

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY, OHIO
Single Audit
For the Year Ended June 30, 2013**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Board of Education
Southern Local School District
106 Broadway Street, Suite 1
Racine, Ohio 45771

We have reviewed the *Independent Auditor's Report* of the Southern Local School District, Meigs County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

April 3, 2014

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

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Perry & Associates
Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

INDEPENDENT AUDITOR'S REPORT

January 17, 2014

Southern Local School District
Meigs County
106 Broadway Street, Suite 1
Racine, OH 45771

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **Southern Local School District**, Meigs County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Southern Local School District, Meigs County, Ohio, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 22 to the financial statements, during the year ended June 30, 2013, the School District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

Southern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The discussion and analysis of the Southern Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. 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 2013 are as follows:

- Net position of governmental activities increased \$1,708,636.
- General revenues accounted for \$11,239,720 in revenue or 85% of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$1,914,280 or 15% of total revenues of \$13,154,000.
- The School District had \$11,445,364 in expenses related to governmental activities; only \$1,914,280 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$11,239,720 were adequate to provide for these programs.
- The School District's major funds were the General Fund, the Bond Retirement Fund, the Project LFI Fund, and the Classroom Facilities Fund. The General Fund had \$6,918,937 in revenues and other financing sources and \$7,282,445 in expenditures and other financing uses. The General Fund's balance decreased \$363,508. The Bond Retirement Fund had \$838,731 in revenues and other financing sources and \$577,143 in expenditures. The Bond Retirement Fund's balance increased \$261,588. The Project LFI Fund had \$308,141 in revenues and other financing sources and \$0 in expenditures. The Project LFI Fund's balance increased \$308,141. The Classroom Facilities Fund had \$2,481,224 in revenues and \$8,451,406 in expenditures. The Classroom Facilities Fund's balance decreased \$5,970,182.

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 Southern Local 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 Position 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 at 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, 2013
Unaudited

Reporting the School District as a Whole

Statement of Net Position 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 2013?" The Statement of Net Position 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 position and changes in net position. This change in net position 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 Position and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non instructional services, bond service operations, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement Fund, the Project LFI Fund, and the Classroom Facilities 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 yearend 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The School District's only fund of this type is the Self-Insurance Internal Service Fund. However, the activity of this fund is combined with the Governmental Activities on the entity-wide 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 its fiduciary funds.

Southern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012.

Table 1
Net Position
Governmental Activities

	<u>2013</u>	<u>2012*</u>	<u>Change</u>
Assets			
Current and Other Assets	\$12,595,328	\$15,201,562	(\$2,606,234)
Capital Assets	15,829,665	9,840,188	5,989,477
Total Assets	<u>28,424,993</u>	<u>25,041,750</u>	<u>3,383,243</u>
Liabilities			
Long-Term Liabilities	6,734,446	6,822,087	(87,641)
Other Liabilities	3,329,758	1,529,169	1,800,587
Total Liabilities	<u>10,064,204</u>	<u>8,351,256</u>	<u>1,712,948</u>
Deferred Inflows of Resources	<u>1,254,769</u>	<u>1,293,110</u>	<u>(38,341)</u>
Net Position			
Net Investment in Capital Assets	13,676,232	7,601,628	6,074,604
Restricted	1,190,729	5,837,372	(4,646,643)
Unrestricted	2,239,059	1,958,384	280,675
Total Net Position	<u>\$17,106,020</u>	<u>\$15,397,384</u>	<u>\$1,708,636</u>

* - As Restated (See Note 23)

Total assets increased \$3,383,243. The decrease in cash and cash equivalents of \$3,747,731 is also mainly due to the school facilities project. These decreases were offset by increases in capital assets of \$5,989,477.

Long-term liabilities decreased \$87,641 due primarily to payments for the outstanding loans and bonds. The increase in other liabilities is due to the increase of \$1,498,881 in contracts payable.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2013, and comparisons to fiscal year 2012.

Southern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 2
Change in Net Position
Governmental Activities

	<u>2013</u>	<u>2012*</u>	<u>Change</u>
Revenues			
Program Revenues:			
Charges for Services and Sales	\$527,757	\$476,072	\$51,685
Operating Grants and Contributions	1,386,523	1,646,218	(259,695)
Total Program Revenues	<u>1,914,280</u>	<u>2,122,290</u>	<u>(208,010)</u>
General Revenues:			
Property Taxes	3,148,386	2,656,402	491,984
Grants and Entitlements	7,749,230	3,109,383	4,639,847
Gifts and Donations	7,882	12,003	(4,121)
Investment Earnings	54,942	48,762	6,180
Miscellaneous	29,477	110,754	(81,277)
Premium and Accrued Interest Received on Other Debt	161,982	-	161,982
Proceeds from Sale of Capital Assets	76,859	-	76,859
Insurance Recoveries	10,962	-	10,962
Total General Revenues	<u>11,239,720</u>	<u>5,937,304</u>	<u>5,302,416</u>
Total Revenues	<u>13,154,000</u>	<u>8,059,594</u>	<u>5,094,406</u>
Program Expenses			
Instruction:			
Regular	4,375,809	3,401,279	974,530
Special	919,230	953,277	(34,047)
Vocational	181,927	161,932	19,995
Student Intervention Services	122,773	227,392	(104,619)
Other	790,662	-	790,662
Support Services:			
Pupils	565,758	703,535	(137,777)
Instructional Staff	506,365	504,783	1,582
Board of Education	29,166	28,410	756
Administration	488,446	487,948	498
Fiscal	321,811	307,724	14,087
Operation and Maintenance of Plant	1,360,963	613,053	747,910
Pupil Transportation	724,340	695,700	28,640
Central	80,344	230,947	(150,603)
Operation of Non-Instructional Service	442,622	432,335	10,287
Extracurricular Activities	187,173	151,546	35,627
Interest and Fiscal Charges	347,975	290,822	57,153
Total Expenses	<u>11,445,364</u>	<u>9,190,683</u>	<u>2,254,681</u>
Increase/(Decrease) in Net Position	<u>1,708,636</u>	<u>(1,131,089)</u>	<u>2,839,725</u>
Net Position Beginning of Year	<u>15,397,384</u>	<u>16,528,473</u>	<u>(1,131,089)</u>
Net Position End of Year (Restated)	<u>\$17,106,020</u>	<u>\$15,397,384</u>	<u>\$1,708,636</u>

* - As Restated (See Note 23).

Southern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

During fiscal year 2013, the School District saw a increase in grants and entitlements mostly from the Ohio School Facilities project. The School District receives nearly 62% of its funds from the State due to area demographics and overall tax base of the School District.

The Statement of Activities shows the cost of program services and the charges for services, grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
Governmental Activities

	<u>Total Cost of Services</u> <u>2013</u>	<u>Net Cost of Services</u> <u>2013</u>	<u>Total Cost of Services</u> <u>2012</u>	<u>Net Cost of Services</u> <u>2012</u>
Instruction:				
Regular	\$4,375,809	\$3,862,757	\$3,401,279	\$2,959,211
Special	919,230	565,083	953,277	597,206
Vocational	181,927	130,112	161,932	120,239
Student Intervention Services	122,773	96,986	227,392	81,158
Other	790,662	690,934	-	-
Support Services:				
Pupils	565,758	352,051	703,535	292,911
Instructional Staff	506,365	376,098	504,783	476,651
Board of Education	29,166	29,166	28,410	28,410
Administration	488,446	457,073	487,948	275,074
Fiscal	321,811	321,811	307,724	307,724
Operation and Maintenance of Plant	1,360,963	1,344,792	613,053	596,882
Pupil Transportation	724,340	675,764	695,700	647,147
Central	80,344	64,507	230,947	226,921
Operation of Non-Instructional Services:	442,622	82,519	432,335	75,279
Extracurricular Activities	187,173	133,456	151,546	92,758
Interest and Fiscal Charges	347,975	347,975	290,822	290,822
Total Expenses	<u>\$11,445,364</u>	<u>\$9,531,084</u>	<u>\$9,190,683</u>	<u>\$7,068,393</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2013, 88% 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 \$11,293,276 and expenditures of \$17,598,857. The School District is focusing its efforts to reduce expenditures, first through strict monitoring of its discretionary budgets, such as supplies and capital outlay, and also through the retirement of several staff members. Also, the School District joined OME-RESA health consortium, effective July 1, 2008, therefore pooling the risk with 10,000 consortium members. The School District passed its renewal levy in November, 2008, for five years. Additionally, the School District recently passed a \$3,950,000 bond levy in August 2010, for the construction of a new high school facility.

Southern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

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 2013, 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 and the final estimates were \$6,960,231. Original estimated revenues were decreased \$79,932 mainly in the taxes and intergovernmental revenue areas due to more than expected state foundation and tax monies. Actual expenditures were \$14 under final appropriations. Original appropriations were increased \$474,450 due to increases in employee benefits and union contract incentives.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the School District had \$15,829,665 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2013 balances compared to 2012.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2013	2012
Land	\$173,855	\$173,855
Construction in Progress	567,119	1,232,862
Land Improvements	856,505	141,291
Buildings and Improvements	13,437,477	7,436,958
Furniture and Equipment	545,858	542,147
Vehicles	248,851	313,075
Totals	\$15,829,665	\$9,840,188

See Note 12 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, 2013
Unaudited

Debt

At June 30, 2013, the School District had the following debt outstanding.

Table 5
Outstanding Debt, At Fiscal Year End

	Governmental Activities	
	2013	2012
1995 Asbestos Loan	\$-	\$5,907
2009 Classroom Facilities Refunding Bonds	2,099,015	2,299,539
2010 School Improvement Bonds	4,207,180	4,216,399
Computer Loan	123,003	-
Totals	\$6,429,198	\$6,521,845

See Note 15 to the basic financial statements for more information on debt.

Current Issues

Southern Local Schools will most likely face budget reductions from the State over the next few years as all local governments are reducing expenditures in the current financial climate. As such, pooling limited resources and prioritizing spending needs to help navigate any state funding cuts.

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 147, Racine, Ohio 45771. Or E-Mail at Roy.Johnson@Southernlocal.net.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Net Position
June 30, 2013**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	8,126,071
Cash and Cash Equivalents with Fiscal Agents		257,410
Cash and Cash Equivalents with Escrow Agents		237,296
Materials and Supplies Inventory		10,378
Accrued Interest Receivable		1,628
Accounts Receivable		395
Intergovernmental Receivable		88,130
Taxes Receivable		3,874,020
Non-Depreciable Capital Assets		740,974
Depreciable Capital Assets, net		15,088,691
Total Assets		28,424,993
Liabilities:		
Accounts Payable		45,309
Accrued Wages and Benefits		686,522
Contracts Payable		1,958,635
Intergovernmental Payable		185,452
Accrued Interest Payable		60,836
Accrued Vacation Leave Payable		20,177
Retainage Payable		237,296
Claims Payable		135,531
Long-Term Liabilities:		
Due Within One Year		328,994
Due in More Than One Year		6,405,452
Total Liabilities		10,064,204
Deferred Inflows of Resources:		
Property Taxes Levied for the Next Fiscal Year		1,254,769
Total Deferred Inflows of Resources		1,254,769
Net Position:		
Net Investment in Capital Assets		13,676,232
Restricted for Debt Service		708,152
Restricted for Capital Outlay		336,282
Restricted for Other		145,854
Restricted for Unclaimed Monies		441
Unrestricted		2,239,059
Total Net Position	\$	17,106,020

See Accompanying Notes to the Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2013**

	Program Revenues			Net(Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 4,375,809	\$ 396,026	\$ 117,026	\$ (3,862,757)
Special	919,230	-	354,147	(565,083)
Vocational	181,927	-	51,815	(130,112)
Student Intervention Services	122,773	-	25,787	(96,986)
Other	790,662	-	99,728	(690,934)
Support Services:				
Pupils	565,758	-	213,707	(352,051)
Instructional Staff	506,365	-	130,267	(376,098)
Board of Education	29,166	-	-	(29,166)
Administration	488,446	-	31,373	(457,073)
Fiscal	321,811	-	-	(321,811)
Operation and Maintenance of Plant	1,360,963	-	16,171	(1,344,792)
Pupil Transportation	724,340	-	48,576	(675,764)
Central	80,344	-	15,837	(64,507)
Operation of Non-Instructional Services	442,622	78,014	282,089	(82,519)
Extracurricular Activities	187,173	53,717	-	(133,456)
Interest and Fiscal Charges	347,975	-	-	(347,975)
Totals	<u>\$ 11,445,364</u>	<u>\$ 527,757</u>	<u>\$ 1,386,523</u>	<u>(9,531,084)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				2,295,231
Property Taxes, Levied for Debt Service				812,221
Property Taxes, Levied for Other				40,934
Grants and Entitlements not Restricted to Specific Programs				7,749,230
Gifts and Donations not Restricted to Specific Programs				7,882
Investment Earnings				54,942
Miscellaneous				29,477
Premiums and Accrued Interest Received on Other Debt Issued				161,982
Proceeds from Sale of Capital Assets				76,859
Insurance Recoveries				10,962
Total General Revenues				<u>11,239,720</u>
Change in Net Position				1,708,636
Net Position Beginning of Year - As Restated (See Note 23)				<u>15,397,384</u>
Net Position End of Year				<u>\$ 17,106,020</u>

See Accompanying Notes to the Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2013**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Project LFI Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ 1,411,531	\$ 470,467	\$ 1,804,786	\$ 4,179,561	\$ 259,285	\$ 8,125,630
Cash and Cash Equivalents with Escrow Agent	-	-	-	237,296	-	237,296
Materials and Supplies Inventory	3,012	-	-	-	7,366	10,378
Accrued Interest Receivable	668	-	407	537	16	1,628
Accounts Receivable	395	-	-	-	-	395
Interfund Receivable	17,527	-	-	-	-	17,527
Intergovernmental Receivable	-	-	-	-	88,130	88,130
Taxes Receivable	2,984,302	837,824	-	-	51,894	3,874,020
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	441	-	-	-	-	441
Total Assets	<u>\$ 4,417,876</u>	<u>\$ 1,308,291</u>	<u>\$ 1,805,193</u>	<u>\$ 4,417,394</u>	<u>\$ 406,691</u>	<u>\$ 12,355,445</u>
Liabilities						
Current Liabilities:						
Accounts Payable	\$ 42,476	\$ -	\$ -	\$ -	\$ 2,833	\$ 45,309
Accrued Wages and Benefits	611,533	-	-	-	74,989	686,522
Contracts Payable	-	-	-	1,958,635	-	1,958,635
Interfund Payable	-	-	-	-	17,527	17,527
Intergovernmental Payable	157,109	-	-	-	28,343	185,452
Retainage Payable	-	-	-	237,296	-	237,296
Total Liabilities	<u>811,118</u>	<u>-</u>	<u>-</u>	<u>2,195,931</u>	<u>123,692</u>	<u>3,130,741</u>
Deferred Inflow of Resources						
Property Levied for the Next Fiscal Year	2,020,913	534,065	-	-	34,756	2,589,734
Unavailable Revenue	-	-	-	-	76,527	76,527
Total Deferred Inflows of Resources	<u>2,020,913</u>	<u>534,065</u>	<u>-</u>	<u>-</u>	<u>111,283</u>	<u>2,666,261</u>
Total Liabilities and Deferred Inflows of Resources	<u>2,832,031</u>	<u>534,065</u>	<u>-</u>	<u>2,195,931</u>	<u>234,975</u>	<u>5,797,002</u>
Fund Balances						
Nonspendable	3,453	-	-	-	7,366	10,819
Restricted	-	774,226	1,805,193	2,221,463	117,760	4,918,642
Assigned	119,223	-	-	-	118,546	237,769
Unassigned	1,463,169	-	-	-	(71,956)	1,391,213
Total Fund Balances	<u>1,585,845</u>	<u>774,226</u>	<u>1,805,193</u>	<u>2,221,463</u>	<u>171,716</u>	<u>6,558,443</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 4,417,876</u>	<u>\$ 1,308,291</u>	<u>\$ 1,805,193</u>	<u>\$ 4,417,394</u>	<u>\$ 406,691</u>	<u>\$ 12,355,445</u>

See Accompanying Notes to the Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2013**

Total Governmental Fund Balances	\$	6,558,443
<p>Amounts reported for governmental activities on the Statement of Net Position are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		15,829,665
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	1,334,965	
Grants and Intergovernmental Revenues	76,527	1,411,492
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.		(60,836)
Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.		121,879
Accrued Vacation Leave Payable is recognized for earned vacation benefits that are to be used within one year but it not recognized on the Balance Sheet until due.		(20,177)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
School Construction Refunding Bonds	(2,099,015)	
School Construction Bonds	(4,207,180)	
Commercial Loan	(123,003)	
Sick Leave Benefits Payable	(305,248)	(6,734,446)
Net Position of Governmental Activities	\$	17,106,020

See Accompanying Notes to the Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Project LFI Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:						
Property and Other Local Taxes	\$ 1,682,500	\$ 572,863	\$ -	\$ -	\$ 30,035	\$ 2,285,398
Intergovernmental	4,580,596	103,886	-	2,455,515	1,247,823	8,387,820
Interest	21,218	-	7,565	25,709	450	54,942
Tuition and Fees	396,026	-	-	-	-	396,026
Extracurricular Activities	2,743	-	-	-	50,974	53,717
Gifts and Donations	6,640	-	-	-	1,242	7,882
Customer Sales and Services	-	-	-	-	78,014	78,014
Miscellaneous	29,477	-	-	-	-	29,477
Total Revenues	<u>6,719,200</u>	<u>676,749</u>	<u>7,565</u>	<u>2,481,224</u>	<u>1,408,538</u>	<u>11,293,276</u>
EXPENDITURES:						
Current:						
Instruction:						
Regular	2,543,582	-	-	-	121,477	2,665,059
Special	622,942	-	-	-	277,661	900,603
Vocational	172,738	-	-	-	3,268	176,006
Student Intervention Services	93,952	-	-	-	28,821	122,773
Other	694,047	-	-	-	91,725	785,772
Support Services:						
Pupils	404,541	-	-	-	137,467	542,008
Instructional Staff	372,915	-	-	-	128,999	501,914
Board of Education	29,166	-	-	-	-	29,166
Administration	420,078	-	-	-	20,023	440,101
Fiscal	303,377	18,310	-	-	-	321,687
Operation and Maintenance of Plant	564,215	-	-	-	52,722	616,937
Pupil Transportation	612,253	-	-	-	59,191	671,444
Central	198,760	-	-	-	15,526	214,286
Operation of Non-Instructional Services	6,558	-	-	-	432,537	439,095
Extracurricular Activities	110,736	-	-	-	51,156	161,892
Capital Outlay	-	-	-	8,451,406	-	8,451,406
Debt Service:						
Principal	-	225,907	-	-	-	225,907
Interest	-	332,926	-	-	-	332,926
Total Expenditures	<u>7,149,860</u>	<u>577,143</u>	<u>-</u>	<u>8,451,406</u>	<u>1,420,573</u>	<u>17,598,982</u>
Excess of Revenues Over (Under) Expenditures	<u>(430,660)</u>	<u>99,606</u>	<u>7,565</u>	<u>(5,970,182)</u>	<u>(12,035)</u>	<u>(6,305,706)</u>
OTHER FINANCING SOURCES AND USES:						
Transfers In	-	-	300,576	-	132,710	433,286
Other Notes Issued	123,003	-	-	-	-	123,003
Premiums and Accrued Interest Received on Other Debt Issued	-	161,982	-	-	-	161,982
Proceeds from Sale of Capital Assets	76,859	-	-	-	-	76,859
Insurance Recoveries	-	-	-	-	10,962	10,962
Transfers Out	(132,710)	-	-	-	(300,576)	(433,286)
Total Other Financing Sources and Uses	<u>67,152</u>	<u>161,982</u>	<u>300,576</u>	<u>-</u>	<u>(156,904)</u>	<u>372,806</u>
Net Change in Fund Balances	<u>(363,508)</u>	<u>261,588</u>	<u>308,141</u>	<u>(5,970,182)</u>	<u>(168,939)</u>	<u>(5,932,900)</u>
Fund Balance (Deficit) at Beginning of Year	1,949,353	512,638	1,497,052	8,191,645	340,655	12,491,343
Fund Balance (Deficit) at End of Year	<u>\$ 1,585,845</u>	<u>\$ 774,226</u>	<u>\$ 1,805,193</u>	<u>\$ 2,221,463</u>	<u>\$ 171,716</u>	<u>\$ 6,558,443</u>

See Accompanying Notes to the Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2013**

Net Change in Fund Balances - Total Governmental Funds	\$	(5,932,900)
<p>Amounts reported for governmental activities on the Statement of Activities are different because of the following:</p>		
<p>Governmental funds report capital outlay as expenditures. However, on 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 capital outlay exceeds depreciation in the current year.</p>		
Capital Outlay - Depreciable Capital Assets	8,558,919	
Depreciation	<u>(615,845)</u>	7,943,074
<p>The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the Statement of Net Position and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the Statement of Activities.</p>		
Gain (Loss) on Disposal of Capital Assets		(1,953,597)
<p>Revenues on the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Intergovernmental	747,933	
Property Taxes	<u>862,988</u>	1,610,921
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the Statements of Activities.</p>		
		225,907
<p>Internal Service Fund is used by management to charge the costs of insurance to individual funds not reported in the district-wide Statement of Activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities.</p>		
		(43,666)
<p>Interest is reported as an expenditure when due in governmental funds, but is accrued on outstanding debt on the Statement of Activities. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the Statement of Activities:</p>		
Annual Accretion	(39,436)	
Accrued Interest Payable	(4,792)	
Amortization of Refunding	(6,625)	
Amortization of Premium	39,107	
Amortization of Discount	<u>(3,303)</u>	(15,049)
<p>Note issued during the fiscal year.</p>		
		(123,003)
<p>Some expenses reported on the Statement of Activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:</p>		
Accrued Vacation Leave Payable	1,955	
Compensated Absences Payable	<u>(5,006)</u>	(3,051)
Change in Net Position of Governmental Activities	\$	<u><u>1,708,636</u></u>

See Accompanying Notes to the Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property Taxes	\$ 1,896,000	\$ 1,730,284	\$ 1,730,284	\$ -
Intergovernmental	4,769,463	4,584,302	4,584,302	-
Interest	25,000	20,550	20,550	-
Tuition and Fees	325,400	395,881	395,881	-
Rent	1,800	(100)	-	100
Miscellaneous	22,500	29,577	29,477	(100)
Total Revenues	7,040,163	6,760,494	6,760,494	-
Expenditures:				
Current:				
Instruction:				
Regular	2,432,451	2,460,592	2,460,578	14
Special	573,651	587,455	587,455	-
Vocational	167,513	169,696	169,696	-
Student Intervention Services	78,514	93,952	93,952	-
Other	592,725	688,069	688,069	-
Support services:				
Pupils	397,569	375,351	375,351	-
Instructional Staff	284,149	350,724	350,724	-
Board of Education	33,427	28,991	28,991	-
Administration	428,207	377,240	377,240	-
Fiscal	317,960	283,944	283,944	-
Operation and Maintenance of Plant	599,721	567,161	567,161	-
Pupil Transportation	594,245	601,894	601,893	1
Central	157,861	324,657	324,657	-
Operation of Non-Instructional/Shared Services	-	6,594	6,595	(1)
Extracurricular activities	98,310	109,276	109,276	-
Total Expenditures	6,756,303	7,025,596	7,025,582	14
Excess of Revenues Over (Under) Expenditures	283,860	(265,102)	(265,088)	14
Other Financing Sources (Uses):				
Other Notes Issued	-	122,878	122,878	-
Proceeds from Sale of Capital Assets	-	76,859	76,859	-
Transfers Out	-	(199,386)	(199,386)	-
Advances Out	-	(5,771)	(5,771)	-
Total Other Financing Sources (Uses)	-	(5,420)	(5,420)	-
Net Change in Fund Balance	283,860	(270,522)	(270,508)	14
Fund Balance at Beginning of Year	1,521,390	1,521,390	1,521,390	-
Prior Year Encumbrances Appropriated	30,289	30,289	30,289	-
Fund Balance at End of Year	\$ 1,835,539	\$ 1,281,157	\$ 1,281,171	\$ 14

See Accompanying Notes to Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Fund Net Position
Internal Service Fund
June 30, 2013**

	<u>Internal Service</u>
Current Assets:	
Equity in Pooled Cash and Cash Equivalents with Fiscal Agents	\$ <u><u>257,410</u></u>
Current Liabilities:	
Claims Payable	<u>135,531</u>
Net Position:	
Unrestricted	\$ <u><u>121,879</u></u>

See Accompanying Notes to Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2013**

OPERATING REVENUES:	
Charges for Services	\$ <u>1,341,861</u>
OPERATING EXPENSES:	
Purchased Services	461,842
Claims	<u>923,685</u>
Total Operating Expenses	<u>1,385,527</u>
Net Change in Net Position	(43,666)
Net Position at Beginning of Year	<u>165,545</u>
Net Position at End of Year	\$ <u><u>121,879</u></u>

See Accompanying Notes to Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2013**

	Internal Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Charges for Services	\$ 1,341,861
Payments for Purchased Services	(461,842)
Payments for Claims	(903,440)
Net Cash Provided by Operating Activities	(23,421)
Net Increase (Decrease) in Cash and Cash Equivalents	(23,421)
Cash and Cash Equivalents at Beginning of Year	280,831
Cash and Cash Equivalents at End of Year	\$ 257,410
 Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:	
Operating Income (Loss)	\$ (43,666)
Adjustments	
Increase (Decrease) in Liabilities:	
Claims Payable	20,245
Net Cash Provided by Operating Activities	\$ (23,421)

See Accompanying Notes to Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2013**

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ -	\$ 7,463
Investments	<u>138,361</u>	<u>-</u>
Total Assets	<u>138,361</u>	<u>7,463</u>
Liabilities		
Current Liabilities:		
Due Students		\$ <u>7,463</u>
Net Position		
Held in Trust for Scholarships	\$ <u>138,361</u>	

See Accompanying Notes to the Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2013**

	Private Purpose Trust
Net Position Beginning of Year	\$ <u>138,361</u>
Net Position End of Year	\$ <u><u>138,361</u></u>

See Accompanying Notes to the Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 77 certificated employees and 33 classified employees who provide services to 759 students. The School District currently operates one elementary school (grades kindergarten to eighth) and one high school (grades ninth to twelfth).

Reporting Entity

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

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

The School District participates in the Southeastern Ohio Voluntary Education Cooperative and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations; the Ohio School Boards Association Workers' Compensation Group Rating Plan, which is defined as insurance purchasing pool; and the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, which is defined as a claims servicing pool. These organizations are presented in Notes 18, 19, and 20 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements

The Statement of Net Position 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 activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These 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, however, has no business-type activities.

The Statement of Net Position 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. 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, proprietary, or fiduciary.

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

Bond Retirement Fund- This fund is used to account for financial resources accumulated for the payment of general long-term debt principal, interest and related costs.

Project LFI Fund - The Locally Funded Initiative Fund is used to account for the revenues and expenditures related to the purchase of land and the local share of expenditures for the new school building.

Classroom Facilities Fund - The Classroom Facilities fund accounts for the construction of the new high school under the Ohio School Facilities Grant and Loan program.

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

Proprietary Fund Type - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

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

Fiduciary Fund Type - Fiduciary fund reporting focuses on net position and changes in net position. 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 position. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus (Continued)

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

The private purpose trust funds are reported using the economic resources measurement focus.

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. Proprietary and 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 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.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal yearend: property taxes available as an advance, investment earnings, tuition, grants, fees, and rentals.

Deferred Inflows of Resources and Deferred Outflows of Resources

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as a deferred inflow. Special assessments and sales taxes not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as a deferred inflow in the governmental funds.

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

In addition to assets, the Statement of Financial Position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The School District does not have any items that qualify for reporting in this category.

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 2013, investments were limited to 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 2013 amounted to \$21,218, which includes \$5,092 assigned from other School District funds.

The School District utilizes OME-RESA to account for the self-insurance internal service fund. This interest bearing depository account is presented in the financial statements as "cash and cash equivalents with fiscal agents" and represents deposits.

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. 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 and held for resale.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

G. 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 Position 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 capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. 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 and construction in progress, 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:

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

H. 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 unclaimed monies.

I. 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. 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.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

I. Compensated Absences (Continued)

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as "matured compensated absences payable" in the fund from which the employees who will receive the payment are paid.

J. 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, capital leases, and bonds are recognized as a liability on the governmental fund financial statements when due.

K. Internal Activity

Transfers between governmental activities are eliminated. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of 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.

L. Fund Balance

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted: The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

L. Fund Balance (Continued)

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

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

Unassigned: The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balances.

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

M. 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 Position.

N. Unamortized Note/Bond Premiums and Discounts

On government-wide financial statements, bond discounts and premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition of the face amount of bonds payable.

Bond discounts on the capital appreciation bonds are deferred and accreted over the term of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

On the governmental fund financial statements, issuance costs, bond premiums, and bond discounts are recognized in the current period.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

O. Net Position

Net position represent the difference between assets and liabilities. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, 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 position is 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. During fiscal year 2013, the School District had none.

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.

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
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 3 - Fund Balances

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

<u>Fund Balance</u>	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Project LFI Fund</u>	<u>School Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:						
Unclaimed Monies	\$441	\$-	\$-	\$-	\$-	\$441
Materials and Supplies Inventory	3,012	-	-	-	7,366	10,378
Total Nonspendable	3,453	-	-	-	7,366	10,819
Restricted for:						
Local Grant Expenditures	-	-	-	-	15,716	15,716
Federal Grant Expenditures	-	-	-	-	28,626	28,626
Athletic Programs	-	-	-	-	17,866	17,866
Capital Improvements	-	-	1,805,193	2,221,463	55,552	4,082,208
Debt Service	-	774,226	-	-	-	774,226
Total Restricted	-	774,226	1,805,193	2,221,463	117,760	4,918,642
Assigned to:						
Capital Improvements	-	-	-	-	118,546	118,546
Other Purposes	119,223	-	-	-	-	119,223
Total Assigned	119,223	-	-	-	118,546	237,769
Unassigned	1,463,169	-	-	-	(71,956)	1,391,213
Total Fund Balance	\$1,585,845	\$774,226	\$1,805,193	\$2,221,463	\$171,716	\$6,558,443

Note 4 - Fund Deficits

At June 30, 2013, the following funds had deficit fund balances:

	<u>Deficit</u>
Special Revenue Funds:	
Food Service	\$18,342
Early Childhood	17,893
State Grants	6,431
Race to the Top	2,597
Title I	7,697
Title II-A	8,170
Federal Grants	3,460

The deficits are the result of charges for services not covering expenditures, accrued liabilities, and over- expended grant resources. The General Fund provides transfers to cover deficit fund balances in special revenue funds; however, this is done when cash is needed rather than when accruals occur.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

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 (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Unreported and prepaid items represent amounts received but not included as revenues on the budget basis operating statements. These amounts are included as revenues on the GAAP basis operating statement.

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	(\$363,508)
Revenue Accruals	50,677
Expenditure Accruals	184,327
Advances Net	(5,771)
Encumbrances	<u>(136,233)</u>
Budget Basis	<u><u>(\$270,508)</u></u>

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
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) above;
7. The State Treasurer's investment pool (STAR Ohio); 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.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 6 - Deposits and Investments (Continued)

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 \$8,707,635. \$311,791 was covered by Federal depository insurance; \$8,395,844 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in calendar year 2013 with real property taxes. Public utility real property is assessed at 35 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 year 2013 (other than public utility property tax) represents the collection of 2013 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2013 were levied after October 1, 2012, on the value as of December 31, 2012. 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 Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 7 - Property Taxes (Continued)

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2013, 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 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2013, was \$1,284,286 and is recognized as revenue: \$963,389 in the General Fund, \$17,138 in the Classroom Facilities Fund, and \$303,759 in the Bond Retirement Fund. The amount available as an advance at June 30, 2012, was \$1,224,246 and is recognized as revenue: \$1,011,173 in the General Fund, \$17,931 in the Classroom Facilities Fund, and \$195,142 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 has been reported as deferred inflows of resources-unavailable revenue.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second-Half Collections		2013 First-Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Residential/Agricultural and Other Real Estate	\$73,330,520	85%	\$73,258,410	85%
Public Utility Personal	13,081,200	15%	13,132,650	15%
Total Assessed Value	<u>\$86,411,720</u>	<u>100%</u>	<u>\$86,391,060</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$28.20		\$28.20	

Note 8 – Receivables

Receivables at June 30, 2013, consisted of taxes, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Except for property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Race to the Top	\$6,791
Title VI-B	5,594
Title I	51,129
Title II-A	1,153
Miscellaneous Federal	23,463
Total	<u>\$88,310</u>

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 9 - Interfund Transfers and Balance

Transfers made during fiscal year 2013 were as follows:

	Transfer In	Transfer Out
General Fund	\$-	\$132,710
Project LFI	300,576	-
Nonmajor Funds:		
Food Service Special Revenue Fund	93,618	-
Title VI-B	39,092	-
Permanent Improvement Capital Project Fund	-	300,576
Total All Funds	\$433,286	\$433,286

The transfer from the Permanent Improvement Fund to the Project LFI Fund was made under the Expedited Local Partnership Program while waiting for Classroom Facilities Assistance Program funding.

Unpaid interfund cash advances at June 30, 2013, were as follows:

	Receivables	Payables
General Fund	\$17,527	\$-
Nonmajor Special Revenue Funds:		
State Grant Funds	-	10,757
Race to the Top	-	2,411
Title VIB	-	370
Title I	-	3,360
Federal Grant Funds	-	629
Total Special Revenue Funds	-	17,527
Total All Funds	\$17,527	\$17,527

The interfund balances result from the provision of cash flow resources from the General Fund until the receipt of grant monies by the grant funds.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

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. The School District participates in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 20). The types and amounts of coverage provided by the Ohio Casualty are as follows:

Property (\$1,000 deductible):	
Building and Contents-replacement cost	\$24,345,715
Boiler and Machinery Breakdown	24,345,715
Crime (\$1,000 deductible):	
Employee Theft	10,000
Forgery of Alteration	10,000
Automobile Liability (Comprehensive \$250/Collision \$500):	
Bodily Injury and Property Damage – combined single limit	1,000,000
Medical Payments – each person	15,000
Uninsured/Underinsured Motorist	1,000,000
Violence Coverage (no deductible):	
Violence Limit	500,000
Aggregate Limit	500,000
General Liability (no deductible):	
Bodily Injury and Property Damage Limit – each occurrence	1,000,000
Aggregate Limit	3,000,000
Employers’ – Stop Gap – Bodily Injury: (no deductible)	1,000,000
Legal Liability (\$2,500 deductible):	
Errors and Omissions Injury Limit	1,000,000
Aggregate Limit	2,000,000

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 2012.

B. Workers’ Compensation

For fiscal year 2013, the School District participated in the Ohio School Boards Association Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 10 - Risk Management (Continued)

C. Medical/Surgical and Prescription Drug Insurances

Medical/surgical and prescription drug insurance is offered through a self-insurance internal service fund. The School District pays 90% of the monthly insurance premium for either family or single coverage. The employee shall pay 10% of the monthly insurance premium. The School District is a member of a claims servicing pool in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The School District's stop loss amount per person is \$35,000 for fiscal year 2013. The claims liability of \$135,531 reported in the internal service fund at June 30, 2013, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by the incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount in 2013 were:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2012	\$171,650	\$927,413	\$983,777	\$115,286
2013	115,286	923,685	903,440	135,531

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.

B. Insurance

The School District provides dental and life insurance and accidental death and dismemberment insurance to most employees through Coresource and vision insurance through Vision Plus. The cost of premiums for the coverage is \$51.62 for dental, and \$12.34 family and \$5.45 single for vision.

**SOUTHERN LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 12 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance at 6/30/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2013</u>
Capital Assets:				
Capital Assets not being Depreciated:				
Land	\$173,855	\$-	\$-	\$173,855
Construction in Progress	1,232,862	-	665,743	567,119
Total Capital Assets not being Depreciated:	<u>1,406,717</u>	<u>-</u>	<u>665,743</u>	<u>740,974</u>
Depreciable Capital Assets				
Land Improvements	522,845	742,508	96,084	1,169,269
Buildings and Improvements	13,101,124	7,638,587	3,265,814	17,473,897
Furniture and Equipment	1,538,822	177,824	203,997	1,512,649
Vehicles	808,117	-	-	808,117
Total Capital Assets being Depreciated	<u>15,970,908</u>	<u>8,558,919</u>	<u>3,565,895</u>	<u>20,963,932</u>
Less Accumulated Depreciation				
Land Improvements	381,554	19,714	88,504	312,764
Buildings and Improvements	5,664,166	405,580	2,033,326	4,036,420
Furniture and Equipment	996,675	126,327	156,211	966,791
Vehicles	495,042	64,224	-	559,266
Total Accumulated Depreciation	<u>7,537,437</u>	<u>615,845</u>	<u>2,278,041</u>	<u>5,875,241</u>
Total Capital Assets being Depreciated, Net	<u>8,433,471</u>	<u>7,943,074</u>	<u>1,287,854</u>	<u>15,088,691</u>
Capital Assets, Net	<u>\$9,840,188</u>	<u>\$7,943,074</u>	<u>\$1,953,597</u>	<u>\$15,829,665</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$469,117
Special	3,447
Vocational	1,892
Other	1,878
Support Services:	
Pupil	15,950
Instructional Staff	1,186
Administration	16,285
Fiscal	487
Operation and Maintenance of Plant	692
Pupil Transportation	69,585
Central	14,902
Other Non-Instructional Services	1,728
Extracurricular	2,485
Capital Outlay	16,211
Total Depreciation Expense	<u>\$615,845</u>

**SOUTHERN LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 13 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$174,422, \$170,919 and \$62,559, respectively. For fiscal year 2013, 48.33 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

B. State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement 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 can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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 multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

**SOUTHERN LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 13 - Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System (Continued)

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$424,936 and \$4,147 for the fiscal year ended June 30, 2013, \$422,253 and \$4,147 for the fiscal year ended June 30, 2012, and \$439,987 and \$3,578 for the DB Plan for the fiscal year ended June 30, 2011. For fiscal year 2013, 84.08 percent has been contributed for the DB plan and 84.08 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were \$9,440 made by the School District and \$2,896 made by the plan members. In addition, member contributions of \$9,440 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

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 of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2013, no members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 14 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administrated by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

**SOUTHERN LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 14 - Postemployment Benefits (Continued)

A. School Employees Retirement System (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$17,059 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$1,993, \$6,715, and \$34,957, respectively. For fiscal year 2013, 48.33 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$8,067, \$9,156, and \$4,491 respectively. For fiscal year 2013, 48.33 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$30,353, \$30,161, and \$33,845 respectively. For fiscal year 2013, 84.08 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 15 - Long-Term Debt

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

Governmental Activities:	Principal Outstanding 6/30/12	Additions	Deductions	Balance at 6/30/13	Amounts Due Within One Year
1995 Asbestos Abatement Loan – 0%	\$5,907	\$-	\$5,907	\$-	\$-
2009 Classroom Facilities Refunding Bonds – 2.00% - 4.00%	2,155,000	-	215,000	1,940,000	215,000
Original Issue of Capital Appreciation Bonds Accretion on Capital Appreciation Bonds – 18.517%	75,000	-	-	75,000	-
Deferred Amount on Refunding	46,359	16,937	-	63,296	-
Discount on Term Bonds	(62,426)	-	(6,625)	(55,801)	-
Discount on Term Bonds	(20,342)	-	(2,159)	(18,183)	-
Premium on Term Bonds	105,948	-	11,245	94,703	-
2010 School Improvement Serial Bonds – 2.00%	5,000	-	5,000	-	-
Original Issue of Capital Appreciation Bonds – 2.04% - 3.25%	124,996	-	-	124,996	42,005
Accretion on Capital Appreciation Bonds – 32.96%	44,998	22,499	-	67,497	-
Recovery Zone Economic Development Bonds – 7.10%	1,820,000	-	-	1,820,000	-
Qualified School Construction Bonds – 6.60%	2,000,000	-	-	2,000,000	10,000
Discount on Serial Bonds	(57,212)	-	(1,144)	(56,068)	-
Premium on Serial Bonds	278,617	-	27,862	250,755	-
Commercial Loan - Computers	-	123,003	-	123,003	60,810
Sick Leave Benefits	300,242	5,006	-	305,248	1,179
Total Long Term Obligations	\$6,822,087	\$167,445	\$255,086	\$6,734,446	\$328,994

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, Title VIB, and Title I Special Revenue Funds.

The School District's overall debt margin was \$1,940,195, with an unnoted debt margin of \$86,391 at June 30, 2013.

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. The loan was paid off during the fiscal year.

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 amounts 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. During fiscal year 2010, the School District made the schedule repayment of the bonds in the amount of \$165,000 and advance refunded the remaining bonds of \$2,670,000. The refunded bonds were removed from the financial statements of School District.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 15 - Long-Term Debt (Continued)

On July 20, 2009, the School District issued \$2,670,000 of general obligation refunding bonds to refund \$2,670,000 of outstanding 1998 Classroom Facilities Construction and Improvements Bonds. The bonds were issued for over a 12 year period with final maturity at December 1, 2021. The bond issue included term and capital appreciation bonds in the amounts of \$2,595,000 and \$75,000, respectively. At the date of refunding, \$2,751,938 (including premium and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded bonds. The bond holders were paid on August 25, 2009; therefore, no amounts remain in the trust.

These refunding bonds were issued with a discount of \$26,700 which is reported as a decrease to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method; the amortization of the discount for fiscal year 2013 was \$2,159. These refunding bonds were also issued with a premium of \$139,066 which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method; the amortization of the premium for fiscal year 2013 was \$11,245. The issuance costs of \$27,347 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2013 was \$2,211. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$81,938. This difference, reported in the accompanying financial statements as a decrease to bonds payable is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2013 was \$6,625.

The 2009 bond issue consists of term and capital appreciation bonds. These bonds are not subject to early redemption.

The capital appreciation bonds for the issue mature December 1, 2015. These bonds were purchased as a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$230,000. In fiscal year 2007, \$180,465 capital appreciation bond principal was repaid. For fiscal year 2013, \$16,937 was accreted, leaving a total bond liability of \$138,296.

Principal and interest requirements to retire the refunding bonds are as follows:

Year Ending June 30,	Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2014	\$215,000	\$66,550	\$-	\$-	\$215,000	\$66,550
2015	220,000	60,562	-	-	220,000	60,562
2016	-	-	75,000	212,262	75,000	212,262
2017	230,000	53,237	-	-	230,000	53,237
2018	235,000	45,100	-	-	235,000	45,100
2019-2022	1,040,000	84,894	-	-	1,040,000	84,894
Total	\$1,940,000	\$310,343	\$75,000	\$212,262	\$2,015,000	\$522,605

**SOUTHERN LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 15 - Long-Term Debt (Continued)

School Facilities Improvement Bonds – On November 16, 2010, the School District issued serial bonds, capital appreciation bonds, recovery zone economic development bonds, and qualified school construction bonds for the purpose of constructing school facilities (in particular a new high school) under the Ohio School Facilities Commission Classroom Facilities Assistance Program; renovating, improving, and constructing additions to existing school facilities, including improvements to school technology; furnishing and equipping the same and landscaping and improving the sites thereof. The bonds will be repaid from the Bond Retirement Debt Service Fund from a levy approved by the voters of the School District at an election held on August 3, 2010.

As part of the issue, \$1,820,000 in Recovery Zone Economic Development Bonds (RZEDs) (Series 2010B Current Interest Term Bonds) and \$2,000,000 in Qualified School Construction Bonds (QSCBs) (Series 2010C Current Interest Term Bonds) were issued in accordance with the American Recovery and Reinvestment Act of 2009 (ARRA). The School District has elected to treat the Series 2010B Bonds as “build America bonds” under Section 54AA(d) of the Code and has designated them as “recovery zone economic developments bonds” under Section 1400U-2(b) of the Code in order to receive the Series 2010B Direct Payments from the Treasury. The School District has designated the Series 2010C Bonds as Qualified School Construction Bonds under Section 54F of the Code and has irrevocably elected under Section 643(f) of the Code to receive the Direct Payments from the Treasury. Holders of these bonds will not be entitled to receive any tax credits with respect thereto.

The principal (sinking fund deposits) and interest requirements to maturity for the RZEDs are as follows:

Recovery Zone Economic Development Bonds				
Fiscal Year Ending June 30,	Principal	Interest	Subsidy	Total
2014	\$-	\$129,220	\$(58,149)	\$71,071
2015	-	129,220	(58,149)	71,071
2016	-	129,220	(58,149)	71,071
2017	-	129,220	(58,149)	71,071
2018	-	129,220	(58,149)	71,071
2019 – 2023	-	646,100	(290,745)	355,355
2024 - 2028	-	646,100	(290,745)	355,355
2029 - 2033	535,000	590,542	(230,211)	895,331
2034 - 2038	1,130,000	264,830	(119,174)	1,275,656
2039	155,000	5,503	(2,476)	158,027
Total	\$1,820,000	\$2,799,175	(\$1,224,096)	\$3,375,079

The principal (sinking fund deposits) and interest requirements to maturity for the QSCBs are as follows:

**SOUTHERN LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 15 - Long-Term Debt (Continued)

Qualified School Construction Bonds				
Fiscal Year	Principal	Interest	Subsidy	Total
Ending June 30,				
2014	\$10,000	\$131,670	\$(110,922)	\$30,748
2015	15,000	130,845	(110,227)	35,618
2016	15,000	129,855	(109,393)	35,462
2017	15,000	128,865	(108,559)	35,306
2018	30,000	127,380	(107,308)	50,072
2019 – 2023	700,000	519,750	(437,850)	781,900
2024 - 2028	840,000	265,980	(224,068)	881,912
2029 - 2030	375,000	24,915	(20,989)	378,926
Total	\$2,000,000	\$1,459,260	(\$1,229,316)	\$2,229,944

The Series 2010B Current Interest Term Bonds maturing on December 1, 2038, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year (December 1)	Principal Amount to be Redeemed
2030	\$170,000
2031	175,000
2032	190,000
2033	200,000
2034	210,000
2035	230,000
2036	240,000
2037	250,000

The remaining principal amount of \$155,000 will be paid at stated maturity on December 1, 2038.

The Series 2010C Current Interest Term Bonds maturing on December 1, 2029, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

**SOUTHERN LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 15 - Long-Term Debt (Continued)

Year (December 1)	Principal Amount to be Redeemed
2013	\$10,000
2014	15,000
2015	15,000
2016	15,000
2017	30,000
2018	130,000
2019	135,000
2020	140,000
2021	145,000
2022	150,000
2023	160,000
2024	160,000
2025	165,000
2026	175,000
2027	180,000
2028	185,000

The remaining principal amount of \$190,000 will be paid at stated maturity on December 1, 2029.

The Current Interest Bonds maturing after December 1, 2020, are subject to redemption at the option of the School District, either in whole or in part, in such order of maturity as the School District shall determine, on any date on or after December 1, 2020, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

As part of the ARRA act of 2009, issuers of these bonds are eligible to receive direct payments from the federal government which offset interest payments on the bonds. As an alternate, bonds may be issued as tax credit bonds under which bond holders receive federal tax credits in lieu of interest as a means to significantly reduce the issuer's interest cost. The School District, under agreement with the federal government, has chosen to receive a forty-five percent semi-annual direct payment from the federal government to help offset interest expense on the Recovery Zone Economic Development Bonds. Direct payments for the Qualified School Construction Bonds are equal to the applicable credit rate (5.56%) determined under Section 54A (b)(3) of the Code.

The bonds are subject to extraordinary optional redemption at the option of the School District, either in whole or in part, in such order of maturity as the School District shall determine on any date at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date fixed for redemption, in the event that the direct payments from the federal government cease or are in an amount less than 45 percent of the corresponding interest payable on the Series 2010B Bonds.

To the extent that less than 100% of the available project proceeds of the Series 2010C Bonds are expended for qualified purposes by November 30, 2013, (or if an extension of such expenditure period has been received by the School District from the Secretary of the Treasury or the IRS, by the close of the extended period), the School District shall be required to redeem the nonqualified Series 2010C Bonds within 90 days after the end of such period. Redemption of the nonqualified Series 2010C Bonds shall be at a price equal to the sum of the principal amount being redeemed plus accrued interest thereon to the redemption date.

**SOUTHERN LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 15 - Long-Term Debt (Continued)

Also as part of the total bond issuance, \$5,000 in current interest, tax-exempt serial bonds and \$124,996 in capital appreciation bonds were issued. These bonds were retired during the fiscal year.

The capital appreciation bonds for this issue mature December 1, 2013, 2014, 2015, 2016, and 2017. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$525,000. The 2012 accretion was \$22,499 leaving a total bond liability of \$192,493.

Principal and interest requirements to maturity for the capital appreciation bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$42,005	\$62,995	\$105,000
2015	30,959	74,041	105,000
2016	22,819	82,181	105,000
2017	16,818	88,182	105,000
2018	12,395	92,605	105,000
Totals	\$124,996	\$400,004	\$525,000

As part of the entire debt issuance, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program, and was assigned a long-term rating of AA from Standard & Poor's for the bond issuance. In the event the School District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the department of education will make the sufficient payment.

On June 14, 2013, the School District obtained a commercial loan for \$123,003 from Home National Bank for the purpose of providing computers to the School District. The loan will mature on June 14, 2015 and has an interest rate of 2.25%. The loan is being retired through the General Fund.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 16 - Set-Aside Calculations

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for capital acquisition. Disclosure of this information is required by State statute.

	Capital Improvements Reserve
Set-aside Cash Balance as of June 30, 2012	\$-
Prior Offsets Not Recorded	-
Current Year Set-aside Requirement	120,641
Offsetting Credits	-
Qualifying Disbursements	(312,784)
Totals	(192,143)
Set-aside Balance Carried Forward to Future Fiscal Years	\$-

Note 17 - Contractual Commitments

As of June 30, 2013, the School District had contractual purchase commitments for construction services relating to the Ohio School Facilities Project. The contract amount for these services is as follows:

Contractor	Contract Amount	Amount Expended	Amount Remaining
SHP Leading Design	\$738,280	\$678,754	\$59,526
Four Seasons	30,413	19,900	10,513
Hill International	599,463	424,289	175,174
Eclipse	742,508	725,631	16,877
Kinsale	10,725,947	7,111,519	3,614,428
Tom Sexton	113,253	-	113,253
Continental	82,644	-	82,644
LEPI	80,498	72,333	8,165
	\$13,113,006	\$9,032,426	\$4,080,580

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 18 - 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 28 participants consisting of school districts in eight southeastern Ohio counties. 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 2013, the School District paid \$34,648 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 134 school districts and other educational institutions in the 35-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 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition 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 Coalition. The School District's membership fee was \$355 for fiscal year 2013. The financial information for the Coalition of Rural and Appalachian Schools can be obtained from the Executive Director at McCracken Hall, Ohio University, Athens, Ohio 45701.

Note 19 - Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

Note 20 - Claims Servicing Pool

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Self- Insurance Plan, a claims servicing pool composed of fifty members. The Plan's business and affairs are conducted by a nine member Board of Directors elected by the OME-RESA's assembly. The member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk. The Plan acts solely as the claims servicing agent.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 21 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

B. Litigation

The School District is currently not a party to any material legal proceedings.

C. School/Community School Contingency

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

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2013, if applicable, cannot be determined at this time.

Note 22 - Change in Accounting Principle

For 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

Note 22 - Change in Accounting Principle (Continued)

GASB Statement No. 63 provides financial and reporting guidance for deferred outflows of resources and deferred inflows of resources which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources. There was no effect on the beginning net position and/or fund balances.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. See Note 23 for effect on beginning net position.

Note 23 - Restatement

Certain accruals recorded as of June 30, 2012 required restatement. Due to the implementation of GASB Statement No. 65 in fiscal year 2013, deferred charges recorded as an asset on the June 30, 2012 Statement of Net Position should be expensed in the year incurred. The correction of this accrual had the following effect:

	Governmental Activities
Net Position, As Reported, 6/30/2012	\$15,495,630
Elimination of Deferred Charges	<u>(98,246)</u>
Net Position, As Restated, 6/30/2012	<u>\$15,397,384</u>

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor / Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through The Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Breakfast Program	2013	10.553	\$ 92,152	\$ 92,152
National School Lunch Program	2013	10.555	169,308	169,308
Cash Assistance			261,460	261,460
Non-Cash Assistance (Food Distribution)	2013	10.555	18,667	18,667
Total Child Nutrition Cluster			<u>280,127</u>	<u>280,127</u>
Total U.S. Department of Agriculture			<u>280,127</u>	<u>280,127</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Direct from the Federal Government:</i>				
Elementary and Secondary School Counseling Program	N/A	84.215E	115,010	115,010
<i>Passed Through The Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013	84.010	237,257	254,277
Special Education Grants to States	2013	84.027	154,013	159,034
Twenty-First Century Community Learning Centers	2013	84.287	193,009	196,373
Rural Education	2013	84.358	14,344	15,542
Improving Teacher Quality State Grants	2013	84.367	59,215	61,200
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	2013	84.395	37,694	40,753
Education Jobs Fund	2013	84.410	-	11,378
Total – U.S. Department of Education			<u>810,542</u>	<u>853,567</u>
Total Federal Financial Assistance			<u>\$ 1,090,669</u>	<u>\$ 1,133,694</u>

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

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Note A – Significant Accounting Policies

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Southern Local School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

Note B – Child Nutrition Cluster

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

Note C – Food Donation

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

Perry & Associates
Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

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

January 17, 2014

Southern Local School District
Meigs County
106 Broadway Street, Suite 1
Racine, OH 45771

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **Southern Local School District**, (the School District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 17, 2014, wherein we noted the School District has adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

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Certified Public Accountants, A.C.

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ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

January 17, 2014

Southern Local School District
Meigs County
106 Broadway Street, Suite 1
Racine, OH 45771

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the **Southern Local School District's** (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Southern Local School District's major federal programs for the year ended June 30, 2013. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Southern Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster: CFDA #'s 10.553 & 10.555 Title I Grants to Local Educational Agencies: CFDA # 84.010 Special Education-Grants to States: CFDA # 84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Material Weakness for Audit Adjustments	Yes	

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(740) 695-1569
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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

January 17, 2014

Southern Local School District
Meigs County
106 Broadway Street, Suite 1
Racine, OH 45771

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on October 22, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio



Dave Yost • 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
APRIL 15, 2014**