



OHIO AUDITOR OF STATE
KEITH FABER



**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY
JUNE 30, 2025**

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SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY
JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

Southern Local School District
Perry County
10390 State Route 155 SE
Corning, Ohio 43730

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Local School District, Perry County, Ohio (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2025, and the respective changes in cash-basis financial position thereof and the respective budgetary comparison for the General and ESSER Funds for the year then ended in accordance with the cash-basis of accounting described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash-basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash-basis of accounting described in Note 2, and for determining that the cash-basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements.

The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures 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 as a whole.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the Management's Discussion & Analysis but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2026, on our consideration of the 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

May 18, 2026

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Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

The discussion and analysis of Southern Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2025, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

HIGHLIGHTS

Key financial highlights for the fiscal year 2025 are as follows:

- Net position of governmental activities decreased \$1,429,383.
- General cash receipts accounted for \$10,392,517 or 66% of all cash receipts. Program cash receipts in the form of charges for services and sales, grants, and contributions, accounted for \$5,362,212 or 34% of total cash receipts of \$15,754,729.
- The District had \$17,184,112 in cash disbursements related to governmental activities; only \$5,362,212 of these cash disbursements were offset by program specific charges for services and sales, grants, and contributions.

USING THE BASIC FINANCIAL STATEMENTS

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

REPORT COMPONENTS

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

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

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

BASIS OF ACCOUNTING

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

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

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities reflect how the District did financially during 2025, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances and investments of the governmental activities of the District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general Fund, the ESSER special revenue fund, and the school facilities project capital projects fund.

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

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

Fiduciary Funds 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 custodial funds. The District has private purpose trust funds used to account for college scholarships for graduated students.

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2025 compared to 2024.

Table 1
Net Position

	Governmental Activities	
	2025	2024
Assets		
Equity in Pooled Cash and Cash Equivalents	\$7,875,149	\$9,304,532
Total Assets	<u>7,875,149</u>	<u>9,304,532</u>
Net Position		
Restricted	710,387	3,113,087
Unrestricted	<u>7,164,762</u>	<u>6,191,445</u>
Total Net Position	<u>\$7,875,149</u>	<u>\$9,304,532</u>

Total assets of the District decreased in the amount of \$1,429,383. This decrease is due to cash disbursements exceeding cash receipts, which will be further discussed under Table 2 on the following page.

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Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

Table 2 shows the changes in net position for the fiscal year ended June 30, 2025, as compared to 2024.

Table 2
Changes in Net Position

	Governmental Activities	
	2025	2024
Cash Receipts		
Program Cash Receipts		
Charges for Services and Sales	\$266,163	\$208,682
Operating Grants and Contributions	5,096,049	3,105,145
Total Program Cash Receipts	5,362,212	3,313,827
General Cash Receipts		
Property Taxes	1,661,303	1,553,793
Grants and Entitlements, Not Restricted	8,099,651	8,409,115
Interest	272,129	266,812
Miscellaneous	359,434	266,185
Gifts and Donations, Not Restricted	0	3,495
Total General Cash Receipts	10,392,517	10,499,400
Total Cash Receipts	15,754,729	13,813,227
 Program Cash Disbursements		
Instruction:		
Regular	5,035,267	4,884,121
Special	3,438,582	2,277,509
Vocational	175,121	170,239
Support Services:		
Pupils	472,500	334,592
Instructional Staff	336,324	235,295
Board of Education	170,422	89,436
Administration	1,118,417	1,130,986
Fiscal	359,235	333,263
Operation and Maintenance of Plant	2,843,344	1,436,572
Pupil Transportation	586,498	645,898
Central	157,978	162,029
Operation of Noninstructional Services	573,217	534,360
Extracurricular Activities	373,865	315,192
Capital Outlay	1,300,289	0
Principal	203,935	260,752
Interest	39,118	51,255
Total Cash Disbursements	17,184,112	12,861,499
 Changes in Net Position	(1,429,383)	951,728
Net Position, Beginning of Year	9,304,532	8,352,804
Net Position, End of Year	\$7,875,149	\$9,304,532

Cash receipts increased \$1,941,502. The increase is primarily due to increases in operating grants and contributions and property taxes, which were partially offset by a decrease in grants and entitlements, not restricted.

Cash disbursements increased \$4,322,613 which was mainly due to an increase in special instruction, operation and maintenance of plant, and capital outlay.

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

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

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2025	2025	2024	2024
Program Cash Disbursements				
Instruction:				
Regular	\$5,035,267	\$4,802,932	\$4,884,121	\$4,371,435
Special	3,438,582	1,823,517	2,277,509	1,039,094
Vocational	175,121	128,749	170,239	112,009
Support Services:				
Pupils	472,500	8,430	334,592	173,438
Instructional Staff	336,324	48,701	235,295	97,577
Board of Education	170,422	168,005	89,436	88,187
Administration	1,118,417	860,537	1,130,986	946,263
Fiscal	359,235	354,155	333,263	328,683
Operation and Maintenance of Plant	2,843,344	1,070,696	1,436,572	1,070,546
Pupil Transportation	586,498	546,799	645,898	620,466
Central	157,978	155,738	162,029	159,808
Operation of Noninstructional Services	573,217	36,379	534,360	(79,150)
Extracurricular Activities	373,865	273,920	315,192	307,309
Capital Outlay	1,300,289	1,300,289	0	0
Debt Service:				
Principal	203,935	203,935	260,752	260,752
Interest	39,118	39,118	51,255	51,255
Total	<u>\$17,184,112</u>	<u>\$11,821,900</u>	<u>\$12,861,499</u>	<u>\$9,547,672</u>

THE DISTRICT FUNDS

The District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$16,937,225 and cash disbursements and other financing uses of \$18,365,668.

For the General Fund had the most significant change in fund balance with a decrease of \$969,426. This is due primarily to increases in regular and special instruction and transfers out. Overall receipts and other financing uses remained fairly stable with the prior year.

The School Facilities Project Fund had an increase in fund balance of \$456,894 due to transfers in exceeding principal and interest payments.

The ESSER Fund had an increase in fund balance of \$116,448 due to cash receipts exceeding cash disbursements.

General Fund Budgeting Highlights

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

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

During 2024, there were revisions to the General Fund budget. The final budget cash receipts of \$11,088,563 decreased \$17,932 from original budgeted cash receipts. Actual cash receipts of \$11,717,809 were \$629,246 more than the final estimate due to property tax and intergovernmental revenue.

Final budget cash disbursements of \$17,243,920 increased \$2,822,000 from original budgeted cash disbursements due to an increase in regular and special instruction and transfers out. Actual cash disbursements of \$13,111,387 were \$4,132,533 less than the final estimate due to the District's a decrease in actual transfers out. The general fund's ending unobligated cash balance was \$4,791,116.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The District had \$1,300,289 in capital outlay disbursements during 2025.

Debt

Under the cash basis of accounting the District does not report long term obligations in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds and financed purchases. At June 30, 2025 the District had \$1,060,000 in long term obligations outstanding. For additional information regarding long term obligations, please see Note 6 to the basic financial statements.

Table 4 summarizes long term obligations outstanding for Governmental Activities for the past two years:

Table 4
Outstanding Long Term Obligations at June 30
Governmental Activities

	2025	2024
Financed Purchases	\$1,060,000	\$1,215,000
Energy Conservation Improvement Notes	0	48,935
Totals	<u>\$1,060,000</u>	<u>\$1,263,935</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Southern Local School District
Statement of Net Position - Cash Basis
As of June 30, 2025

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$7,875,149
<i>Total Assets</i>	7,875,149
Net Position	
Restricted for Debt Service	307,093
Restricted for Other Purposes	388,252
Restricted for Unclaimed Monies	15,042
Unrestricted	7,164,762
<i>Total Net Position</i>	\$7,875,149

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

Southern Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2025

	Cash	Program Receipts		Net (Disbursements)
	Disbursements	Charges for	Operating Grants, Contributions, and Interest	Receipts and Changes in Net Position
		Services and Sales		
Governmental Activities				
Instruction:				
Regular	\$5,035,267	\$69,589	\$162,746	(\$4,802,932)
Special	3,438,582	38,555	1,576,510	(1,823,517)
Vocational	175,121	2,483	43,889	(128,749)
Support Services:				
Pupils	472,500	4,563	459,507	(8,430)
Instructional Staff	336,324	109	287,514	(48,701)
Board of Education	170,422	2,417	0	(168,005)
Administration	1,118,417	11,433	246,447	(860,537)
Fiscal	359,235	5,080	0	(354,155)
Operation and Maintenance of Plant	2,843,344	16,021	1,756,627	(1,070,696)
Pupil Transportation	586,498	7,873	31,826	(546,799)
Central	157,978	2,240	0	(155,738)
Operation of Noninstructional Services	573,217	12,927	523,911	(36,379)
Extracurricular Activities	373,865	92,873	7,072	(273,920)
Capital Outlay	1,300,289	0	0	(1,300,289)
Debt Service:				
Principal	203,935	0	0	(203,935)
Interest	39,118	0	0	(39,118)
<i>Total Governmental Activities</i>	<u>\$17,184,112</u>	<u>\$266,163</u>	<u>\$5,096,049</u>	<u>(11,821,900)</u>

General Cash Receipts

Property Taxes Levied for:	
General Purposes	1,623,480
Debt Service	37,823
Grants and Entitlements,	
Not Restricted for Specific Programs	8,099,651
Interest	272,129
Miscellaneous	359,434
<i>Total General Cash Receipts</i>	<u>10,392,517</u>
<i>Change in Net Position</i>	<u>(1,429,383)</u>
<i>Net Position Beginning of Year</i>	<u>9,304,532</u>
<i>Net Position End of Year</i>	<u>\$7,875,149</u>

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

Southern Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
As of June 30, 2025

	General	School Facilities Project	(formerly nonmajor) ESSER	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$5,245,921	\$1,822,080	\$0	\$671,980	\$7,739,981
Restricted Cash and Cash Equivalents	15,042	0	0	0	15,042
<i>Total Assets</i>	<u>\$5,260,963</u>	<u>\$1,822,080</u>	<u>\$0</u>	<u>\$671,980</u>	<u>\$7,755,023</u>
Fund Balances					
Nonspendable	\$15,042	\$0	\$0	\$0	\$15,042
Restricted	0	0	0	695,345	695,345
Committed	342,000	1,822,080	0	175,145	2,339,225
Assigned	4,843,342	0	0	0	4,843,342
Unassigned (Deficit)	60,579	0	0	(198,510)	(137,931)
<i>Total Fund Balances</i>	<u>\$5,260,963</u>	<u>\$1,822,080</u>	<u>\$0</u>	<u>\$671,980</u>	<u>\$7,755,023</u>

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

Southern Local School District
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities - Cash Basis
As of June 30, 2025*

Total Governmental Fund Balances	\$7,755,023
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Amounts reported for governmental activities in the statement of net position are difference because:

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal service fund are included in governmental activities in the statement of net position.

	<u>120,126</u>
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Net Position of Governmental Activities	<u><u>\$7,875,149</u></u>
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The notes to the basic financial statements are an integral part of this statement.

Southern Local School District
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2025

	General	School Facilities Project	(formerly nonmajor) ESSER	(formerly major) Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Cash Receipts						
Property Taxes	\$1,623,480	\$0	\$0	\$0	\$37,823	\$1,661,303
Intergovernmental	9,366,595	0	1,919,351	0	1,904,286	13,190,232
Interest	272,129	0	0	0	0	272,129
Tuition and Fees	162,761	0	0	0	0	162,761
Extracurricular Activities	5,508	0	0	0	84,967	90,475
Gifts and Donations	2,371	0	0	0	3,097	5,468
Customer Sales and Services	0	0	0	0	12,927	12,927
Miscellaneous	282,557	0	0	0	76,877	359,434
<i>Total Cash Receipts</i>	<i>11,715,401</i>	<i>0</i>	<i>1,919,351</i>	<i>0</i>	<i>2,119,977</i>	<i>15,754,729</i>
Cash Disbursements						
Current:						
Instruction:						
Regular	4,884,653	0	144,151	0	5,523	5,034,327
Special	2,718,775	0	0	0	719,807	3,438,582
Vocational	175,121	0	0	0	0	175,121
Support Services:						
Pupils	321,795	0	12,594	0	138,111	472,500
Instructional Staff	7,704	0	4,940	0	323,680	336,324
Board of Education	170,422	0	0	0	0	170,422
Administration	806,235	0	0	0	312,182	1,118,417
Fiscal	358,220	0	0	0	1,015	359,235
Operation and Maintenance of Plant	1,129,784	0	1,641,178	0	72,382	2,843,344
Pupil Transportation	555,198	0	0	0	31,300	586,498
Central	157,978	0	0	0	0	157,978
Operation of Noninstructional Services	0	0	0	0	573,217	573,217
Extracurricular Activities	193,241	0	0	0	180,624	373,865
Capital Outlay	0	0	0	0	1,300,289	1,300,289
Debt Service:						
Principal	48,935	155,000	0	0	0	203,935
Interest	1,012	38,106	0	0	0	39,118
<i>Total Cash Disbursements</i>	<i>11,529,073</i>	<i>193,106</i>	<i>1,802,863</i>	<i>0</i>	<i>3,658,130</i>	<i>17,183,172</i>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<i>186,328</i>	<i>(193,106)</i>	<i>116,488</i>	<i>0</i>	<i>(1,538,153)</i>	<i>(1,428,443)</i>
Other Financing Sources (Uses)						
Transfers In	13,371	650,000	0	0	519,125	1,182,496
Transfers Out	(1,169,125)	0	0	0	(13,371)	(1,182,496)
<i>Total Other Financing Sources (Uses)</i>	<i>(1,155,754)</i>	<i>650,000</i>	<i>0</i>	<i>0</i>	<i>505,754</i>	<i>0</i>
<i>Net Change in Fund Balances</i>	<i>(969,426)</i>	<i>456,894</i>	<i>116,488</i>	<i>0</i>	<i>(1,032,399)</i>	<i>(1,428,443)</i>
<i>Fund Balance Beginning of Year, As Previously Reported</i>	<i>6,230,389</i>	<i>1,365,186</i>	<i>0</i>	<i>1,004,396</i>	<i>583,495</i>	<i>9,183,466</i>
<i>Adjustments for Changes in Major Funds</i>	<i>0</i>	<i>0</i>	<i>(116,488)</i>	<i>(1,004,396)</i>	<i>1,120,884</i>	<i>0</i>
<i>Fund Balance Beginning of Year, As Adjusted</i>	<i>6,230,389</i>	<i>1,365,186</i>	<i>(116,488)</i>	<i>0</i>	<i>1,704,379</i>	<i>9,183,466</i>
<i>Fund Balance End of Year</i>	<i>\$5,260,963</i>	<i>\$1,822,080</i>	<i>\$0</i>	<i>\$0</i>	<i>\$671,980</i>	<i>\$7,755,023</i>

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

Southern Local School District
*Reconciliation of the Statement of Receipts, Disbursements and Changes
in Fund Balances of Governmental Funds to the Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2025*

Net Change in Fund Balances - Total Governmental Funds	(\$1,428,443)
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Amounts reported for governmental activities in the statement of activities are different because:

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund disbursements and the related internal service fund receipts are eliminated. The net receipt (disbursement) of the internal service fund is allocated among the governmental activities.

	(940)
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Net Change in Net Position of Governmental Activities	(\$1,429,383)
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The notes to the basic financial statements are an integral part of this statement.

Southern Local School District
*Statement of Receipts, Disbursements and Change
in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2025*

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
Total Receipts and Other Financing Sources	\$11,106,495	\$11,088,563	\$11,717,809	\$629,246
Total Disbursements and Other Financing Uses	14,421,920	17,243,920	13,111,387	4,132,533
<i>Net Change in Fund Balance</i>	(3,315,425)	(6,155,357)	(1,393,578)	4,761,779
<i>Fund Balance Beginning of Year</i>	5,931,928	5,931,928	5,931,928	0
<i>Prior Year Encumbrances Appropriated</i>	252,766	252,766	252,766	0
<i>Fund Balance End of Year</i>	<u>\$2,869,269</u>	<u>\$29,337</u>	<u>\$4,791,116</u>	<u>\$4,761,779</u>

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

Southern Local School District
*Statement of Receipts, Disbursements and Change
in Fund Balance - Budget and Actual - Budget Basis
ESSER Fund
For the Fiscal Year Ended June 30, 2025*

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
Total Receipts and Other Financing Sources	\$1,925,055	\$1,925,055	\$1,919,351	(\$5,704)
Total Disbursements and Other Financing Uses	1,808,570	1,808,570	1,802,866	5,704
<i>Net Change in Fund Balance</i>	116,485	116,485	116,485	0
<i>Fund Balance Beginning of Year</i>	(396,304)	(396,304)	(396,304)	0
<i>Prior Year Encumbrances Appropriated</i>	279,819	279,819	279,819	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

Southern Local School District
Statement of Fund Net Position - Cash Basis
Proprietary Fund
As of June 30, 2025

	Governmental Activities- Internal Service
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$120,126</u>
<i>Total Assets</i>	120,126
Net Position	
Unrestricted	<u>120,126</u>
<i>Total Net Position</i>	<u><u>\$120,126</u></u>

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

Southern Local School District
Statement of Receipts, Disbursements and Change in Fund Net Position - Cash Basis
Proprietary Fund
For the Fiscal Year Ended June 30, 2025

	Governmental Activities- Internal Service
Operating Cash Receipts	
Charges for Services	\$7,287
<i>Total Operating Cash Receipts</i>	7,287
Operating Cash Disbursements	
Claims	6,868
Purchased Services	1,359
<i>Total Operating Cash Disbursements</i>	8,227
<i>Change in Net Position</i>	(940)
<i>Net Position Beginning of Year</i>	121,066
<i>Net Position End of Year</i>	\$120,126

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

Southern Local School District
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
As of June 30, 2025

	Private Purpose Trust
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$16,432</u>
<i>Total Assets</i>	16,432
Net Position	
Restricted for Scholarships	<u>16,432</u>
<i>Total Net Position</i>	<u><u>\$16,432</u></u>

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

Southern Local School District
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2025

	Private Purpose Trust
Additions	
Gifts and Donations	\$3,500
<i>Total Additions</i>	3,500
 Deductions	
Payments in Accordance with Trust Agreements	7,018
<i>Total Deductions</i>	7,018
<i>Change in Net Position</i>	(3,518)
 <i>Net Position Beginning of Year</i>	19,950
<i>Net Position End of Year</i>	\$16,432

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

Note 1 – Description of the District and Reporting Entity

Description of the Entity

The Southern Local School District, Perry County (the District), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Ohio Revised Code Section 3311.03. The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District. Average daily membership (ADM) was 557. The District employed 73 certificated employees/administrators and 31 non-certificated employees/administrators.

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

Primary Government

The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities.

Component Units

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

Jointly Governed Organizations and Insurance Purchasing Pools

The District is associated with the Metropolitan Educational Technology Association (META) Solutions and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations, the Ohio SchoolComp Workers' Compensation Group Rating Program, an insurance purchasing pool, and the State of Ohio Cooperative Purchasing Program, a cooperative purchasing pool. The organizations are presented in Notes 10 and 11, respectively.

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

- Tri-County Career Center
- Athens-Meigs Educational Service Center

Note 2 – Summary of Significant Accounting Policies

As discussed further in the basis of accounting section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements.

The statement of net position presents the cash balance of the governmental activities of the District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into two categories: governmental and proprietary.

Governmental Funds

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

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

School Facilities Project Fund - This fund accounts for the receipts and expenditures for one or more capital projects.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Elementary and Secondary School Emergency Relief (ESSER) Fund – The ESSER fund is a special revenue fund used to account for emergency relief grants to school districts related to the COVID-19 pandemic. Restrictions include, but are not limited to, providing for coordination of preparedness and response efforts, training and professional development of staff, planning and coordination during long-term closure, and purchasing technology for students.

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

Proprietary Fund

The District classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds. The District has no enterprise funds and one internal service fund.

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

Fiduciary Funds

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 custodial funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and therefore not available to support the District's own programs. The District only reports private purpose trust funds which are used to account for college scholarships for graduated students.

Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of 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 amount the Board of Education may appropriate.

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward 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.

Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of the total of fund cash balances of all funds as of June 30, 2025. Individual fund balance integrity is maintained through the District's records. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All interest receipts are reported in the General Fund except those specifically related to those funds deemed appropriate according to School Board policy. For fiscal year 2025, interest receipts amounted to \$272,129 which was recorded in the General Fund.

Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the District are reported as restricted.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Accumulated Leave

For fiscal year 2025, GASB Statement No. 101, "Compensated Absences", was effective. GASB 101 defines a compensated absence as leave for which employees may receive cash payments when the leave is used for time off or receive cash payments for unused leave upon termination of employment. These payments could occur during employment or upon termination of employment. Compensated absences generally do not have a set payment schedule. The District does not offer noncash settlements.

District employees earn sick and vacation time that can be used for time off. In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave.

This GASB pronouncement had no effect on beginning net position/fund balance as unpaid leave is not reflected as a liability under the District's cash basis of accounting.

Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in notes 8 and 9, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Long-Term Obligations

The District's cash basis financial statements do not report liabilities for notes and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset (including the intangible right to use) when entering into a subscription-based information technology agreement (SBITA) or financed purchase transaction is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. SBITA payments and financed purchase payments are reported when paid.

SBITAs

The District has entered into noncancelable SBITA contracts (as defined by GASB 96) for several types of software including contracts related to financial systems, scheduling, grading systems and various other software. Subscription liabilities are not reflected under the District's cash basis of accounting. Subscription disbursements are recognized when they are paid.

Net Position

Net cash position represents the cash assets held by the District at year end. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted for Other Purposes is comprised of net position restricted for state and federal programs. The District applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net position is available. As of June 30, 2025, none of the District's restricted net position was restricted by enabling legislation.

Fund Balance

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

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the District Board of Education or a School District official delegated by that authority by resolution or by State statute. State statute authorizes the School District's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Interfund Transactions

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

Flows of cash from one fund to another with a requirement for repayment are reported as advances in and out. Advances between governmental activities are eliminated in the statement of activities. The District had no advances during the fiscal year.

Pensions and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension liability and the net OPEB liability (asset), information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value. Under the District's current basis of accounting, no assets, liabilities, deferred outflows of resources or deferred inflows of resources for these items are recorded in the accompanying financial statements.

Note 3 – Deposits and Investments

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

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

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

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time 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. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

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

Deposits

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

The District held no investments at June 30, 2025.

Note 4 – Budgetary Basis Fund Balances

The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statements of receipts, disbursements and changes in fund balance – budget and actual – budget basis for the general and ESSER funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The following table summarizes the adjustments necessary to reconcile the cash basis and the budgetary basis statements for the general and ESSER funds.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Net Change in Fund Balance

	General	ESSER
Cash Basis (as Reported)	(\$969,426)	\$116,488
Perspective Difference:		
Activity of Funds Reclassified		
for Cash Reporting Purposes	(333,088)	0
Encumbrances	(91,064)	(3)
Budget Basis	<u>(\$1,393,578)</u>	<u>\$116,485</u>

As a part of generally accepted accounting principles, certain funds that are legally budgeted as special revenue funds are considered part of the general fund on a cash basis. This includes the public school support, uniform school supplies, unclaimed monies, and severance funds. These funds were excluded from the budgetary presentation for the general fund.

Note 5 – Property Taxes

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 District. Real property tax receipts received in calendar year 2025 represent collection of calendar year 2024 taxes. Real property taxes received in calendar year 2025 were levied after April 1, 2024, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2025 represent collection of calendar year 2024 taxes. Public utility real and tangible personal property taxes received in calendar year 2025 became a lien on December 31, 2023, were levied after April 1, 2024, and are collected in 2025 with real property taxes. Public utility real property is assessed at thirty-five percent of true value. Public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Perry County and Hocking County. The County Auditors periodically advance to District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2025 are available to finance fiscal year 2025 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2025 taxes were collected are:

	2024 Second-Half Collections		2025 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$71,258,360	81.75%	\$71,667,570	82.45%
Public Utility	15,908,630	18.25%	15,250,190	17.55%
Total Assessed Value	<u>\$87,166,990</u>	<u>100.00%</u>	<u>\$86,917,760</u>	<u>100.00%</u>
 Tax Rate per \$1,000 of Assessed Valuation	 \$26.10		 \$26.10	

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 6 – Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2025 were as follows:

	Amount Outstanding 7/1/24*	Additions	Deductions	Amount Outstanding 6/30/25	Amounts Due in One Year
2010 Energy Conservation Improvement Notes, 4.5% - 5.5%	\$48,935	\$0	(\$48,935)	\$0	\$0
<i>Total Notes</i>	48,935	0	(48,935)	0	0
Financed Purchases, 3.35%	1,215,000	0	(155,000)	1,060,000	165,000
<i>Total Governmental Long-Term Liabilities</i>	\$1,263,935	\$0	(\$203,935)	\$1,060,000	\$165,000

* The beginning balance was restated to correct the prior year balance.

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

The School District entered into a financed purchase agreement in the amount of \$2,300,000 in May 2016 for the purpose of constructing, enlarging, improving, furnishing and equipping of school facilities. The financed purchase agreement was evaluated in accordance with GASB Statement No. 87 and is being classified as a financed purchase. Payments are made from the School Facilities Project fund.

Principal and interest requirements to retire the financed purchase agreement at June 30, 2025, are as follows:

Fiscal Year Ending June 30,	Financed Purchases	
	Principal	Interest
2026	\$165,000	\$32,746
2027	165,000	27,219
2028	175,000	21,524
2029	180,000	15,578
2030	185,000	9,464
2031	190,000	3,183
Total	\$1,060,000	\$109,714

The District's overall legal debt margin was \$8,129,691 with an unvoted debt margin of \$86,918 at June 30, 2025.

Note 7 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the year ended June 30, 2025, the District contracted with the Employers Mutual Casualty Company for property insurance and boiler and machinery coverage. Buildings and contents are 100 percent coinsured.

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

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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

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

A comparison of Self Insurance Fund Equity in Pooled Cash and Cash Equivalents to the estimated or actuarially measured liability follows (most recent available):

	2025	2024
Equity in Pooled Cash and Cash Equivalents	\$120,126	\$121,066
Estimated claims liabilities	Not available	1,022

Note 8 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension/OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) represent the District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients.

The net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the modified cash basis framework.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, 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, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2024.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and 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, 2025, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2025, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District’s contractually required contribution to SERS was \$218,438 for fiscal year 2025.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website 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. Benefits are established by Ohio Revised Code Chapter 3307.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. The calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of credited service. Effective August 1, 2023, any member can retire with unreduced benefits with 34 years of services credit at any age; or five years of service credit and age 65. Effective June 1, 2025 - July 1, 2027, any member can retire with unreduced benefits with 33 years of service credit at any age; or five years of service credit and age 65. Effective on or after August 1, 2027, any member can retire with unreduced benefits with 34 years of service credit at any age; or five years of service credit and age 65.

In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Effective July 1, 2023, a permanent 1 percent COLA of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits effective August 1, 2023, can retire with 29 years of service credit at any age; or five years of service credit and age 60. Effective June 1, 2025 - July 1, 2027, retirement eligibility for reduced benefits is 28 years of service credit at any age; or five years of service credit and age 60. Effective on or after August 1, 2027, retirement eligibility for reduced benefits is 29 years of service credit at any age; or five years of service credit and age 60.

The DC Plan allows members to place all their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 2.91 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The 2025 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2025, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$685,847 for fiscal year 2025.

Southern Local School District
Notes to the Basic Financial Statements
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Net Pension Liability

The net pension liability (asset) was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.03440140%	0.03120363%	
Prior Measurement Date	0.03528250%	0.03228200%	
Change in Proportionate Share	<u>-0.00023620%</u>	<u>-0.00045083%</u>	
Proportionate Share of the Net Pension Liability (Asset)	\$1,759,837	\$6,004,083	\$7,741,096

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2137.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2024, are presented below:

Inflation	2.4 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010

Southern Local School District
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General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. ORC 3309.15 and the SERS Board-adopted Investment Policy govern investment activity. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. As of June 30, 2024:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (geometric)
Cash	3.00 %	0.97 %
US Equity	22.00	4.68
Non-US Equity Developed	12.00	4.96
Non-US Equity Emerging	6.00	5.66
Fixed Income/Global Bonds	18.00	2.38
Private Equity	14.00	7.10
Real Estate	13.00	3.64
Infrastructure	7.00	4.80
Private Debt/Private Credit	5.00	5.86
Total	<u>100.00 %</u>	

Discount Rate The total pension liability for 2024 was calculated using the discount rate of 7.00 percent. The discount rate determination did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 20-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate for fiscal year 2024 was 14 percent. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2024 was 9.31 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$2,692,307	\$1,759,837	\$974,747

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2024, actuarial valuation are presented below:

Inflation	2.50 percent
Salary increases	From 2.5 percent to 8.5 percent based on service
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2024, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Rate of Return **</u>
Domestic Equity	26.00%	6.90%
International Equity	22.00	7.70
Alternatives	19.00	9.10
Fixed Income	22.00	4.50
Real Estate	10.00	5.10
Liquidity Reserves	1.00	2.40
Total	<u>100.00%</u>	

* Final target weights reflected at October 1, 2022.

** 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.4 percent, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocation should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2024. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2024. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2024.

Southern Local School District
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For the Fiscal Year Ended June 30, 2025

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$9,685,637	\$6,004,083	\$2,890,120

Note 9 – Defined Benefit OPEB Plans

The net OPEB liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

See Note 8 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981, do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

The Health Care program is financed through a combination of employer contributions, recipient premiums, investment returns, and any funds received on behalf of SERS' participation in Medicare programs. The System's goal is to maintain a health care reserve account with a 20-year solvency period in order to ensure that fluctuations in the cost of health care do not cause an interruption in the program. However, during any period in which the 20-year solvency period is not achieved, the System shall manage the Health Care Fund on a pay-as-you-go basis.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2025, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2025, this amount was \$30,000. Statutes

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2025, the District's surcharge obligation was \$26,568.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$26,568 for fiscal year 2025.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Medicare Part D is a federal program to help cover the costs of prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS Ohio health care plans include creditable prescription drug coverage.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2025, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.03475170%	0.03120363%	
Prior Measurement Date	<u>0.03587860%</u>	<u>0.03228200%</u>	
Change in Proportionate Share	<u>-0.00112690%</u>	<u>-0.00107837%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$353,944	\$0	\$353,944
Net OPEB Asset	\$0	(\$591,873)	(\$591,873)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2024, are presented below:

	<u>June 30, 2024</u>
Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Fiduciary Net Position is Projected to be Depleted	2059
Municipal Bond Index Rate:	
Measurement Date	3.93 percent
Prior Measurement Date	3.86 percent
Single Equivalent Interest Rate,	
Measurement Date	4.88 percent
Prior Measurement Date	4.27 percent
Health Care Cost Trend Rate	
Medical Trend Assumption	
Measurement Date	7.00 to 4.40 percent
Prior Measurement Date	6.75 to 4.40 percent

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table. Mortality rates are projected using a fully generational projection with Scale MP-2020.

The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board on April 15, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data,

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. As of June 30, 2024:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (geometric)
Cash	3.00 %	0.97 %
US Equity	22.00	4.68
Non-US Equity Developed	12.00	4.96
Non-US Equity Emerging	6.00	5.66
Fixed Income/Global Bonds	18.00	2.38
Private Equity	14.00	7.10
Real Estate	13.00	3.64
Infrastructure	7.00	4.80
Private Debt/Private Credit	5.00	5.86
Total	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2024, was 4.88 percent. The discount rate used to measure total OPEB liability prior to June 30, 2024, was 4.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2059 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2023, and the June 30, 2024, total OPEB liability. The Municipal Bond Index Rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate was 3.93 percent at June 30, 2024, and 3.86 percent at June 30, 2023.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.88%) and higher (5.88%) than the current discount rate (4.88%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate.

	1% Decrease (3.88%)	Current Discount Rate (4.88%)	1% Increase (5.88%)
District's proportionate share of the net OPEB liability	\$471,972	\$353,944	\$260,155

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

	1% Decrease (6.00% decreasing to 3.40%)	Current Trend Rate (7.00% decreasing to 4.40%)	1% Increase (8.00% decreasing to 5.40%)
District's proportionate share of the net OPEB liability	\$239,253	\$353,944	\$504,697

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2024, actuarial valuation compared to the prior year are presented below:

	June 30, 2024	June 30, 2023
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by service from 2.5 percent to 8.5 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 3.94 percent ultimate	7.50 percent initial 4.14 percent ultimate
Medicare	-112.22 percent initial 3.94 percent ultimate	-10.94 percent initial 4.14 percent ultimate
Prescription Drug		
Pre-Medicare	8.00 percent initial 3.94 percent ultimate	-11.95 percent initial 4.14 percent ultimate
Medicare	-15.14 percent initial 3.94 percent ultimate	1.33 percent initial 4.14 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

Healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2024, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Rate of Return **</u>
Domestic Equity	26.00%	6.90%
International Equity	22.00	7.70
Alternatives	19.00	9.10
Fixed Income	22.00	4.50
Real Estate	10.00	5.10
Liquidity Reserves	1.00	2.40
Total	<u>100.00%</u>	

* Final target weights reflected at October 1, 2022.

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.4 percent, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2024. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2024.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2024, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
District's proportionate share of the net OPEB asset	(\$481,232)	(\$591,873)	(\$688,155)

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB asset	(\$694,659)	(\$591,873)	(\$468,260)

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 10 – Jointly Governed Organization

Metropolitan Educational Technology Association (META) Solutions

META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice president and six board members who represent the members of META. The board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The District paid META \$37,813 for services provided during the fiscal year. Financial information can be obtained from the Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

The Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization of 136 school districts in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of fifteen members. The Board members are composed of one superintendent from each County elected by the school districts within that County. The Coalition provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or a financial responsibility for the Coalition. The District paid membership fees totaling \$400 in 2025. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Note 11 – Purchasing Pools

Ohio SchoolComp Workers' Compensation Group Rating Program

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

State of Ohio Cooperative Purchasing Program

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

Note 12 – Set-Aside Requirements

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 information describes the change in the year end set-aside amounts for capital acquisition. Disclosure of this information is required by State Statute.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

	Capital Acquisition
Set-Aside Reserve Cash Balance as of June 30, 2024	\$0
Current Year Set-Aside Requirement	139,239
Current Year Qualifying Disbursements	(436,872)
Totals	(\$297,633)
Set-Aside Balances Carried Forward to Fiscal Year 2026	\$0
Set-Aside Reserve Cash Balance as of June 30, 2025	\$0

Although the School District had qualifying offsets and disbursements during the fiscal year that reduced the set-aside amount below zero for capital improvement set-aside, this amount may not be used to reduce the set-aside requirements of future fiscal years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

Note 13 - Contingencies

Grants

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. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2025, if applicable, cannot be determined at this time.

Litigation

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

School Foundation

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education and Workforce (DEW) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, DEW adjustments for fiscal year 2025 have been finalized. The impact of the FTE adjustments are not significant to the District.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 14- Interfund Activity

Interfund Transfers

Transfers made during the year ended June 30, 2025, were as follows:

	Transfers In	Transfers Out
<i>Major Funds</i>		
General	\$13,371	\$1,169,125
School Facilities Project	650,000	0
<i>Nonmajor Funds</i>		
District Managed Activities	8,625	12,614
Athletics	10,500	757
Permanent Improvement	500,000	0
Total Nonmajor Funds	519,125	13,371
<i>Total</i>	<u>\$1,182,496</u>	<u>\$1,182,496</u>

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds. The transfers from the Student Activities and Athletic funds to the General Fund were to close out unused monies in those funds.

Note 15 - Compliance

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

Note 16 – Significant Commitments

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance account is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General	\$92,444
Other Governmental Funds	<u>277,407</u>
Total Governmental Funds	<u>\$369,851</u>

Note 17 - Accountability

The following funds had deficit fund balances at June 30, 2025.

Early Childhood Education	\$7,477
Title IV, Part B 21 st Century	8,094
Title VI-B	79,805
Title I	79,726
Safe and Drug Free Schools	229
Title II-A/Title VI-R	7,511
Miscellaneous Federal Grants	15,668

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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

Note 18 – Fund Balances

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

	General	School Facilities Project	ESSER	Nonmajor Governmental Funds	Total Governmental Funds
<i>Nonspendable for</i>					
Unclaimed Monies	\$15,042	\$0	\$0	\$0	\$15,042
<i>Restricted for</i>					
Food Service Operations	0	\$0	\$0	\$305,729	\$305,729
Other Purposes	0	0	0	36,376	36,376
District/Student Managed Activities	0	0	0	46,147	46,147
Debt Service Payments	0	0	0	307,093	307,093
<i>Total Restricted</i>	0	0	0	695,345	695,345
<i>Committed to</i>					
Capital Projects	0	1,822,080	0	175,145	1,997,225
Severance Payments	342,000	0	0	0	342,000
<i>Total Committed</i>	342,000	1,822,080	0	175,145	2,339,225
<i>Assigned to</i>					
Uniform School Supplies	1,514	0	0	0	1,514
Public School Support	20,227	0	0	0	20,227
Future Fund Deficit	4,730,537	0	0	0	4,730,537
Other Purposes	91,064	0	0	0	91,064
<i>Total Assigned</i>	4,843,342	0	0	0	4,843,342
<i>Unassigned (Deficit)</i>	60,579	0	0	(198,510)	(137,931)
<i>Total Fund Balances</i>	<u>\$5,260,963</u>	<u>\$1,822,080</u>	<u>\$0</u>	<u>\$671,980</u>	<u>\$7,755,023</u>

Note 19 – New Accounting Pronouncements and Adjustments to Beginning Balances

New Accounting Pronouncement

For fiscal year 2025, the District implemented GASB Statement No. 102, “Certain Risk Disclosures,” but had no disclosures related to concentrations or constraints. This GASB pronouncement relates to note disclosure only and had no effect on beginning net position/fund balance.

Adjustments to Beginning Balances

For fiscal year 2025, the ESSER special revenue fund changed presentation from nonmajor to major, while the permanent improvement capital project fund was moved from major to nonmajor.

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**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

*Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025*

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Identifying Number	Federal Assistance Listing Number	Provided to Subrecipients	Total Federal Expenditures
<u>United States Department of Agriculture</u>				
<i>Passed through the Ohio Department of Education and Workforce</i>				
Child Nutrition Cluster:				
School Breakfast Program	N/A	10.553	\$0	\$179,998
National School Lunch Program	N/A	10.555	0	336,023
National School Lunch Program-Non-Cash Assistance	N/A	10.555	0	32,261
Total Child Nutrition Cluster			0	548,282
Total United States Department of Agriculture			0	548,282
<u>United States Department of Treasury</u>				
<i>Passed through the Ohio Facilities Construction Commission</i>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	N/A	21.027	0	40,804
Total United States Department of Treasury			0	40,804
<u>United States Department of Education</u>				
<i>Passed through the Ohio Department of Education and Workforce</i>				
Special Education Cluster (IDEA):				
Special Education-Grants to States	N/A	84.027	0	240,953
Special Education-Preschool Grants	N/A	84.173	0	2,649
Total Special Education Cluster (IDEA)			0	243,602
Title I Grants to Local Educational Agencies	N/A	84.010	0	396,762
Twenty-First Century Community Learning Centers	N/A	84.287C	453,183	515,916
COVID-19 Education Stabilization Fund	N/A	84.425W	0	2,852
COVID-19 Education Stabilization Fund	N/A	84.425U	0	1,800,011
Total COVID-19 Education Stabilization Fund			0	1,802,863
Rural Education	N/A	84.358B	0	26,917
Supporting Effective Instruction State Grants	N/A	84.367	0	52,624
Student Support and Academic Enrichment Program	N/A	84.424	0	18,803
Total United States Department of Education			453,183	3,057,487
Total Expenditures of Federal Awards			\$453,183	\$3,646,573

N/A - pass through entity number not available.

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

Southern Local School District
Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Fiscal Year Ended June 30, 2025

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) is a summary of the activity of the District's federal award programs. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

Note 3 – Indirect Cost Rate

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 – Subrecipients

The District passes certain federal awards received from the U.S. Department of Education and Workforce to other governments or not-for-profit agencies (subrecipients). As Note 2 describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a pass through entity, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

Note 5 – 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 6 – Food Donation Program

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

OHIO AUDITOR OF STATE KEITH FABER



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

Southern Local School District
Perry County
10390 State Route 155 SE
Corning, Ohio 43730

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Local School District, Perry County, Ohio (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 18, 2026, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2025-001.

District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Corrective Action Plan. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

May 18, 2026

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Southern Local School District
Perry County
10390 State Route 155 SE
Corning, Ohio 43730

To the Board of Education:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Southern Local School District's, Perry County, Ohio (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Southern Local School District's major federal program for the year ended June 30, 2025. Southern Local School District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings.

In our opinion, Southern Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The District's management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

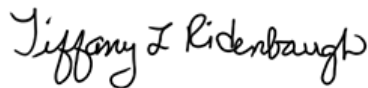
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KEITH FABER
Ohio Auditor of State

A handwritten signature in black ink, reading "Tiffany L. Ridenbaugh". The signature is written in a cursive, flowing style.

Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

May 18, 2026

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**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2025**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	COVID-19 Education Stabilization Fund, AL# 84.425W/84.425U
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2025-001

Noncompliance

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

Ohio Admin. Code 117-2-03(B) requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2025
(Continued)**

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

FINDING NUMBER 2025-001 (Continued)

Noncompliance (Continued)

The District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

The District prepared the financial statements on the cash basis of accounting rather than GAAP as they have determined reporting GAAP does not provide a cost benefit to the District.

Pursuant to Ohio Rev. Code § 117.38 the District may be fined for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District.

The District should prepare and file its annual financial statements in accordance with generally accepted accounting principles (GAAP) to comply with Ohio Admin. Code 117-2-03(B) and Ohio Rev. Code § 117.38. Preparing GAAP-basis financial statements helps ensure the District's financial reporting is complete, compliant, and provides users with a reliable basis for evaluating its overall financial position and results of operations.

Officials' Response: See Corrective Action Plan

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

Southern Local Schools

The Mission of Southern Local Schools is to Provide an excellent student-centered environment that prepares all students to become active learners and responsible citizens.

Annette Losco, Superintendent

10397 State Route 155 SE #1, Corning, OH 43730

(740) 721-0520 FAX (740) 394-2083

Southern Local School District Perry County, Ohio

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2025

Finding Number	Finding Summary	Status	Additional Information
2024-001	Material Non-Compliance: OAC 117-2-03(B) the District is required to file its annual financial report in accordance with GAAP.	No	Reissued as finding 2025-001

Board of Education

M. Clarissa Reynolds
President

Sean Bartley
Vice President

Albert Siemer
Jessica Dorsey
Jim Palmer

Brooke Champ
Treasurer
740-721-0520

Miller High School

Anthony Losco
Principal
740-721-0521

Millcreek Elementary

Sara Puckett
Principal
740-721-0522



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Corrective Action Plan for Finding 2025-001 2 CFR § 200.511(c) June 30, 2025

Finding Number: 2025-001

Summary of Finding: The Ohio Administrative Code requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of GASB Statement No. 34.

Statement of Concurrence: District officials do not believe preparing GAAP statements is cost beneficial to the District.

Planned Corrective Action: District officials do not believe preparing GAAP statements is cost beneficial to the District.

Responsible Contact Person: The official responsible for complete the corrective action is listed below:

Brooke Champ
Southern Local School District Treasurer
Phone: (740) 721-0520
Email: brooke.champ@southernlocal.org



OHIO AUDITOR OF STATE KEITH FABER



SOUTHERN LOCAL SCHOOL DISTRICT

PERRY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/28/2026

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov