



Dave Yost • Auditor of State

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Local School District, Perry County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Local School District, Perry County, Ohio, as of June 30, 2014, and the respective changes in cash financial position and the respective budgetary comparison for the General and Classroom Maintenance Funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

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 applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 21 to the basic financial statements, the District was placed in Fiscal Caution by the Ohio Department of Education on April 11, 2011 due to a projected General Fund deficit. Note 21 to the financial statements describes management's plans to address the projected General Fund deficit.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities and outstanding debt. This information provides additional analysis and is not a required part of the basic financial statements.

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

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

February 9, 2015

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Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
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, 2014, 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 2014 are as follows:

- Net position of governmental activities increased \$566,129.
- General cash receipts accounted for \$7,376,137 or 73% of all cash receipts. Program cash receipts in the form of charges for services and sales, grants, and contributions, accounted for \$2,745,060 or 27% of total cash receipts of \$10,121,197.
- The District had \$9,555,068 in cash disbursements related to governmental activities; only \$2,745,060 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, 2014
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 2014, 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 Bond Retirement Fund, and the Classroom Maintenance Special Revenue 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.

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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 dental and 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 agency funds. The District's fiduciary funds are an agency fund which is used to maintain financial activity of the District's Student Managed Activities and a private purpose trust fund which is used to maintain the financial activity of the District's scholarship funds. Agency funds are custodial in nature (assets equal net position) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs.

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 2014 compared to 2013.

Table 1
Net Position

	Governmental Activities	
	2014	2013
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 1,765,859	\$ 1,199,730
Total Assets	1,765,859	1,199,730
Net Position		
Restricted	573,979	645,416
Unrestricted	1,191,880	554,314
Total Net Position	\$ 1,765,859	\$ 1,199,730

Total assets, of the District as a whole, increased \$566,129. This increase is due to cash receipts exceeding cash disbursements, which will be further discussed under Table 2 on the following page.

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 shows the changes in net position for the fiscal year ended June 30, 2014 as compared to 2013.

Table 2
Changes in Net Position

	Governmental Activities	
	2014	2013
Cash Receipts		
Program Cash Receipts		
Charges for Services and Sales	\$ 230,202	\$ 246,944
Operating Grants and Contributions	2,514,858	2,608,712
Total Program Cash Receipts	<u>2,745,060</u>	<u>2,855,656</u>
General Cash Receipts		
Property Taxes	1,104,776	1,111,201
Grants and Entitlements, Not Restricted	6,041,808	5,769,562
Interest	4,825	2,260
Miscellaneous	222,839	172,315
Refund of Prior Year Expenditures	1,889	-
Total General Cash Receipts	<u>7,376,137</u>	<u>7,055,338</u>
Total Cash Receipts	<u>10,121,197</u>	<u>9,910,994</u>
Program Cash Disbursements		
Instruction:		
Regular	3,625,190	3,560,891
Special	1,572,156	1,496,935
Vocational	187,643	254,351
Other	-	2,947
Support Services:		
Pupils	468,514	391,667
Instructional Staff	301,283	276,627
Board of Education	50,907	105,348
Administration	757,638	865,914
Fiscal	255,594	239,202
Operation and Maintenance of Plant	638,929	608,863
Pupil Transportation	650,285	640,167
Central	88,469	85,020
Operation of Non-Instructional Services	420,670	416,790
Extracurricular Activities	214,301	265,013
Capital Outlay	44,060	-
Principal Retirement	129,491	129,929
Interest and Fiscal Charges	149,938	153,697
Total Cash Disbursements	<u>9,555,068</u>	<u>9,493,361</u>
Changes in Net Position	566,129	417,633
Net Position, Beginning of Year	1,199,730	782,097
Net Position, End of Year	<u>\$ 1,765,859</u>	<u>\$ 1,199,730</u>

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Cash receipts increased \$210,203. The increase in grants is primarily due to District increases in program grant monies received from the state and the receipt of additional economic disadvantaged funding.

Cash disbursements increased \$61,707 which was mainly caused by an increase in regular instruction, special instruction, and pupils support services which were offset by a decrease in vocational instruction, board of education, and administration. The increase in regular instruction and special instruction is due to an increase in the contracted salaries for the teachers of the district. The increase in pupils support services disbursements is due to the receipt of an early childhood grant. Alternatively, the decrease in vocational instruction is due to a reduction in the amount of vocational teachers and the decrease in board of education disbursements is due to a decrease in legal services provided to the District. Administration disbursements decreased due to the reduction of the Title VI-B grant.

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
	2014	2014	2013	2013
Program Cash Disbursements				
Instruction:				
Regular	\$ 3,625,190	\$3,360,975	\$ 3,560,891	\$ 3,235,361
Special	1,572,156	144,676	1,496,935	(42,376)
Vocational	187,643	134,179	254,351	183,323
Other	-	-	2,947	2,905
Support Services:				
Pupils	468,514	243,074	391,667	280,899
Instructional Staff	301,283	(44,742)	276,627	48,889
Board of Education	50,907	50,138	105,348	103,834
Administration	757,638	533,618	865,914	509,305
Fiscal	255,594	250,595	239,202	234,848
Operation and Maintenance of Plant	638,929	596,993	608,863	578,939
Pupil Transportation	650,285	615,777	640,167	597,051
Central	88,469	86,608	85,020	81,238
Operation of Non-Instructional Services	420,670	362,697	416,790	359,616
Extracurricular Activities	214,301	151,931	265,013	180,247
Capital Outlay	44,060	44,060	-	-
Principal Retirement	129,491	129,491	129,929	129,929
Interest and Fiscal Charges	149,938	149,938	153,697	153,697
Total	\$ 9,555,068	\$6,810,008	\$ 9,493,361	\$ 6,637,705

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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 \$10,182,692 and cash disbursements and other financing uses of \$9,628,071. The most significant change in fund balance was in the General Fund.

For the General Fund, cash receipts and other financing sources increased \$318,434 and cash disbursements and other financing uses decreased \$25,313 from the prior year. The most significant increases in revenue were in property taxes and intergovernmental receipts. The increase in property taxes is due to additional property tax collections. Intergovernmental receipts increased due to a Medicaid reimbursement and additional funding received for the economic disadvantaged.

The most significant decreases in disbursements were in vocational instruction, instructional staff support services, and board of education which were partially offset by increases in regular instruction and special instruction. The decrease in vocational instruction is due to a reduction in the amount of vocational teachers. The decrease in instructional staff support services was due to a decrease in aides for the District. The decrease in board of education disbursements is due to a decrease in legal services provided to the District. All of the above changes resulted in an increase in fund cash balance for the General Fund in the amount of \$641,512.

The Bond Retirement Fund had a decrease in fund balance of \$47,301 due to disbursements exceeding receipts and the Classroom Maintenance Fund had an increase in fund balance of \$35,065 as receipts exceeded 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.

During 2014, there were revisions to the General Fund budget. The final budget cash receipts of \$8,224,095 increased \$276,717 over original cash receipts. Actual cash receipts of \$8,219,230 were \$4,865 less than the final estimate.

Final budget cash disbursements of \$8,691,368 increased \$266,006 over original budgeted cash disbursements. Actual cash disbursements of \$7,808,436 were \$882,932 less than the final estimate due to a significantly less amount of transfers out of the General Fund needed by the District than was budgeted. The General fund's ending unobligated cash balance was \$888,882.

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 \$44,060 in capital outlay disbursements during 2014.

Debt

Under the cash basis of accounting the District does not report bonds or long-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds and long-term notes. At June 30, 2014 the District had \$929,582 in bonds and notes outstanding. For additional information regarding debt, please see Note 6 to the basic financial statements.

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

	<u>2014</u>	<u>2013</u>
School Improvement Advance Refunding Bonds	\$ 39,149	\$ 80,599
School Facilities Improvement Notes	113,535	123,484
Energy Conservation Improvement Notes	<u>776,898</u>	<u>831,880</u>
Totals	<u>\$929,582</u>	<u>\$1,035,963</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 Jeff Kaaz, Treasurer at Southern Local School District, 10397 State Route 155 SE, Corning, Ohio 43730.

Southern Local School District
Statement of Net Position - Cash Basis
June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,765,859</u>
<i>Total Assets</i>	<u>1,765,859</u>
NET POSITION:	
Restricted for Debt Service	237,063
Restricted for Capital Outlay	12
Restricted for Classroom Maintenance	253,273
Restricted for Other Purposes	83,631
Unrestricted	<u>1,191,880</u>
<i>Total Net Position</i>	<u><u>\$ 1,765,859</u></u>

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, 2014

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 3,625,190	\$ 52,232	\$ 211,983	\$ (3,360,975)
Special	1,572,156	16,742	1,410,738	(144,676)
Vocational	187,643	2,764	50,700	(134,179)
Support Services:				
Pupils	468,514	4,356	221,084	(243,074)
Instructional Staff	301,283	299	345,726	44,742
Board of Education	50,907	769	-	(50,138)
Administration	757,638	8,816	215,204	(533,618)
Fiscal	255,594	3,796	1,203	(250,595)
Operation and Maintenance of Plant	638,929	9,245	32,691	(596,993)
Pupil Transportation	650,285	9,511	24,997	(615,777)
Central	88,469	1,329	532	(86,608)
Operation of Non-Instructional Services	420,670	57,973	-	(362,697)
Extracurricular Activities	214,301	62,370	-	(151,931)
Capital Outlay	44,060	-	-	(44,060)
Debt Service:				
Principal Retirement	129,491	-	-	(129,491)
Interest and Fiscal Charges	149,938	-	-	(149,938)
Total Governmental Activities	\$ 9,555,068	\$ 230,202	\$ 2,514,858	(6,810,008)
General Cash Receipts:				
Property Taxes Levied for:				
General Purposes				1,010,041
Other Purposes				5,547
Debt Service				89,188
Grants and Entitlements, Not Restricted to Specific Programs				6,041,808
Interest				4,825
Miscellaneous				222,839
Refund of Prior Year Expenditures				1,889
Total General Cash Receipts				7,376,137
Change in Net Position				566,129
Net Position Beginning of Year				1,199,730
Net Position End of Year				\$ 1,765,859

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

Southern Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2014

	General	Bond Retirement	Classroom Maintenance	All Other Governmental Funds	Total Governmental Funds
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	\$ 1,144,425	\$ 237,063	\$ 253,273	\$ 20,087	\$ 1,654,848
<i>Total Assets</i>	<u>\$ 1,144,425</u>	<u>\$ 237,063</u>	<u>\$ 253,273</u>	<u>\$ 20,087</u>	<u>\$ 1,654,848</u>
FUND BALANCES:					
Nonspendable	\$ 8,107	\$ -	\$ -	\$ -	\$ 8,107
Restricted	-	237,063	253,273	83,643	573,979
Assigned	255,815	-	-	-	255,815
Unassigned	880,503	-	-	(63,556)	816,947
<i>Total Fund Balances</i>	<u>\$ 1,144,425</u>	<u>\$ 237,063</u>	<u>\$ 253,273</u>	<u>\$ 20,087</u>	<u>\$ 1,654,848</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
June 30, 2014*

Total Governmental Fund Balances \$ 1,654,848

Amounts reported for governmental activities in the statement of net position are different because:

An internal service fund is used by management to account for their self-insurance program for employee dental and vision claims. The cash basis assets of the internal service fund are included in governmental activities in the statement of net position.

111,011

Net Position of Governmental Activities

\$ 1,765,859

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

Southern Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Bond Retirement	Classroom Maintenance	All Other Governmental Funds	Total Governmental Funds
CASH RECEIPTS:					
Property Taxes	\$ 1,010,041	\$ 89,188	\$ 5,547	\$ -	\$ 1,104,776
Intergovernmental	6,900,836	22,723	45,213	1,582,894	8,551,666
Interest	4,747	-	-	78	4,825
Tuition and Fees	108,169	-	-	-	108,169
Extracurricular Activities	3,784	-	-	60,276	64,060
Gifts and Donations	-	-	-	5,000	5,000
Customer Sales and Services	-	-	-	57,973	57,973
Miscellaneous	191,032	-	-	31,807	222,839
<i>Total Cash Receipts</i>	<u>8,218,609</u>	<u>111,911</u>	<u>50,760</u>	<u>1,738,028</u>	<u>10,119,308</u>
CASH DISBURSEMENTS:					
Current:					
Instruction:					
Regular	3,459,602	-	-	172,592	3,632,194
Special	1,108,979	-	-	466,217	1,575,196
Vocational	183,049	-	-	4,594	187,643
Support Services:					
Pupils	288,514	-	-	180,000	468,514
Instructional Staff	19,803	-	-	281,480	301,283
Board of Education	50,907	-	-	-	50,907
Administration	583,889	-	-	175,213	759,102
Fiscal	251,402	3,212	980	-	255,594
Operation and Maintenance of Plant	612,313	-	14,715	11,901	638,929
Pupil Transportation	629,933	-	-	20,352	650,285
Central	88,036	-	-	433	88,469
Operation of Non-Instructional Services	-	-	-	420,670	420,670
Extracurricular Activities	138,664	-	-	75,637	214,301
Capital Outlay	-	-	-	44,060	44,060
Debt Service:					
Principal Retirement	78,092	51,399	-	-	129,491
Interest and Fiscal Charges	45,337	104,601	-	-	149,938
<i>Total Cash Disbursements</i>	<u>7,538,520</u>	<u>159,212</u>	<u>15,695</u>	<u>1,853,149</u>	<u>9,566,576</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>680,089</u>	<u>(47,301)</u>	<u>35,065</u>	<u>(115,121)</u>	<u>552,732</u>
OTHER FINANCING SOURCES AND USES:					
Refund of Prior Year Expenditures	1,602	-	-	287	1,889
Transfers In	-	-	-	50,837	50,837
Advances In	10,658	-	-	-	10,658
Transfers Out	(50,837)	-	-	-	(50,837)
Advances Out	-	-	-	(10,658)	(10,658)
<i>Total Other Financing Sources and Uses</i>	<u>(38,577)</u>	<u>-</u>	<u>-</u>	<u>40,466</u>	<u>1,889</u>
<i>Net Change in Fund Balances</i>	641,512	(47,301)	35,065	(74,655)	554,621
<i>Fund Balances at Beginning of Year</i>	<u>502,913</u>	<u>284,364</u>	<u>218,208</u>	<u>94,742</u>	<u>1,100,227</u>
<i>Fund Balances at End of Year</i>	<u>\$ 1,144,425</u>	<u>\$ 237,063</u>	<u>\$ 253,273</u>	<u>\$ 20,087</u>	<u>\$ 1,654,848</u>

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

Southern Local School District
*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
in Fund Balances of Governmental Funds - Cash Basis to the Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances - Total Governmental Funds \$ 554,621

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

The internal service fund used by management to account for their self-insurance program for employee dental and vision claims 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.

11,508

Net Change in Net Position of Governmental Activities

\$ 566,129

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

Southern Local School District
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget (Budgetary Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Cash Receipts and Other Financing Sources	\$ 7,947,378	\$ 8,224,095	\$ 8,219,230	\$ (4,865)
Total Cash Disbursements and Other Financing Uses	8,425,362	8,691,368	7,808,436	882,932
Net Change in Fund Balance	(477,984)	(467,273)	410,794	878,067
Fund Balance at Beginning of Year	382,682	382,682	382,682	-
Prior Year Encumbrances Appropriated	95,406	95,406	95,406	-
Fund Balance at End of Year	\$ 104	\$ 10,815	\$ 888,882	\$ 878,067

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 Balance - Budget (Budgetary Basis) and Actual
Classroom Maintenance Fund
For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Cash Receipts and Other Financing Sources	\$ 61,946	\$ 69,267	\$ 50,760	\$ (18,507)
Total Cash Disbursements and Other Financing Uses	280,155	280,155	15,695	264,460
Net Change in Fund Balance	(218,209)	(210,888)	35,065	245,953
Fund Balance at Beginning of Year	203,735	203,735	203,735	-
Prior Year Encumbrances Appropriated	14,473	14,473	14,473	-
Fund Balance at End of Year	\$ (1)	\$ 7,320	\$ 253,273	\$ 245,953

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

Southern Local School District
Statement of Net Position - Cash Basis
Governmental Activities - Internal Service Fund
June 30, 2014

	<u>Internal Service</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 111,011</u>
<i>Total Assets</i>	<u>111,011</u>
NET POSITION:	
Unrestricted	<u>111,011</u>
<i>Total Net Position</i>	<u><u>\$ 111,011</u></u>

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

Southern Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Net Position - Cash Basis
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2014

	Internal Service
OPERATING RECEIPTS:	
Charges for Services	\$ 63,842
<i>Total Operating Receipts</i>	63,842
OPERATING DISBURSEMENTS:	
Purchased Services	250
Claims	52,084
<i>Total Operating Disbursements</i>	52,334
<i>Change in Net Position</i>	11,508
<i>Net Position at Beginning of Year</i>	99,503
<i>Net Position at End of Year</i>	\$ 111,011

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 Funds
June 30, 2014

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	\$ -	\$ 35,542
<i>Total Assets</i>	<u>-</u>	<u>35,542</u>
NET POSITION:		
Unrestricted	-	35,542
<i>Total Net Position</i>	<u>\$ -</u>	<u>\$ 35,542</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, 2014

	Private Purpose Trust Fund
ADDITIONS:	
Miscellaneous	\$ 5,000
Total Additions	5,000
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	\$ 5,000
Change in Net Position	-
Net Position Beginning of Year	-
Net Position End of Year	\$ -

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

1. 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) as of October 1, 2013, was 727. The District employed 56 certificated employees and 28 non-certificated employees.

Reporting Entity

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

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

The following entities which perform activities within the 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Accounting

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

Governmental Funds

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

General Fund

The General Fund is the operating fund of the School 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 School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom Maintenance Fund

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

Bond Retirement Fund

The Bond Retirement Fund is used to account for the accumulation of financial resources restricted, committed or assigned for the payment of general long-term debt.

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

Proprietary Fund Type

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 agency funds. The District's fiduciary funds are an agency fund and a private purpose trust fund. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The District's agency fund is used to maintain financial activity of the District's student managed activities, and its private purpose trust fund is used to maintain the financial activity of the District's scholarship funds.

Basis of Presentation

The District uses the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. The 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, except for fiduciary funds.

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

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. Non-major funds are aggregated and presented in a single column.

Cash Receipts – Exchange and Non-exchange Transactions

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash Disbursements

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

Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

Operating Receipts and Disbursements

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

Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of the total of fund cash balances of all funds as of June 30, 2014. 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 2014, interest receipts amounted to \$4,825 of which \$4,747 was recorded in the General Fund and \$78 was recorded in All Other Governmental Funds.

Capital Assets and Depreciation

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

Long-Term Obligations

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

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, 2014, of the District's \$573,979 in restricted net position, none was restricted by enabling legislation.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in 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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School 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 School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 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 monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

3. DEPOSITS AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than one hundred eighty days after purchase.

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

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

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

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

As of June 30, 2014, the District's bank balance of \$1,840,509 is either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

The District held no investments at June 30, 2014.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

4. BUDGETARY BASIS FUND BALANCES

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statement of cash receipts, disbursements and changes in fund balance – budget and actual (budgetary basis) presented for the General Fund and the Classroom Maintenance Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The following table summarized the adjustments necessary to reconcile the cash basis and the budgetary basis statement for the General Fund and Classroom Maintenance Fund:

Net Change in Fund Balance		
	General	Classroom Maintenance
Cash Basis (as reported)	\$641,512	\$35,065
Perspective Difference:		
Activity of Funds Reclassified for Cash Reporting Purposes	(2,168)	0
Encumbrances	(228,550)	0
Budget Basis	\$410,794	\$35,065

5. PROPERTY TAX

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

Property taxes include amounts levied against all real and public utility (used in business) located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2014, and are collected in 2014 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.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

5. PROPERTY TAX (Continued)

	Perry and Hocking Counties			
	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
<u>Real Property</u>				
Resident/Agricultural	\$ 39,606,150	84.62%	\$ 39,763,600	82.56%
Commercial/Industrial	2,731,610	5.84%	2,743,930	5.70%
Public Utilities	153,470	0.33%	164,490	0.34%
Minerals	852,790	1.82%	814,020	1.69%
<u>Tangible Personal Property</u>				
Public Utilities	3,460,330	7.39%	4,675,830	9.71%
Total	<u>\$ 46,804,350</u>	<u>100.00%</u>	<u>\$ 48,161,870</u>	<u>100.00%</u>

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

6. DEBT OBLIGATIONS

Debt outstanding at June 30, 2014, consisted of the following:

<u>Debt</u>	<u>Beginning Balance 6/30/2013</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance 6/30/2014</u>	<u>Due in One Year</u>
School Improvement					
Advance Refunding					
Bonds, 3.7% to 9.6%	\$ 80,599	\$ -	\$ 41,450	\$ 39,149	\$ 39,149
School Facilities					
Improvement Notes, 5.0%	123,484	-	9,949	113,535	10,452
Energy Conservation					
Improvement Notes, 4.5% to 5.5%	831,880	-	54,982	776,898	57,782
Capital Lease	45,197	-	23,110	22,087	11,272
Total	<u>\$ 1,081,160</u>	<u>\$ -</u>	<u>\$ 129,491</u>	<u>\$ 951,669</u>	<u>\$ 118,655</u>

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

6. DEBT OBLIGATIONS (Continued)

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

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

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. Payments are made from the General fund.

The annual requirements to amortize debt outstanding as of June 30, 2014 are as follows:

Year Ending June 30	Advance Refunding Bonds		School Facilities Improvement Notes		Energy Conservation Improvement Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 39,149	\$ 100,852	\$ 10,452	\$ 5,548	\$ 57,782	\$ 41,219
2016	-	-	10,982	5,018	60,037	38,261
2017	-	-	11,537	4,462	62,620	34,973
2018	-	-	12,122	3,878	66,135	31,457
2019	-	-	12,735	3,265	69,218	27,748
2020-2024	-	-	55,707	6,277	412,170	75,840
2025	-	-	-	-	48,936	1,011
Total	\$ 39,149	\$ 100,852	\$ 113,535	\$ 28,448	\$ 776,898	\$ 250,509

The District's overall legal debt margin was \$3,621,531 with an unvoted debt margin of \$48,162 at June 30, 2014.

7. LEASE OBLIGATION

In a previous fiscal year, the District entered into leases for security equipment and the use of copiers. The leases are being paid from the General fund. The annual requirements to amortize the lease obligations outstanding as of June 30, 2014, are as follows:

Year Ending June 30	Amount
2015	\$ 12,137
2016	9,562
2017	1,594
Total	23,293
Less: Amount Representing Interest	(1,206)
Present Value of Net Minimum Lease Payments	\$ 22,087

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

8. 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, 2014, the District contracted with the Ohio Casualty Company for property insurance and boiler and machinery coverage. Buildings and contents are 100 percent coinsured.

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

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

The 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 dental and vision insurance plans. The risk financing fund is accounted for as an Internal Service Fund where assets are set aside for claims and assessments. EBS-RMSCO, Inc. acts as a third-party administrator for the payment of claims. A premium is charged to each fund that accounts for part-time and full-time employees. The premium charge is allocated to each of the funds based on trends in actual claims expense and the percentage of each fund's current year payroll expense to the total payroll expense of the 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 actuarially-measured liability follows:

	2014	2013
Equity in Pooled Cash and Cash Equivalents	\$111,011	\$99,503
Estimated claims liabilities	\$4,124	\$1,170

9. PENSION PLANS

State Teachers Retirement System

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

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

9. PENSION PLANS (Continued)

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012, were \$454,644, \$452,976, and \$460,368, respectively, which equaled the required contributions each year.

School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$137,976, \$142,224 and \$155,208, respectively, which equaled the required contributions each fiscal year.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2014, two of the Board of Education members have elected Social Security. The contribution rate is 6.2 percent of wages paid.

10. POST-EMPLOYMENT BENEFITS

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$32,475, \$32,355, and \$32,883, respectively, which equaled the required contributions each year.

School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250.

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

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$18,245, \$18,200, and \$24,113, respectively.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$7,490, \$7,518, and \$8,315, respectively, which equaled the required contributions each fiscal year.

11. JOINTLY GOVERNED ORGANIZATIONS

Southeastern Ohio Voluntary Educational Cooperative (SEOVEC)

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer cooperative formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 29 participants consisting of 23 school districts, 4 non-public schools and 2 educational service centers. SEOVEC's governing board is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. To obtain financial information write to the Southeastern Ohio Voluntary Educational Consortium, Jimmy Battrell, CEO/Director, at 221 Columbus Road, Athens, Ohio 45701.

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.

12. PURCHASING POOLS

Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program

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

State of Ohio Cooperative Purchasing Program

The 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.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

13. STATUTORY RESERVES

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.

	Capital Acquisition
Set-Aside Reserve Cash Balance as of June 30, 2013	\$ -
Current Year Set-Aside Requirement	111,421
Qualifying Disbursements	(75,522)
Curret Year Offsets	(27,479)
Prior Year Offset from Bond Proceeds	(8,420)
Totals	-
Set-Aside Reserve Cash Balance as of June 30, 2014	\$ -

The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvements to zero. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$2,400,656 at June 30, 2014.

14. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

15. INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2014, were as follows:

Funds:	Transfer To:	Transfer From:
Major		
General Fund	\$ -	\$ 50,837
Non-Major Special Revenue Fund		
Lunchroom	50,837	-
Total	\$ 50,837	\$ 50,837

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

Interfund Advances

Advances made during the year ended June 30, 2014, were as follows:

Funds:	Advance To:	Advance From:
Major		
General Fund	\$ 10,658	\$ -
Non-Major Special Revenue Fund		
Lunchroom	-	10,658
Total	\$ 10,658	\$ 10,658

The advance from the Lunchroom Fund to the General Fund is to repay an outstanding advance from the prior year.

16. COMPLIANCE

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the 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.

17. 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:

<u>Governmental Funds</u>	
General	\$232,217
Classroom Maintenance	0
Other Governmental Funds	284,480
Total Governmental Funds	\$516,697

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

18. FUND BALANCES

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

Fund Balances	General	Bond Retirement	Classroom Maintenance	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Unclaimed Monies	\$8,107	\$0	\$0	\$0	\$8,107
Restricted for					
Other Purposes	0	0	0	83,631	83,631
Classroom Maintenance	0	0	253,273	0	253,273
Debt Services Payments	0	237,063	0	0	237,063
Capital Projects	0	0	0	12	12
Total Restricted	<u>0</u>	<u>237,063</u>	<u>253,273</u>	<u>83,643</u>	<u>573,979</u>
Assigned to					
Future Obligations	232,217	0	0	0	232,217
Susequent Appropriations	8,381	0	0	0	8,381
Other Purposes	15,217	0	0	0	15,217
Total Assigned	<u>255,815</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>255,815</u>
Unassigned (Deficit)	<u>880,503</u>	<u>0</u>	<u>0</u>	<u>(63,556)</u>	<u>816,947</u>
Total Fund Balances	<u>\$1,144,425</u>	<u>\$237,063</u>	<u>\$253,273</u>	<u>\$20,087</u>	<u>\$1,654,848</u>

19. ACCOUNTABILITY

The following funds had deficit fund balances at June 30, 2014.

Other Governmental Funds	Deficit
Vocational Education	\$393
Race to the Top	466
Special Education, IDEA Part B	2,331
Title I	9,513
Title II-A	22,235
Miscellaneous Federal Grants	28,618

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

20. CHANGES IN ACCOUNTING PRINCIPLES

For 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62," GASB Statement No. 69, "Government Combinations and Disposals of Government Operations," and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees."

Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

20. CHANGES IN ACCOUNTING PRINCIPLES (Continued)

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, and transfers of operations.

Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive non exchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The implementation of GASB Statements No. 66, 69, and 70 had no effect on the financial statements.

21. FINANCIAL DIFFICULTIES

The School District began experiencing financial difficulty in 2011 and, accordingly, was placed in Fiscal Caution on April 11, 2011 and continues to remain in fiscal caution as of the date of the financial statements.

The School District implemented an expenditure reduction plan during fiscal year 2012 which included a reduction in force by eliminating 15 certified positions, 3 classified positions and 1 administrative position. Additionally, as employees resign or retire, each position is analyzed to determine if the position can be eliminated through attrition.

The District formed a Labor-Management Health Insurance Committee (LMHIC) in 2009, which meets annually to review the health insurance plan and renewal costs and recommend to the Board any changes in plan design which reduce health insurance costs. With the work of this committee, increases in health insurance premiums have been under projected increases for the past 4 years.

Through the reduction in force, the LMHIC, and closely monitoring expenses, the District has been able to increase unencumbered fund balance from a low of \$106,000 in fiscal year 2012 to an unencumbered fund balance of \$1.2 million in fiscal year 2014. However, the District must continue to monitor finances in order to maintain financial stability.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

22. SUBSEQUENT EVENTS

In April 2014, the District Board of Education approved to replace the cooling tower for the District's HVAC system with a cooling tower not to exceed \$139,670 from Square 1 Heating and Cooling. This cooling tower required special construction and was ultimately installed in July 2014.

In May 2014, the District entered into an equipment lease with Marlin Business Bank for the purpose of leasing security access from ProElite Security Systems. This lease will begin in fiscal year 2015 with a monthly payment of \$1,287 for 60 months. At the end of the lease the District will have the option to buy the security access for \$1.

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2013/2014	10.555	\$ 17,758	\$ 17,758
Cash Assistance:				
School Breakfast Program	2013/2014	10.553	128,191	128,191
National School Lunch Program	2013/2014	10.555	177,769	177,769
Cash Assistance Subtotal			<u>305,960</u>	<u>305,960</u>
Total Child Nutrition Cluster			<u>323,718</u>	<u>323,718</u>
Total U.S. Department of Agriculture			323,718	323,718
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013	84.010	174,926	128,055
	2014		217,060	226,565
Total Title I Grants to Local Educational Agencies			<u>391,986</u>	<u>354,620</u>
Special Education Cluster (IDEA):				
Special Education, Grants to States (IDEA Part B)				
	2013	84.027	0	5,176
	2014		163,506	166,293
Special Education, Grants to States, (IDEA Part B) Total			<u>163,506</u>	<u>171,469</u>
Special Education Preschool Grants				
	2013	84.173	40	0
	2014		1,263	952
Special Education Preschool Grants Total			<u>1,303</u>	<u>952</u>
Total Special Education Cluster (IDEA)			164,809	172,421
Twenty-First Century Community Learning Centers				
	2013	84.287	57,950	72,601
	2014		46,497	50,559
Total Twenty-First Century Community Learning Centers			<u>104,447</u>	<u>123,160</u>
Rural and Low Income				
	2013	84.358	212	795
	2014		11,901	11,901
Total Rural and Low Income			<u>12,113</u>	<u>12,696</u>
Improving Teacher Quality State Grants				
	2013	84.367	13,726	14,428
	2014		45,211	47,193
Total Improving Teacher Quality State Grants			<u>58,937</u>	<u>61,621</u>
Teacher Incentive Fund (TIF) Cluster:				
OTIF Coaching and SLO Collaboration				
	2014	84.374	15,752	15,752
ARRA - Teacher Incentive Fund, Recovery Act:				
Teacher Incentive Fund	2013	84.385	26,215	24,833
OTIF Incentive Awards	2013		0	733
TIF Assessment Literacy PD	2013		17,377	19,266
TIF Supplemental	2013		4,779	4,779
OTIF Incentive Awards	2014		168,319	169,186
TIF-Karen Hess Conf	2014		350	101
Teacher Incentive Fund	2014		12,843	24,715
ARRA - Teacher Incentive Fund, Recovery Act Total			<u>229,883</u>	<u>243,613</u>
Total Teacher Incentive Fund (TIF) Cluster			245,635	259,365
ARRA - Race-to-the-Top Incentive Grants, Recovery Act:				
Ohio Appalachian Collaborative RttT				
Race to the Top	2013	84.395	12,410	22,518
Expanding Advanced Placement	2013		1,139	7,030
SGM Pilot	2013		2,308	2,632
Expanding Advanced Placement	2013		4,528	1,566
TIF ARRA	2014		3,830	3,607
Race to the Top	2014		0	8,604
Race to the Top	2014		26,406	27,110
Ohio Appalachian Collaborative RttT	2014		42,663	67,112
Total ARRA - Race-to-the-Top Incentive Grants, Recovery Act			<u>93,284</u>	<u>140,179</u>
Total U.S. Department of Education			<u>1,071,211</u>	<u>1,124,062</u>
Total Federal Awards Receipts and Expenditures			\$ 1,394,929	\$ 1,447,780

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

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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 SR 155 SE
Corning, Ohio 43730

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Local School District, Perry County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 9, 2015, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the District was placed in Fiscal Caution by the Ohio Department of Education on April 11, 2011 due to a projected General Fund deficit.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting, that we consider material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-002 described in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2014-001 and 2014-002.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

February 9, 2015



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Southern Local School District's, Perry County, Ohio (the District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each of the Major Federal Programs

In our opinion, the District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

February 9, 2015

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(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 internal control weakness conditions 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 §.510(a)?	No
(d)(1)(vii)	Major Programs (list): <ul style="list-style-type: none"> • Nutrition Cluster, CFDA #'s 10.553 & 10.555 • Title I, Part A, CFDA # 84.010 	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014
(Continued)**

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

FINDING NUMBER 2014-001

Noncompliance

Ohio Rev. Code § 117.38 provides, in part, 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 Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

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

We recommend the District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

Officials' Response: District officials do not believe preparing GAAP statements is cost beneficial to the District.

FINDING NUMBER 2014-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(B) states all revenue derived from general or special levies for debt charges, whether within or in excess of the ten-mill limitation, which is levied for the debt charges on serial bonds, notes, or certificates of indebtedness having a life less than five years, shall be paid into the bond retirement fund; and all such revenue which is levied for the debt charges on all other bonds, notes, or certificates of indebtedness shall be paid into the sinking fund.

Ohio Rev. Code § 5705.10(C) states all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

The following transactions were posted to the incorrect fund in fiscal year 2014:

- Property tax receipts were not properly allocated between the Classroom Maintenance Fund and Debt Service Fund. Property Taxes were overstated in the Classroom Maintenance Fund and understated in the Debt Service Fund by \$17,721.
- Homestead and rollback receipts were not properly allocated between the Classroom Maintenance Fund and Debt Service Fund. Intergovernmental receipts were overstated in the Classroom Maintenance Fund and understated in the Debt Service Fund by \$2,795.

SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014
(Continued)

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

FINDING NUMBER 2014-002 (Continued)

Noncompliance and Material Weakness (Continued)

The above adjustments, which were agreed to by management, were posted to the financial statements and to the District's ledgers.

Posting receipts to the incorrect fund could cause monies to be spent for purposes which are not allowable and result in inaccurate reporting of the District's financial information.

We recommend the District properly post property tax receipts and homestead and rollback receipts to the proper fund based on the County Auditor's tax settlement sheets.

Officials' Response: We did not receive a response from Officials to the finding reported above.

3. FINDINGS FOR FEDERAL AWARDS

None

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2013-001	A noncompliance citation was issued under Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B) for not preparing the annual financial report pursuant to generally accepted accounting principles.	No	Not Corrected; this item is repeated in the accompanying Schedule of Findings as Finding Number 2014-001.



Dave Yost • Auditor of State

SOUTHERN LOCAL SCHOOL DISTRICT

PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 24, 2015**