant	514,831	571,907	519,818	52,089
Pupil Transportation	430,253	477,952	459,819	18,133
Central	47,850	53,155	50,624	2,531
Extracurricular Activities	82,371	91,503	73,699	17,804
Debt Service:				
Principal	167,887	186,500	166,000	20,500
<i>Total Expenditures</i>	<u>5,336,569</u>	<u>5,928,197</u>	<u>5,496,829</u>	<u>431,368</u>
<i>Excess of Revenues Over Expenditures</i>	<u>150,318</u>	<u>152,752</u>	<u>182,634</u>	<u>29,882</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	67,191	74,466	67,967	(6,499)
Advances Out	(61,370)	(68,174)	(7,207)	60,967
Transfers Out	(10,352)	(11,500)	(25,131)	(13,631)
<i>Total Other Financing Sources (Uses)</i>	<u>(4,531)</u>	<u>(5,208)</u>	<u>35,629</u>	<u>40,837</u>
<i>Net Change in Fund Balance</i>	145,787	147,544	218,263	70,719
<i>Fund Balance Beginning of Year</i>	39,419	39,419	39,419	0
Prior Year Encumbrances Appropriated	1,886	1,886	1,886	0
<i>Fund Balance End of Year</i>	<u>\$187,092</u>	<u>\$188,849</u>	<u>\$259,568</u>	<u>\$70,719</u>

See accompanying notes to the basic financial statements

**Southern Local School District, Ohio**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2007*

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	Private Purpose Trusts	Agency
	<u>          </u>	<u>          </u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$1,383	\$13,622
Investments	56,630	0
Interest Receivable	155	0
	<u>          </u>	<u>          </u>
<i>Total Assets</i>	58,168	<u><u>\$13,622</u></u>
<b>Liabilities</b>		
Due to Students	0	<u><u>\$13,622</u></u>
<b>Net Assets</b>		
Restricted for Endowments	55,789	
Held in Trust for Scholarships	2,379	
	<u>          </u>	
Total Net Assets	<u><u>\$58,168</u></u>	

See accompanying notes to the basic financial statements

**Southern Local School District, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2007*

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	Private Purpose Trusts
<b>Additions</b>	
Interest	\$2,462
Gifts and Donations	15,167
Total Additions	17,629
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	1,200
<i>Change in Net Assets</i>	16,429
<i>Net Assets Beginning of Year</i>	41,739
<i>Net Assets End of Year</i>	\$58,168

See accompanying notes to the basic financial statements

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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

Southern Local School District, Meigs County (the School District), is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by State and/or local guidelines. The School District is staffed by 58 certificated employees and 32 classified employees who provide services to 692 students. The School District currently operates one elementary school (grades kindergarten to eighth) and one high school (grades ninth to twelfth).

The Auditor of State of Ohio declared the School District to be in fiscal emergency on November 8, 1999. A financial planning and supervision commission has been established.

The Commission's primary charge is to develop, adopt, and implement a financial recovery plan. The original recovery plan was adopted on March 21, 2000. State law requires the plan to be updated annually. The last update was approved on April 26, 2006, for the fiscal year ending June 30, 2006. The update recommended that the School District continue to develop and maintain a five-year forecast that establishes the parameters of expenditures versus revenue for the School District and that the Board of Education contains expenditures within the five-year forecast. The Board of Education is prohibited from taking any action which is contrary to or not authorized by the plan

***Reporting Entity***

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

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

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

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

***A. Basis of Presentation***

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

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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***Government-Wide Financial Statements***

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund. The statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District has no business-type activities.

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

***Fund Financial Statements***

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

***B. Fund Accounting***

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

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

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

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

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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

***Fiduciary Fund Type*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's private purpose trust funds account for programs that provide college scholarships to students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only agency fund accounts for student activities.

***C. Measurement Focus***

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

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

***D. Basis of Accounting***

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

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

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

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

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

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

During fiscal year 2007, investments consisted of nonparticipating certificates of deposit, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 amounted to \$5,404, which includes \$2,951 assigned from other School District funds.

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

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**G. Inventory**

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

**H. Capital Assets**

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

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

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

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

**I. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent unexpended grants restricted for the purchase of buses and unclaimed monies.

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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The School District records a liability for accumulated unused sick leave for classified and certified employees after seven years of current service with the School District.

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

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

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

***L. Interfund Activity***

Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***M. Fund Balance Reserves***

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

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

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

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

***O. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net assets reports \$709,053 of restricted net assets; none were restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for food service operations and athletic and music activities, and federal and state grants restricted to expenditure for specified purposes.

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

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

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

***Q. Estimates***

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

***R. Budgetary Process***

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level, except for the General Fund which has been established at the object level. The Treasurer maintains budgetary information at the fund, function, and object level and has the authority to allocate appropriations to the function and object level for all funds other than the General Fund without resolution by the Board.

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 revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2007

**Note 3 - Restatements**

For 2007, the School District has presented, for the first time, financial statements in accordance with Generally Accepted Accounting Principles. The following reflects the adjustments made to restate beginning year fund balance/net assets:

	Bond			Total
	General	Retirement	Nonmajor	
Fund Balances, June 30, 2006	\$41,301	\$235,829	\$351,978	\$629,108
Cash in Segregated Accounts			298	298
Property Taxes Receivable	1,708,869	326,962	33,011	2,068,842
Accounts Receivable	2,375			2,375
Intergovernmental Receivable	3,625		3,862	7,487
Interfund Receivable	19,086			19,086
Prepaid Items	14,837		1,212	16,049
Materials and Supplies Inventory			8,325	8,325
Accounts Payable	(23,576)		(1,531)	(25,107)
Accrued Wages and Benefits Payable	(333,163)		(109,086)	(442,249)
Matured Compensated Absences Payable	(21,658)		(7,176)	(28,834)
Interfund Payable			(19,086)	(19,086)
Intergovernmental Payable	(139,072)		(32,445)	(171,517)
Deferred Revenue	(1,317,278)	(257,681)	(33,241)	(1,608,200)
State Solvency Assistance Loan Payable	(186,500)			(186,500)
Adjusted Fund Balances, June 30, 2006	<u>(\$231,154)</u>	<u>\$305,110</u>	<u>\$196,121</u>	270,077
Net Asset Adjustments:				
Capital Assets				10,294,775
Accrued Interest Payable				(13,133)
Vacation Benefits Payable				(18,723)
Long-term Liabilities				(3,603,274)
Long-term (Deferred) Assets				283,213
Governmental Activities Net Assets, June 30, 2006				<u>\$7,212,935</u>

**Note 4 - Fund Deficit**

At June 30, 2007, the Uniform School Supply Special Revenue Fund had a fund deficit of \$2,618. The deficit resulted from adjustments for accrued liabilities. The General Fund is liable for any deficit in this fund and will provide operating transfers when cash is required, not when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

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

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Unrecorded items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.

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

Net Change in Fund Balance	
GAAP Basis	\$406,342
Revenue Accruals	8,559
Expenditure Accruals	(17,464)
Advances In	67,967
Advances Out	(7,207)
Prepaid Items:	
Beginning of Fiscal Year	14,837
End of Fiscal Year	(18,472)
Principal Retirement	(166,000)
Encumbrances	(70,299)
Budget Basis	\$218,263

**Note 6 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the School District's bank balance was \$1,315,404. \$110,799 was covered by Federal depository insurance; \$1,204,605 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value listed as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Meigs County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

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*Notes to the Basic Financial Statements*  
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The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$54,736,250	79%	\$55,461,590	80%
Public Utility Personal	12,875,750	19%	12,751,270	18%
Tangible Personal Property	1,915,520	2%	1,353,804	2%
	\$69,527,520	100%	\$69,566,664	100%

Tax Rate per \$1,000 of Assessed Valuation	\$31.40	\$31.70
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**Note 8 - Receivables**

Receivables at June 30, 2007, consisted of taxes, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Except for property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of principal items of intergovernmental receivables follows:

	Amounts
<b>Governmental Activities</b>	
Title VIB	\$5,313
Title IIA	27,354
National School Lunch Reimbursement	17,987
Title I	84,299
Title IID	2,368
CORE	46,726
Title V	140
Title IVA	4,649
Part B - IDEA	59,185
Total	\$248,021

**Note 9 - Interfund Balances**

Unpaid interfund cash advances at June 30, 2007, were as follows:

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	Receivables	Payables
General Fund	\$25,332	\$59,630
Nonmajor Special Revenue Funds:		
Uniform School Supplies		6,200
Title VIB	15,617	370
Title I	18,721	5,588
State Grant Funds		10,757
Federal Grant Funds	25,292	2,417
Total Special Revenue Funds	59,630	25,332
Total All Funds	\$84,962	\$84,962

The interfund balances result from the provision of cash flow resources from the General Fund until the receipt of grant monies by the Special Revenue Funds. At June 30, 2007, the Title I and Federal Grants Special Revenue Funds owed the General Fund \$5,588 and \$2,417, respectively, for monies to cover a deficit cash balance.

**Note 10 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School District contracted with Indiana Insurance Company for general liability, vehicle, and property insurance. Coverage provided by the Indiana Insurance Group is as follows:

Building and Contents-replacement cost	\$20,445,564
Inland Marine:	
Cameras and audio-visual equipment (\$500 deductible)	50,000
Signs	10,000
Music Instruments and Band Uniforms	50,000
Computers (\$1,000 deductible)	
Hardware	100,000
Extra Expense	10,000
Valuable Papers & Records per Building	100,000
Accounts Receivable	100,000
Crime (\$500 deductible) -	
Public Employee Dishonesty	10,000
Money and Securities -	
Inside Premises - Per Occurrence	10,000
Outside Premises - Per Messenger	10,000
Automobile Liability (no deductible):	
Bodily Injury and Property Damage - combined single limit	1,000,000
Medical Payments - each person	5,000

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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Hired Auto Liability	1,000,000
Non-owned Auto Liability	1,000,000
General Liability (no deductible):	
Aggregate Limit	2,000,000
Medical Expense Limit – per person/accident	15,000
Employee Benefits Liability (\$1,000 deductible):	
Per Claim	1,000,000
Aggregate Limit	3,000,000
Umbrella:	
Each Occurrence	1,000,000
Aggregate Limit	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2006.

***B. Workers' Compensation***

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 22). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**Note 11 – Employee Benefits**

***A. Compensated Absences***

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

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

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**B. Insurance**

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

**Note 12 – Fund Obligations**

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

<b>Solvency Assistance Loans:</b>	Principal Outstanding 6/30/06	Additions	Deductions	Principal Outstanding 6/30/07	Amounts Due Within One Year
2005 Solvency Assistance Loan	\$145,500	\$0	\$145,500	\$0	\$0
2006 Solvency Assistance Loan	41,000	0	20,500	20,500	20,500
Total Solvency Assistance Loans	<u>\$186,500</u>	<u>\$0</u>	<u>\$166,000</u>	<u>\$20,500</u>	<u>\$20,500</u>

**2005 Solvency Assistance Loan** - On March 1, 2005, the School District obtained a loan, in the amount of \$291,000, from the State of Ohio Department of Education Solvency Assistance Fund. This loan was obtained under the authority of Ohio Rev. Code Section 3316.20 for a three year period, with the first payment made in August 2005 and the final payment paid in June 2007.

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

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**Note 13 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance 6/30/2006	Additions	Deductions	Balance 6/30/2007
<b>Capital Assets:</b>				
<b>Capital Assets not being depreciated:</b>				
Land	\$199,100	\$0	\$0	\$199,100
<b>Total Capital Assets not being Depreciated</b>	<b>199,100</b>	<b>0</b>	<b>0</b>	<b>199,100</b>
<b>Depreciable Capital Assets:</b>				
Land Improvements	533,074	0	0	533,074
Buildings and Improvements	13,081,624	19,950	0	13,101,574
Furniture and Equipment	728,694	17,699	0	746,393
Vehicles	580,526	0	0	580,526
<b>Total Capital Assets being Depreciated</b>	<b>14,923,918</b>	<b>37,649</b>	<b>0</b>	<b>14,961,567</b>
<b>Less Accumulated Depreciation</b>				
Land Improvements	(301,440)	(20,813)	0	(322,253)
Buildings and Improvements	(3,674,025)	(399,880)	0	(4,073,905)
Furniture and Equipment	(368,231)	(56,153)	0	(424,384)
Vehicles	(484,547)	(28,427)	0	(512,974)
<b>Total Accumulated Depreciation</b>	<b>(4,828,243)</b>	<b>(505,273) *</b>	<b>0</b>	<b>(5,333,516)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>10,095,675</b>	<b>(467,624)</b>	<b>0</b>	<b>9,628,051</b>
<b>Capital Assets, Net</b>	<b>\$10,294,775</b>	<b>(\$467,624)</b>	<b>\$0</b>	<b>\$9,827,151</b>

\* Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$274,775
Special	34,046
Vocational	5,012
<b>Support Services:</b>	
Pupils	9,452
Instructional Staff	41,376
Administration	19,856
Fiscal	8,352
Operation and Maintenance of Plant	34,691
Pupil Transportation	28,547
Central	678
Food Service Operations	39,855
Extracurricular Activities	8,633
<b>Total Depreciation Expense</b>	<b>\$505,273</b>

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 14 - Defined Benefit Pension Plans**

***A. State Teachers Retirement System***

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$310,229, \$303,268, and \$310,983 respectively; 83.04 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$13 made by the School District and \$36 made by the plan members.

**Southern Local School District, Ohio**  
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***B. School Employees Retirement System***

The School District contributes to the School Employees Retirement System (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 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 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$77,212, \$86,597, and \$75,634 respectively; 42.51 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2007, no members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 15 - Postemployment Benefits**

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$23,864 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

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For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$34,568.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants receiving health care benefits.

**Note 16 - Long-Term Debt**

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

<b>Governmental Activities:</b>	Principal Outstanding 6/30/06	Additions	Deductions	Principal Outstanding 6/30/07	Amounts Due Within One Year
1995 Asbestos Abatement Loan - 0%	\$76,779	\$0	\$5,906	\$70,873	\$17,718
1998 Classroom Facilities Construction and Improvement Serial and Term Bonds - 3.2%-4.625%	3,245,000	0	130,000	3,115,000	135,000
Sick Leave Benefits	281,495	20,794	30,265	272,024	4,893
<b>Total Long Term Obligations</b>	<b>\$3,603,274</b>	<b>\$20,794</b>	<b>\$166,171</b>	<b>\$3,457,897</b>	<b>\$157,611</b>

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

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

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**Classroom Facilities Construction and Improvement Bonds** - On December 1, 1998, the School District issued \$4,042,000 in voted general obligation bonds for building a new elementary and an addition to the high school. The bond issue included serial and term bonds, in the amount of \$1,432,000 and \$2,610,000, respectively. The bonds were issued for a twenty-three year period, with the final maturity date during fiscal year 2022. The bonds are being retired through the Bond Retirement Debt Service Fund.

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

<u>Date</u>	<u>Principal Amount To Be Redeemed</u>
2010	\$175,000
2011	180,000

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

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

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

Unless otherwise called for redemption, the remaining \$190,000 principal amount of the Bonds due December 1, 2014, is to be paid at stated maturity.

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

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

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

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

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

Principal and interest requirements to retire debt outstanding at June 30, 2007, are as follows:

Fiscal Year Ending June 30	Asbestos Abatement Loan	Classroom Facilities Construction and Improvement Bonds Principal	Classroom Facilities Construction and Improvement Bonds Interest	Total
2008	\$17,718	\$135,000	\$155,059	\$307,777
2009	11,812	145,000	140,764	297,576
2010	11,812	165,000	125,771	302,583
2011	11,812	175,000	118,369	305,181
2012	11,813	180,000	110,381	302,194
2013-2017	5,906	1,030,000	419,287	1,455,193
2018-2022	0	1,285,000	153,897	1,438,897
Total	\$70,873	\$3,115,000	\$1,223,528	\$4,409,401

The School District's overall debt margin was \$3,271,351, with an unvoted debt margin of \$67,786 at June 30, 2007.

**Note 17 - Set-Aside Calculations**

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

ORC 3315.17 (B)(2) and ORC 3315.18 (D)(1) allows a School District that is in fiscal emergency to deposit no money into their textbook and capital set-asides. In fiscal year 2007, the School District decided not to deposit money in their textbooks and capital set-asides.

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 18 - Interfund Transfers**

During the fiscal year, the General Fund transferred \$25,000 and \$131, respectively, to the Lunchroom and Federal Grants Special Revenue Funds to reduce deficit cash balances.

**Note 19 - Donor Restricted Endowments**

The School District's private purpose trust funds include donor restricted endowments. Total endowments, representing the principal portion are \$55,789. The amount of net appreciation in donor restricted investments that is available for expenditure by the School District is \$2,379 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowments' intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that interest should be used to provide scholarships each year.

**Note 20 - Contingencies**

***A. Grants***

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2007, will not have a material adverse effect on the School District.

***B. Litigation***

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

**Note 21 - Jointly Governed Organizations**

***A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)***

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 30 participants consisting of 26 school districts and 4 educational service centers. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2007, the School District paid \$13,390 to SEOVEC. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative at 221 North Columbus Road, Athens, Ohio 45701.

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

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for

**Southern Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$367 for fiscal year 2007.

***C. South Eastern Ohio Special Education Regional Resource Center (SEOSERRC)***

SEOSERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. SEOSERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Ohio University, and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2007, the School District paid \$2,270 to SEOSERRC. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

**Note 22 - Insurance Purchasing Pool**

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

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

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**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<b>FEDERAL GRANTOR</b> <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Food Donation	10.550	N/A	\$	\$ 26,068	\$	\$ 26,068
Nutrition Cluster:						
School Breakfast Program	10.553	05PU-2006 05PU-2007	7,823 <u>39,639</u>		7,823 <u>39,639</u>	
Total School Breakfast Program			<u>47,462</u>	<u>0</u>	<u>47,462</u>	<u>0</u>
National School Lunch Program	10.555	LLP4-2006 LLP4-2007	18,160 <u>96,793</u>		18,160 <u>96,793</u>	
Total National School Lunch Program			<u>114,953</u>	<u>0</u>	<u>114,953</u>	<u>0</u>
Total Nutrition Cluster			<u>162,415</u>	<u>0</u>	<u>162,415</u>	<u>0</u>
Total United States Department of Agriculture			162,415	26,068	162,415	26,068
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	C1S1-2006 C1S1-2007	(14,290) <u>216,893</u>		29,676 <u>225,474</u>	
Total Title I Grants to Local Educational Agencies			<u>202,603</u>	<u>0</u>	<u>255,150</u>	<u>0</u>
Special Education - Grants to States	84.027	6BSF-2006 6BSF-2007	(18,973) <u>157,151</u>		45,147 <u>155,184</u>	
Total Special Education - Grants to States			<u>138,178</u>	<u>0</u>	<u>200,331</u>	<u>0</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	DRS1-2006 DRS1-2007	(1,744) <u>2,261</u>		(2,386) <u>3,049</u>	
Total Safe and Drug-Free Schools and Communities - State Grants			<u>517</u>	<u>0</u>	<u>663</u>	<u>0</u>
State Grants for Innovative Programs	84.298	C2S1-2006 C2S1-2007	(70) <u>983</u>		(348) <u>1,260</u>	
Total State Grants for Innovative Programs			<u>913</u>	<u>0</u>	<u>912</u>	<u>0</u>
Education Technology State Grants	84.318	TJS1-2006 TJS1-2007	(7,292) <u>7,555</u>		482 <u>7,194</u>	
Total Education Technology State Grants			<u>263</u>	<u>0</u>	<u>7,676</u>	<u>0</u>
Comprehensive School Reform Demonstration	84.332	RFCC-2007	45,975	0	43,212	0
Rural Education	84.358	RUS1-2006 RUS1-2007	(427) <u>14,824</u>		9,510 <u>14,417</u>	
Total Rural Education			<u>14,397</u>	<u>0</u>	<u>23,927</u>	<u>0</u>
Improving Teacher Quality State Grants	84.367	TRS1-2006 TRS1-2007	(1,179) <u>43,904</u>		18,132 <u>43,850</u>	
Total Improving Teacher Quality State Grants			<u>42,725</u>	<u>0</u>	<u>61,982</u>	<u>0</u>
Total United States Department of Education			<u>445,571</u>	<u>0</u>	<u>593,853</u>	<u>0</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 607,986</u></b>	<b><u>\$ 26,068</u></b>	<b><u>\$ 756,268</u></b>	<b><u>\$ 26,068</u></b>

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

**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – TRANSFERS**

During fiscal year 2007, the Ohio Department of Education (ODE) authorized the School District to carryover monies from the prior fiscal year to the current fiscal year. Authorized carryover monies are shown as a reduction of federal revenues in the program that the transfer was made from and increased federal revenue in the program that received the transfer or carryover. A detailed listing of the carryovers is as follows:

CFDA Number	Program Title	Pass- Through Entity Number	Transfers Out	Transfers In
84.010	Title I Grants to Local Education Agencies	C1S1-2006	\$ 14,290	
84.010	Title I Grants to Local Education Agencies	C1S1-2007		\$ 14,290
84.027	Special Education - Grants to States	6BSF-2006	18,973	
84.027	Special Education - Grants to States	6BSF-2007		18,973
84.186	Safe and Drug-Free Schools and Communities - State Grants	DRS1-2006	1,744	
84.186	Safe and Drug-Free Schools and Communities - State Grants	DRS1-2007		1,744
84.298	State Grants for Innovative Programs	C2S1-2006	70	
84.298	State Grants for Innovative Programs	C2S1-2007		70
84.318	Education Technology State Grants	TJS1-2006	7,292	
84.318	Education Technology State Grants	TJS1-2007		7,292
84.358	Rural Education	RUS1-2006	427	
84.358	Rural Education	RUS1-2007		427
84.367	Improving Teacher Quality State Grants	TRS1-2006	2,042	
84.367	Improving Teacher Quality State Grants	TRS1-2007		2,042
Totals			<u>\$ 44,838</u>	<u>\$ 44,838</u>



# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Southern Local School District, Meigs County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 8, 2008, wherein we noted the School District modified its presentation of their financial statements and are experiencing financial difficulties. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-005.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-005 is also a material weakness.

We also noted certain internal control matters that we reported to the School District's management in a separate letter dated August 8, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Questioned Costs as items 2007-001 through 2007-007.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated August 8, 2008.

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

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



**Mary Taylor, CPA**  
Auditor of State

August 8, 2008



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Southern Local School District, Meigs County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2007. The Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that OMB Circular A-133 requires us to report, which are described in the accompanying Schedule of Findings and Questioned Costs as items 2007-006 and 2007-007.

### Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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

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



**Mary Taylor, CPA**  
Auditor of State

August 8, 2008

**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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

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

**FINDING NUMBER 2007-001**

**Noncompliance Citation and Significant Deficiency**

Ohio Rev. Code Section 135.14(J) states if any investments or deposits purchased under the authority of this section are issuable to a designated payee or to the order of designated payee, the name of the treasurer and the title of the treasurer's office shall be so designated. If any such securities are registrable either as to principal or interest, or both, then such securities shall be registered in the name of the treasurer as such.

Ohio Rev. Code Section 135.14(K) states, in part, that the treasurer is responsible for the safekeeping of all documents evidencing a deposit or investment. Any securities may be deposited for safekeeping with a qualified trustee as provided in Section 135.18 of the Revised Code.

**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-001 (Continued)**

**Noncompliance Citation and Significant Deficiency - Ohio Rev. Code Sections 135.14 (Continued)**

During testing several certificates of deposit were noted for scholarship funds which were designated to benefit the students of the School District. Of these, two certificates totaling \$57,977 were noted which were determined to be agency funds of the School District. The financial statements were adjusted to reflect these two certificates. These certificates were not in the Treasurer's name and were not in his safe-keeping or the safe-keeping of a qualified trustee. In addition, several checking and savings accounts were noted for outside organizations (PTO, alumni, etc.) which had utilized the School District's Employer Identification Number (EIN). The Treasurer was able to access these accounts online even though he was not listed as a signatory. As of the date of this report, it is not known if the signatories for the outside accounts would be able to access the School District's checking accounts. This lack of security, regarding access to outside accounts and proper ownership of accounts, could result in a misappropriation or misuse of School District assets.

We recommend the Treasurer take steps to ensure that all certificates of deposit are issued in the name of the Treasurer or the office of the Treasurer and are in the safe-keeping of the Treasurer or a qualified trustee. In addition, we recommend the School District's EIN only be used for accounts which are the property of the School District.

**Officials' Response:** The Board of Education adopted resolution number 42-08 to move scholarship funds to the Racine Southern Scholarship Association (EIN # 26-2033400). Additionally, the local bank President/CEO and School Treasurer sent letters to the outside organizations in question. The letter informed them to establish their own EIN number and that they would be removed from the school's EIN. As of May 31, 2008 all entities have been removed.

**FINDING NUMBER 2007-002**

**Finding for Adjustment and Noncompliance Citation**

Ohio Rev. Code Sections 5705.14 and 5705.16 stipulate that, except in the case of transfers from the General Fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the General Fund require a resolution passed by a simple majority of the board members.

In addition, Auditor of State Bulletin 97-003 sets forth the requirements for inter-fund advances and provides additional guidance for recording such transactions in that, inter-fund cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Revised Code. Advances, on the other hand, *temporarily* reallocate cash from one fund to another and involve an expectation of repayment;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;

**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

**FINDING NUMBER 2007-002 (Continued)**

**Finding for Adjustment and Noncompliance Citation - Ohio Rev. Code Sections 5705.14 and 5705.16 (Continued)**

- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include:
  - A specific statement that the transaction is an advance of cash, and
  - An indication of the money (fund) from which it is expected that repayment will be made.

The following inter-fund transactions were posted to the system and no evidence of Board of Education approval was noted:

Unapproved Transfers:

Date	From	To	Amount
9/23/2006	001: General Fund	006: Food Service Fund 599: Team Nutrition Grant	\$ 25,000.00 130.91
Total Unapproved Transfers			\$ 25,130.91

Unapproved Advances:

Date	From	To	Amount
11/30/2006	516: Special Education Grants to States 572: Title I to Local Educational Agencies 584: Safe and Drug Free Schools 590: Improving Teacher Quality 599: Title VI-B	001: General Fund 001: General Fund 001: General Fund 001: General Fund 001: General Fund	\$ 15,616.74 18,720.78 672.77 17,150.43 7,468.64
Total Unapproved Advances			\$ 59,629.36

Without review and approval, the Board of Education cannot verify the transfers were allowable under the Ohio Revised Code. In addition, advances made without Board of Education approval can result in non-payment of inter-fund debt and questioned costs.

A Finding for Adjustment is hereby issued against the Food Service Fund of Southern Local School District, Meigs County, in the amount of \$25,000, and against the Team Nutrition Grant Fund in the amount of \$130.91, in favor of the General Fund in the amount of \$25,130.91. This adjustment was not made to the School District's accounting system or posted to the School District's financial statements.

A Finding for Adjustment is also hereby issued against the General Fund of Southern Local School District, Meigs County, in the amount of \$59,629.36, in favor of the Special Education Fund in the amount of \$15,616.74; in favor of the Title I Fund in the amount of \$18,720.78; in favor of the Safe and Drug Free Schools Fund in the amount of \$672.77; in favor of the Improving Teacher Quality Fund in the amount of \$17,150.43; and in favor of the Title VI-B Fund in the amount of \$7,468.64. This adjustment was not made to the School District's accounting system or posted to the School District's financial statements.

**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-002 (Continued)**

**Finding for Adjustment and Noncompliance Citation - Ohio Rev. Code Sections 5705.14 and 5705.16 (Continued)**

**Officials' Response:** See Corrective Action Plan.

**FINDING NUMBER 2007-003**

**Noncompliance Citation**

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

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

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

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

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-003 (Continued)**

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

Twenty-four percent of transactions tested were not certified by the Treasurer at the time the commitments were incurred and there was no evidence that the School District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

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

**Officials' Response:** The treasurer's office now incorporates the "then and now" certificate into daily practice. Additionally, the board has approved amounts for blanket and super blanket certificates. The resolution number is 22-08.

**FINDING NUMBER 2007-004**

**Noncompliance Citation**

26 U.S.C. Section 3402(a)(1) requires employers to withhold and remit federal income taxes from the wages of employees and elected officials.

26 U.S.C. Sections 3102(a) and 3101(b) and Ohio Attorney General Opinion 88-021 require that mandatory Medicare coverage be deducted from the wages of elected officials and employees hired after March 31, 1986. Internal Revenue Service, Publication 15, Circular E, Chapter 9 states that the employer tax rate for Medicare tax is also 1.45% (2.9% total).

Ohio Rev. Code Section 5747.07(B)(4) states that an employer shall make the payment of undeposited taxes for each calendar quarter during which they were required to be withheld no later than the last day of the month following the last day of March, June, September, and December of each year. The employer shall file the return prescribed by the tax commissioner with the payment.

Ohio Rev. Code Sections 3307.29 and 3309.57 require that the treasurer of each employer, on receipt of deductions from the compensation of teachers and school employees and for the contributions of the employer, shall transmit monthly the amounts specified to the state teachers retirement board and the school employees retirement board.

**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-004 (Continued)**

**Noncompliance Citation - 26 U.S.C. 3402(a)(1) (Continued)**

During fiscal year 2007, the School District had payroll withholding remittance obligations to the Ohio Department of Taxation in the amount of \$74,101.04. As of June 30, 2007, the School District had only remitted \$59,465.75. Therefore, the School District has not remitted \$14,635.29 to the Ohio Department of Taxation.

On June 26, 2007 a special run of payroll checks for summer school and mentoring totaling \$23,824 were disbursed without being posted to the computerized payroll system. The gross payroll included \$4,800.95 in withholdings for federal and state income tax, Medicare, State Teachers Retirement System and School Employee Retirement System contributions.

We recommend the Treasurer determine the proper allocation of the withholdings and remit the required amounts to the appropriate agencies. We also recommend the Treasurer review and approve monthly payroll withholding reports to ensure they are remitted timely.

**Officials' Response:** The Treasurer and Assistant to the Treasurer re-created the special pay from June 26, 2007 on April 10, 2008. All taxes/retirements have been brought into balance.

**FINDING NUMBER 2007-005**

**Noncompliance Citation and Material Weakness**

Ohio Admin. Code Sections 117-2-01(D)(3) and (5) state, in part, that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

A separate bank account was maintained for payroll disbursements. This account was established as a payroll clearing account which should balance to zero when all disbursements have cleared the bank. However, there was no indication of monthly reconciliations of the account from October 2006 through June 2007 and the account did not reconcile to zero at June 30, 2007.

In addition, the following items were noted:

- A monthly outstanding check list was not maintained for the payroll account from October 2006 through June 2007.
- Testing of outstanding checks identified several duplicated check numbers at year end.
- Further investigation revealed a special run of payroll checks for summer school and mentoring were disbursed without being posted to the computerized payroll system.
- Testing of withholding amounts also indicated improper remittance of withholdings.

**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-005 (Continued)**

**Noncompliance Citation and Material Weakness - Ohio Admin. Code Sections 117-2-01(D)(3) and (5) (Continued)**

This resulted in obligations to the payroll bank account which exceeded the ending balance of the account as follows:

Overpaid Federal Income Tax Withholdings	2,943.87
Underpaid and Unreported Ohio Income Tax Withholdings	(14,635.29)
Underpaid SERS Annuity Withholdings	(3,230.44)
Overpaid STRS Withholdings	<u>9,108.84</u>
Total Obligations Exceeding Payroll Bank Account Balance	<u><u>(5,813.02)</u></u>

We recommend the School District investigate the variance and reconcile the payroll bank account from October 2006 through June 30, 2007. We also recommend the Treasurer review and approve monthly payroll reconciliations to ensure completion and accuracy. The Board of Education should monitor the completion of reconciliations as part of their monthly financial information presented by the Treasurer.

**Officials' Response:** The Board of Education contracted with Kris Blind and Janet Smalley to provide an independent look into the payroll account from October 2006-June 30, 2007. The payroll account was brought into balance FY 2008. Controls have been put into place to make sure situations as this never occur again.

**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**1. Allowable Costs/Cost Principles - Advances from Federal Funds**

<b>Finding Number</b>	2007-006
<b>CFDA Title and Number</b>	Special Education - Grants to States #84.027 Title I Grants to Local Educational Agencies #84.010 Safe and Drug Free Schools and Communities – State Grants #84.186 Improving Teacher Quality State Grants #84.367 Rural Education #84.358
<b>Federal Award Number / Year</b>	Various
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance Citation and Questioned Costs**

2 C.F.R. Part 225, Appendix A, Section C(1) defines the basic guidelines affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria as follows:

- Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- Be allocable to Federal awards under the provisions of 2 CFR part 225.
- Be authorized or not prohibited under State or local laws or regulations.
- Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- Except as otherwise provided for in 2 CFR part 225, be determined in accordance with generally accepted accounting principles.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
- Be the net of all applicable credits.
- Be adequately documented.

In our review of the inter-fund transfers and advances, we noted the following advances from federal programs to the General Fund which we consider to be questioned costs that do not meet the requirements for allowability as noted in OMB Circular A-87, Attachment B, Section 2(e)(3).

**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

**1. Allowable Costs/Cost Principles - Advances from Federal Funds (Continued)**

**Noncompliance Citation and Questioned Costs (Continued)**

Date	Fund/SCC	Federal Program	Amount
11/30/2006	516-9205	Special Education Grants to States	\$ 15,264.74
	516-9206	Special Education Grants to States	352.00
	572-0000	Title I to Local Educational Agencies	18,720.78
	584-0000	Safe and Drug Free Schools	672.77
	590-0000	Improving Teacher Quality	17,150.43
	599-930R	Title VI-B (Rural Education)	7,468.64
		Total	<u>\$ 59,629.36</u>

Accordingly, \$59,629.36 is considered questioned costs for the listed grant programs. Expending monies for unallowable purposes could jeopardize future grant funding.

We recommend the School District ensure that all expenditures for federal programs meet the requirements of allowability as outlined in Circular A-87.

**2. Activities Allowed and Unallowed – Unallowable Expenditures**

<b>Finding Number</b>	2007-007
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies #84.010
<b>Federal Award Number / Year</b>	C1S1-2007
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance Citation and Questioned Costs**

Section 1114 of E.S.E.A. (20 U.S.C. Section 6314) states that an eligible school participating under Title I, Part A may, in consultation with its LEA, use its Title I, Part A funds, to upgrade the school's entire educational program in a School-wide program.

The School District participates in a School-wide program. During testing of Title I non-payroll disbursements, we noted 3 disbursements amounting to \$814.78, which were unallowable expenditures from Title I funds.

**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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**2. Activities Allowed and Unallowed – Unallowable Expenditures (Continued)**

Check Number	Check Date	Payee	Check Amount	Description	Reason for Questioned Cost
40416	9/25/2006	Michelle Barr	\$ 40.50	Dinner/Parking - Conference	Not a Title I teacher
40895	1/31/2007	Scott Wolfe	60.08	Meeting Expenses - Mileage	"General Fund Mileage" noted on expense form
41095	3/30/2007	Positive Promotions	714.20	Title I Instructional Supplies	Expenditures are for Drug Free Grant
			<u>\$ 814.78</u>		

This has resulted in federal questioned costs, amounting to \$814.78.

We recommend the Treasurer only make allowable disbursements from Title I funds.

**Officials Response:** For Findings 2007-006 and 2007-007 please refer to the Corrective Action Plan.

**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
FISCAL YEAR ENDED JUNE 30, 2007**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2007-006	<p>The Board of Education will approve advances back to respective grant cost centers. Once approved, the Treasurer will make said advances. The Treasurer will be in contact with the Ohio Department of Education for guidance once funds are advanced back.</p> <p>General Fund (001-0000) to:</p> <p>516-9205    \$15,264.74            516-9206    \$352.00            572-0000    \$18,720.78            584-0000    \$672.77            590-0000    \$17,150.43            599-930R    \$7,468.64</p>	08/25/2008	Roy W. Johnson
2007-007	<p>The Treasurer will make correcting adjustments regarding the unallowable expenditures. Checks numbers include: 40416, 40895, and 41095.</p>	08/31/2008	Roy W. Johnson

**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315 (b)  
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B) because the School District did not file its annual financial report pursuant to generally accepted accounting principles.	Yes	
2006-002	Ohio Admin. Code Section 117-2-02(C)(1) because the Treasurer's office did not accurately post appropriations to the accounting system.	No	Not Corrected; Listed in the current management letter.



**Mary Taylor, CPA**  
Auditor of State

**SOUTHERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 4, 2008**