

SOUTHERN LOCAL SCHOOL DISTRICT
ANNUAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

Wilson, Phillips & Agin, CPA's, Inc.
1100 Brandywine Blvd. Building G
Zanesville, Ohio 43701



Dave Yost • Auditor of State

Board of Education
Southern Local School District
10390 SR 155 SE
Corning, OH 43730

We have reviewed the *Independent Auditor's Report* of the Southern Local School District, Perry County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 6, 2017

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**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' 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 cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Local School District, Perry County, Ohio as of and for the year ended June 30, 2016, 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 includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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, 2016, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code Section 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.

Other Matters

Supplemental Information

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

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

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

Other Information

We applied no procedures to Management's Discussion & Analysis or to the schedule of net pension liabilities and pension contributions as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 21, 2016, on our consideration of the Southern Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southern Local School District's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
October 21, 2016

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
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, 2016, 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 2016 are as follows:

- Net position of governmental activities increased \$3,175,857.
- General cash receipts accounted for \$10,411,677 or 78% of all cash receipts. Program cash receipts in the form of charges for services and sales, grants, and contributions, accounted for \$3,001,166 or 22% of total cash receipts of \$13,412,843.
- The District had \$10,236,986 in cash disbursements related to governmental activities; only \$3,001,166 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, 2016
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 2016, 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 Building Project Construction, and the School Facilities Project Capital Projects Funds.

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, 2016
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 fund is an agency fund which is used to maintain financial activity of the District's Student Managed Activities. 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 2016 compared to 2015.

Table 1
Net Position

	Governmental Activities	
	2016	2015
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 4,796,084	\$ 1,620,227
Total Assets	4,796,084	1,620,227
Net Position		
Restricted	2,883,156	448,724
Unrestricted	1,912,928	1,171,503
Total Net Position	\$ 4,796,084	\$ 1,620,227

Total assets, of the District as a whole, increased \$3,175,857. 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, 2016
Unaudited

Table 2 shows the changes in net position for the fiscal year ended June 30, 2016 as compared to 2015.

Table 2
Changes in Net Position

	Governmental Activities	
	2016	2015
Cash Receipts		
Program Cash Receipts		
Charges for Services and Sales	\$ 264,170	\$ 277,279
Operating Grants and Contributions	2,736,996	2,839,670
Total Program Cash Receipts	<u>3,001,166</u>	<u>3,116,949</u>
General Cash Receipts		
Property Taxes	1,014,353	1,008,529
Grants and Entitlements, Not Restricted	6,957,504	5,863,372
Interest	6,976	4,792
Gifts and Donations, Not Restricted	475	-
Proceeds from Lease Purchase Financing	2,300,000	-
Miscellaneous	132,369	243,651
Inception of Capital Lease	-	82,690
Total General Cash Receipts	<u>10,411,677</u>	<u>7,203,034</u>
Total Cash Receipts	<u>13,412,843</u>	<u>10,319,983</u>
Program Cash Disbursements		
Instruction:		
Regular	3,739,659	3,875,594
Special	1,856,189	1,722,640
Vocational	192,560	192,887
Support Services:		
Pupils	457,047	493,632
Instructional Staff	240,434	406,082
Board of Education	86,988	62,795
Administration	776,474	803,032
Fiscal	269,199	268,206
Operation and Maintenance of Plant	756,837	759,494
Pupil Transportation	613,670	691,841
Central	184,308	119,174
Operation of Non-Instructional Services	435,641	437,844
Extracurricular Activities	222,879	259,845
Capital Outlay	260,707	82,690
Principal Retirement	97,940	133,796
Interest and Fiscal Charges	46,454	156,063
Total Cash Disbursements	<u>10,236,986</u>	<u>10,465,615</u>
Changes in Net Position	3,175,857	(145,632)
Net Position, Beginning of Year	1,620,227	1,765,859
Net Position, End of Year	<u>\$ 4,796,084</u>	<u>\$ 1,620,227</u>

Cash receipts increased \$3,092,860. The increase is due to a lease purchase financing agreement in which the District received \$2,300,000 for school improvements and an increase in grants and entitlements, not restricted due to additional foundation monies received.

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Cash disbursements decreased \$228,629 which was mainly caused by a decrease to instructional staff. This decrease is due to the retirement of several staff who were replaced with new staff at a lower pay rate. The increase to grants and entitlements, not restricted is due to the new biennium budget. Within the new budget, there is an allowance for Capacity Aid, which allows additional funding for districts whose property values are below the State median. The District received approximately \$1 million in additional funding for Capacity Aid.

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

Table 3
Governmental Activities

	<u>Total Cost of Services</u> 2016	<u>Net Cost of Services</u> 2016	<u>Total Cost of Services</u> 2015	<u>Net Cost of Services</u> 2015
Program Cash Disbursements				
Instruction:				
Regular	\$ 3,739,659	\$3,461,432	\$ 3,875,594	\$ 3,569,978
Special	1,856,189	210,881	1,722,640	256,409
Vocational	192,560	120,469	192,887	105,682
Support Services:				
Pupils	457,047	221,283	493,632	262,772
Instructional Staff	240,434	(62,898)	406,082	(50,369)
Board of Education	86,988	85,312	62,795	61,715
Administration	776,474	528,137	803,032	573,747
Fiscal	269,199	264,785	268,206	263,584
Operation and Maintenance of Plant	756,837	690,869	759,494	606,484
Pupil Transportation	613,670	588,175	691,841	658,494
Central	184,308	180,618	119,174	114,947
Operation of Non-Instructional Services	435,641	370,985	437,844	377,263
Extracurricular Activities	222,879	170,671	259,845	175,411
Capital Outlay	260,707	260,707	82,690	82,690
Principal Retirement	97,940	97,731	133,796	133,796
Interest and Fiscal Charges	46,454	46,663	156,063	156,063
Total	<u>\$ 10,236,986</u>	<u>\$ 7,235,820</u>	<u>\$ 10,465,615</u>	<u>\$ 7,348,666</u>

Southern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
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 \$13,941,191 and cash disbursements and other financing uses of \$10,758,198.

For the General Fund, cash receipts and other financing sources increased \$886,763 and cash disbursements and other financing uses increased \$359,350 from the prior year. The most significant change in revenue was to intergovernmental revenue. The increase to intergovernmental revenue is due to additional foundation monies received.

The most significant increase in disbursements and other financing uses was transfers out. Disbursements remained consistent with the prior year. There was an increase in fund cash balance for the General Fund in the amount of \$630,249 due to the factors discussed above.

The Building Project Construction Fund had an increase in fund balance of \$2,000,643 due to monies received from a lease purchase financing agreement. The School Facilities Project Fund had an increase in fund balance of \$500,000 as a result of a transfer from the General Fund.

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 2016, there were revisions to the General Fund budget. The final budget cash receipts of \$8,997,903 increased \$973,803 from original cash receipts. This increase is due to an increase in intergovernmental revenues. Actual cash receipts of \$9,066,165 were \$68,262 more than the final estimate.

Final budget cash disbursements of \$10,221,521 increased \$974,193 from original budgeted cash disbursements. Actual cash disbursements of \$8,612,427 were \$1,608,586 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 \$1,676,906.

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 \$260,707 in capital outlay disbursements during 2016.

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, 2016 the District had \$3,102,623 in long term obligations 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, 2016
Unaudited

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

Table 4
Outstanding Long Term Obligations at June 30
Governmental Activities

	<u>2016</u>	<u>2015</u>
Lease Purchase Financing	\$2,300,000	\$ -
Capital Lease	51,444	78,365
School Facilities Improvement Notes	92,101	103,083
Energy Conservation Improvement Notes	<u>659,078</u>	<u>719,115</u>
Totals	<u>\$3,102,623</u>	<u>\$900,563</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, 2016

	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 4,796,084</u>
<i>Total Assets</i>	<u>4,796,084</u>
NET POSITION:	
Restricted for Debt Service	118,725
Restricted for Capital Outlay	2,500,671
Restricted for Classroom Maintenance	189,679
Restricted for Other Purposes	74,081
Unrestricted	<u>1,912,928</u>
<i>Total Net Position</i>	<u><u>\$ 4,796,084</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, 2016

	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	\$ 3,739,659	\$ 68,787	\$ 209,440	\$ (3,461,432)
Special	1,856,189	23,217	1,622,091	(210,881)
Vocational	192,560	3,608	68,483	(120,469)
Support Services:				
Pupils	457,047	5,299	230,465	(221,283)
Instructional Staff	240,434	17	303,315	62,898
Board of Education	86,988	1,676	-	(85,312)
Administration	776,474	11,338	236,999	(528,137)
Fiscal	269,199	4,414	-	(264,785)
Operation and Maintenance of Plant	756,837	13,788	52,180	(690,869)
Pupil Transportation	613,670	11,613	13,882	(588,175)
Central	184,308	3,549	141	(180,618)
Operation of Non-Instructional Services	435,641	64,656	-	(370,985)
Extracurricular Activities	222,879	52,208	-	(170,671)
Capital Outlay	260,707	-	-	(260,707)
Debt Service:				
Principal Retirement	97,940	-	-	(97,940)
Interest and Fiscal Charges	46,454	-	-	(46,454)
<i>Total Governmental Activities</i>	<u>\$ 10,236,986</u>	<u>\$ 264,170</u>	<u>\$ 2,736,996</u>	<u>(7,235,820)</u>
General Cash Receipts:				
Property Taxes Levied for:				
General Purposes				990,583
Debt Service				23,770
Grants and Entitlements, Not Restricted to Specific Programs				6,957,504
Gifts and Donations, Not Restricted to Specific Programs				475
Proceeds from Lease Purchase Financing Agreement				2,300,000
Interest				6,976
Miscellaneous				132,369
<i>Total General Cash Receipts</i>				<u>10,411,677</u>
<i>Change in Net Position</i>				3,175,857
<i>Net Position Beginning of Year</i>				<u>1,620,227</u>
<i>Net Position End of Year</i>				<u>\$ 4,796,084</u>

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

Southern Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2016

	General	Building Project Construction	School Facilities Project	All Other Governmental Funds	Total Governmental Funds
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	\$ 1,877,510	\$ 2,000,671	\$ 500,000	\$ 314,841	\$ 4,693,022
<i>Total Assets</i>	<u>\$ 1,877,510</u>	<u>\$ 2,000,671</u>	<u>\$ 500,000</u>	<u>\$ 314,841</u>	<u>\$ 4,693,022</u>
FUND BALANCES:					
Nonspendable	\$ 8,107	\$ -	\$ -	\$ -	\$ 8,107
Restricted	-	2,000,671	-	382,485	2,383,156
Committed	-	-	500,000	-	500,000
Assigned	194,653	-	-	-	194,653
Unassigned	1,674,750	-	-	(67,644)	1,607,106
<i>Total Fund Balances</i>	<u>\$ 1,877,510</u>	<u>\$ 2,000,671</u>	<u>\$ 500,000</u>	<u>\$ 314,841</u>	<u>\$ 4,693,022</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, 2016*

Total Governmental Fund Balances \$ 4,693,022

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.

103,062

Net Position of Governmental Activities

\$ 4,796,084

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, 2016

	General	Building Project Construction	School Facilities Project	All Other Governmental Funds	Total Governmental Funds
CASH RECEIPTS:					
Property Taxes	\$ 990,583	\$ -	\$ -	\$ 23,770	\$ 1,014,353
Intergovernmental	7,815,274	-	-	1,877,726	9,693,000
Interest	6,424	552	-	-	6,976
Tuition and Fees	138,598	-	-	-	138,598
Extracurricular Activities	11,652	-	-	61,712	73,364
Gifts and Donations	475	-	-	1,500	1,975
Customer Sales and Services	-	-	-	52,208	52,208
Miscellaneous	122,118	-	-	10,251	132,369
<i>Total Cash Receipts</i>	<u>9,085,124</u>	<u>552</u>	<u>-</u>	<u>2,027,167</u>	<u>11,112,843</u>
CASH DISBURSEMENTS:					
Current:					
Instruction:					
Regular	3,570,076	-	-	165,396	3,735,472
Special	1,204,986	-	-	649,124	1,854,110
Vocational	187,266	-	-	5,294	192,560
Support Services:					
Pupils	275,047	-	-	182,000	457,047
Instructional Staff	904	-	-	239,530	240,434
Board of Education	86,988	-	-	-	86,988
Administration	588,444	-	-	187,160	775,604
Fiscal	229,085	39,202	-	912	269,199
Operation and Maintenance of Plant	715,630	-	-	41,207	756,837
Pupil Transportation	602,707	-	-	10,963	613,670
Central	184,197	-	-	111	184,308
Operation of Non-Instructional Services	-	-	-	435,641	435,641
Extracurricular Activities	152,803	-	-	70,076	222,879
Capital Outlay	-	260,707	-	-	260,707
Debt Service:					
Principal Retirement	86,958	-	-	10,982	97,940
Interest and Fiscal Charges	41,436	-	-	5,018	46,454
<i>Total Cash Disbursements</i>	<u>7,926,527</u>	<u>299,909</u>	<u>-</u>	<u>2,003,414</u>	<u>10,229,850</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>1,158,597</u>	<u>(299,357)</u>	<u>-</u>	<u>23,753</u>	<u>882,993</u>
OTHER FINANCING SOURCES AND USES:					
Transfers In	-	-	500,000	28,348	528,348
Proceeds from Lease Purchase Financing Agreement	-	2,300,000	-	-	2,300,000
Transfers Out	(528,348)	-	-	-	(528,348)
<i>Total Other Financing Sources and Uses</i>	<u>(528,348)</u>	<u>2,300,000</u>	<u>500,000</u>	<u>28,348</u>	<u>2,300,000</u>
<i>Net Change in Fund Balances</i>	630,249	2,000,643	500,000	52,101	3,182,993
<i>Fund Balances at Beginning of Year</i>	<u>1,247,261</u>	<u>28</u>	<u>-</u>	<u>262,740</u>	<u>1,510,029</u>
<i>Fund Balances at End of Year</i>	<u>\$ 1,877,510</u>	<u>\$ 2,000,671</u>	<u>\$ 500,000</u>	<u>\$ 314,841</u>	<u>\$ 4,693,022</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, 2016*

Net Change in Fund Balances - Total Governmental Funds \$ 3,182,993

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.

(7,136)

Net Change in Net Position of Governmental Activities

\$ 3,175,857

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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Cash Receipts and Other Financing Sources	\$ 8,024,100	\$ 8,997,903	\$ 9,066,165	\$ 68,262
Total Cash Disbursements and Other Financing Uses	9,247,334	10,221,527	8,612,941	1,608,586
Net Change in Fund Balance	(1,223,234)	(1,223,624)	453,224	1,676,848
Fund Balance at Beginning of Year	1,011,999	1,011,999	1,011,999	-
Prior Year Encumbrances Appropriated	211,683	211,683	211,683	-
Fund Balance at End of Year	\$ 448	\$ 58	\$ 1,676,906	\$ 1,676,848

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, 2016

	<u>Internal Service</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 103,062</u>
<i>Total Assets</i>	<u>103,062</u>
NET POSITION:	
Unrestricted	<u>103,062</u>
<i>Total Net Position</i>	<u><u>\$ 103,062</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, 2016

	Internal Service
OPERATING RECEIPTS:	
Charges for Services	\$ 9,514
<i>Total Operating Receipts</i>	9,514
OPERATING DISBURSEMENTS:	
Purchased Services	3,371
Claims	13,279
<i>Total Operating Disbursements</i>	16,650
<i>Change in Net Position</i>	(7,136)
<i>Net Position at Beginning of Year</i>	110,198
<i>Net Position at End of Year</i>	\$ 103,062

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

Southern Local School District
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
June 30, 2016

	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 32,598</u>
<i>Total Assets</i>	<u>32,598</u>
NET POSITION:	
Unrestricted	<u>32,598</u>
<i>Total Net Position</i>	<u><u>\$ 32,598</u></u>

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2015, was 688. The District employed 55 certificated employees and 31 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 Metropolitan Educational Technology Association (META) Solutions 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, 2016

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.

Building Project Construction Fund

This fund accounts for the receipts and expenditures related to special bond funds in the School District. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

School Facilities Project Fund

This fund accounts for the receipts and expenditures for one or more capital projects.

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

Proprietary Fund 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 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 fund is an agency 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.

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, 2016

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, 2016. 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 2016, interest receipts amounted to \$6,976 of which \$6,424 was recorded in the General Fund and \$552 was recorded in the Building Project Construction Fund.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2016, of the District's \$2,883,156 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

3. DEPOSITS AND INVESTMENTS (Continued)

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

1. United States treasury notes, bills, bonds, or other obligations or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
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.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

3. DEPOSITS AND INVESTMENTS (Continued)

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, 2016, the District’s bank balance of \$4,862,981 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, 2016.

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 is 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:

Net Change in Fund Balance	
	General
Cash Basis (as reported)	\$630,249
Perspective Difference:	
Activity of Funds Reclassified for Cash Reporting Purposes	100
Encumbrances	(177,125)
Budget Basis	\$453,224

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 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, 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.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

5. PROPERTY TAX (Continued)

Public utility property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2016, and are collected in 2016 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.

	Perry and Hocking Counties			
	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
<u>Real Property</u>				
Resident/Agricultural	\$ 41,010,630	77.79%	\$ 41,215,683	77.22%
Commercial/Industrial	2,733,140	5.18%	2,723,380	5.10%
Public Utilities	172,920	0.33%	163,960	0.31%
Minerals	2,803,350	5.32%	2,434,060	4.56%
<u>Tangible Personal Property</u>				
Public Utilities	6,000,050	11.38%	6,839,330	12.81%
Total	<u>\$ 52,720,090</u>	<u>100.00%</u>	<u>\$ 53,376,413</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, 2016, consisted of the following:

Debt	Beginning Balance 6/30/2015	Additions	Payments	Ending Balance 6/30/2016	Due in One Year
Lease Purchase Financing Agreement, 3.35%	\$ -	\$ 2,300,000	\$ -	\$ 2,300,000	\$ 120,000
School Facilities Improvement Notes, 5.0%	103,083	-	10,982	92,101	11,537
Energy Conservation Improvement Notes, 4.5% to 5.5%	719,115	-	60,037	659,078	62,620
Capital Lease	78,365	-	26,921	51,444	20,103
Total	<u>\$ 900,563</u>	<u>\$ 2,300,000</u>	<u>\$ 97,940</u>	<u>\$ 3,102,623</u>	<u>\$ 214,260</u>

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.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6. DEBT OBLIGATIONS (Continued)

The Lease Purchase Financing Agreement was issued in the amount of \$2,300,000 in May 2016 for the purpose of constructing, enlarging, improving, furnishing and equipping of school facilities. Payments will be made from the School Facilities Project fund.

The annual requirements to amortize debt outstanding as of June 30, 2016 are as follows:

Year Ending June 30	School Facilities Improvement Notes		Energy Conservation Improvement Notes		Lease Purchase Financing Agreement	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 11,537	\$ 4,463	\$ 62,620	\$ 34,973	\$ 120,000	\$ 77,394
2018	12,122	3,878	66,135	31,457	125,000	70,936
2019	12,735	3,265	69,218	27,748	130,000	66,665
2020	13,380	2,620	72,765	23,878	130,000	62,310
2021	14,057	1,943	77,354	19,782	140,000	57,787
2022-2026	28,270	1,713	310,986	33,191	760,000	215,573
2027-2031	-	-	-	-	895,000	76,967
Total	<u>\$ 92,101</u>	<u>\$ 17,882</u>	<u>\$ 659,078</u>	<u>\$ 171,029</u>	<u>\$ 2,300,000</u>	<u>\$ 627,632</u>

The District's overall legal debt margin was \$4,171,423 with an unvoted debt margin of \$53,376 at June 30, 2016.

7. LEASE OBLIGATION

During previous fiscal years, the District entered into leases for security equipment and a new phone system. The leases are being paid from the General fund.

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, 2016, are as follows:

Year Ending June 30	Amount
2017	\$ 22,125
2018	16,291
2019	15,444
2020	1,282
Total	<u>55,142</u>
Less: Amount Representing Interest	<u>(3,698)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 51,444</u>

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2016, the District contracted with the Liberty Mutual Insurance for property insurance and boiler and machinery coverage. Buildings and contents are 100 percent coinsured.

Vehicles are covered by Liberty Mutual Insurance Company and include deductibles of \$500. Vehicle liability has a \$1,000,000 single occurrence limit. Professional and general liability is covered through Liberty Mutual Insurance 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.

Effective July 1, 2015, the District changed to Coresource as their dental insurance provider and therefore is no longer self-insured for dental.

A comparison of Self Insurance Fund Equity in Pooled Cash and Cash Equivalents to the actuarially-measured liability follows:

	2016	2015
Equity in Pooled Cash and Cash Equivalents	\$103,062	\$110,198
Estimated claims liabilities	\$879	\$5,886

9. PENSION PLANS

Net Pension Liability

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

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

9. PENSION PLANS (Continued)

Net Pension Liability (Continued)

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

9. PENSION PLANS (Continued)

Plan Description - School Employees Retirement System (SERS) (Continued)

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, 2016, the entire allocation was designated to pension, death benefits, and Medicare B. There was no percentage allocated to the Health Care Fund for fiscal year 2016.

The School District’s contractually required contribution to SERS was \$141,096 for fiscal year 2015 and \$134,880 for fiscal year 2016.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

9. PENSION PLANS (Continued)

Plan Description - State Teachers Retirement System (STRS) (Continued)

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. Through June 30, 2015, the employer rate was 14% and the member rate was 12% of covered payroll. The statutory employer rate for fiscal year 2016 and subsequent years is 14%. The statutory member contribution rate increased to 13% on July 1, 2015 and will increase to 14% on July 1, 2016.

The School District's contractually required contribution to STRS was \$456,960 for fiscal year 2015 and \$468,216 for fiscal year 2016.

Net Pension Liability

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,793,415	\$8,472,775	\$10,266,190
Proportion of the Net Pension Liability	0.0314298%	0.03065728%	

Actuarial Assumptions - SERS

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

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

9. PENSION PLANS (Continued)

Actuarial Assumptions – SERS (Continued)

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3.25 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS’ *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Estate	10.00	5.00
Hedge Funds	15.00	7.50
Total	<u>100.00 %</u>	

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

9. PENSION PLANS (Continued)

Actuarial Assumptions – SERS (Continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$2,486,822	\$1,793,415	\$1,209,509

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on the fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

9. PENSION PLANS (Continued)

Actuarial Assumptions – STRS (Continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	10 Year Expected Nominal Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$11,769,324	\$8,472,775	\$5,685,052

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, 2016, none of the Board of Education members has 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 2016, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014, were \$0, \$0, and \$32,475, respectively, which equaled the required contributions each year.

School Employees Retirement System

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administers a postemployment benefit plan.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2016, 2015, and 2014, the health care allocations were 0 percent, 0.82 percent, and 0.14 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2016, 2015, and 2014 fiscal years equaled \$19,827, \$26,736, and \$18,245, respectively, which equaled the required allocation for each year.

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

The financial reports of SERS' Health Care Plan are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

11. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association (META) Solutions

Effective January 4, 2016, the School District is a participant in the Metropolitan Educational Technology Association (META) Solutions, as a result of the merger of the Southeastern Ohio Voluntary Educational Cooperative (SEOVEC) with META Solutions. META Solutions is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC) in February 2015. META Solutions develops, implements and supports the technology and instructional needs of schools and provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of eight members from member districts. The District paid SEOVEC \$174,698 and META Solutions \$7,522 for services during the fiscal year. To obtain financial information write to META Solutions, 100 Executive Drive, Marion, Ohio 43302.

The Coalition of Rural and Appalachian Schools

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

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 Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2015	\$ -
Current Year Set-Aside Requirement	114,318
Qualifying Disbursements	(114,318)
Totals	-
Set-Aside Reserve Cash Balance as of June 30, 2016	\$ -

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 in in future periods, which was \$2,388,974 at June 30, 2016.

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 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, 2016, if applicable, cannot be determined at this time.

B. Litigation

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

C. School District Funding

School District Foundation funding is based on the annualized full-time equivalent enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend passed the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 or June 30, 2016 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time.

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

15. INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2016, were as follows:

Funds:	Transfer To:	Transfer From:
Major Funds		
General Fund	\$ -	\$ 528,348
School Facilities Project Fund	500,000	
Non-Major Funds		
Lunchroom Fund	28,348	-
Total	\$ 528,348	\$ 528,348

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

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

A. 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	\$177,125
Building Project Construction	1,994,677
Other Governmental Funds	323,820
Total Governmental Funds	\$2,495,622

B. Contract Commitments

As of June 30, 2016, the School District's contractual purchase commitment for the building construction project is as follows:

Project	Vendor	Contract Amount	Amount Expended	Balance at 06/30/16
Building Design/Improvements	Plug Smart Juice Technologies, Inc.	\$2,235,000	\$258,707	\$1,976,293

Southern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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	Building Project Construction	School Facilities Project	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Unclaimed Monies	\$8,107	\$0	\$0	\$0	\$8,107
Restricted for					
Other Purposes	0	0	0	74,081	74,081
Classroom Maintenance	0	0	0	189,679	189,679
Debt Services Payments	0	0	0	118,725	118,725
Capital Projects	0	2,000,671	0	0	2,000,671
Total Restricted	<u>0</u>	<u>2,000,671</u>	<u>0</u>	<u>382,485</u>	<u>2,383,156</u>
Committed to					
Capital Projects	<u>0</u>	<u>0</u>	<u>500,000</u>	<u>0</u>	<u>500,000</u>
Assigned to					
Other Purposes	<u>194,653</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>194,653</u>
Total Assigned	<u>194,653</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>194,653</u>
Unassigned (Deficit)	<u>1,674,750</u>	<u>0</u>	<u>0</u>	<u>(67,644)</u>	<u>1,607,106</u>
Total Fund Balances	<u>\$1,877,510</u>	<u>\$2,000,671</u>	<u>\$500,000</u>	<u>\$314,841</u>	<u>\$4,693,022</u>

19. ACCOUNTABILITY

The following funds had deficit fund balances at June 30, 2016.

Other Governmental Funds	Deficit
Early Childhood Education	\$26,001
Title VI-B	2,110
Title I	24,331
Miscellaneous Federal Grants	15,202
	<u>\$67,644</u>

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

Southern Local School District
Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Three Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$ 18,503,280,961	\$ 17,881,827,171	\$ 17,247,161,078
Plan net position	<u>12,797,184,030</u>	<u>12,820,884,107</u>	<u>11,300,482,029</u>
Net pension liability	5,706,096,931	5,060,943,064	5,946,679,049
School District's proportion of the net pension liability	0.0314298%	0.030825%	0.030825%
School District's proportionate share of the net pension liability	\$ 1,793,415	\$ 1,560,036	\$ 1,833,064
School District's covered-employee payroll	\$ 1,018,009	\$ 951,434	\$ 1,027,630
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	176.20%	164.00%	178.40%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.50%

Southern Local School District
Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Three Years

	2015	2014	2013
Total plan pension liability	\$ 99,014,653,744	\$ 96,167,057,104	\$ 94,366,693,720
Plan net position	<u>71,377,578,736</u>	<u>71,843,596,331</u>	<u>65,392,746,348</u>
Net pension liability	27,637,075,008	24,323,460,773	28,973,947,372
School District's proportion of the net pension liability	0.03065728%	0.03096155%	0.03096155%
School District's proportionate share of the net pension liability	\$ 8,472,775	\$ 7,530,920	\$ 8,970,783
School District's covered-employee payroll	\$ 3,264,000	\$ 3,406,754	\$ 3,484,431
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	259.60%	221.10%	257.50%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Southern Local School District
Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 134,880	\$ 141,096	\$ 125,399	\$ 142,224	\$ 155,208	\$ 148,992	\$ 134,388	\$ 130,356	\$ 128,760	\$ 138,384
Contributions in relation to the contractually required contribution	(134,880)	(141,096)	(125,399)	(142,224)	(155,208)	(148,992)	(134,388)	(130,356)	(128,760)	(138,384)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered-employee payroll	\$ 963,429	\$ 1,018,009	\$ 951,434	\$ 1,027,630	\$ 1,153,963	\$ 1,185,298	\$ 992,526	\$ 1,324,756	\$ 1,311,202	\$ 1,295,730
Contributions as a percentage of covered employee payroll	14.00%	13.86%	13.18%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

Southern Local School District
Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 468,216	\$ 456,960	\$ 442,878	\$ 452,976	\$ 460,368	\$ 525,720	\$ 576,576	\$ 541,008	\$ 518,832	\$ 520,240
Contributions in relation to the contractually required contribution	(468,216)	(456,960)	(442,878)	(452,976)	(460,368)	(525,720)	(576,576)	(541,008)	(518,832)	(520,240)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District covered-employee payroll	\$ 3,344,400	\$ 3,264,000	\$ 3,406,754	\$ 3,484,431	\$ 3,541,292	\$ 4,044,000	\$ 4,435,200	\$ 4,161,600	\$ 3,991,015	\$ 4,001,846
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' 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 general 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, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 21, 2016, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first 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 a 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 Funding 2016-001 described in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Southern Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed one instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2016-001.

Entities Response to Findings

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

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.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
October 21, 2016

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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 compliance with the applicable requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could directly and materially affect each of the Southern Local School District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Southern Local School District's major federal programs.

Management's Responsibility

The Southern Local School District's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Southern Local School District's compliance for each of the Southern Local School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 Southern Local School District's compliance with these 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 on the District's compliance.

Opinion

In our opinion, the Southern Local School 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, 2016.

Report on Internal Control Over Compliance

The Southern Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Southern Local School District's internal control over compliance with the applicable requirements that could directly and materially affect on 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 the Uniform Guidance, 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 Southern Local School District's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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 Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
October 21, 2016

**SOUTHERN LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS
2 CFR SECTION 200.515
June 30, 2016**

1. Summary of Auditor's Results

(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)?	No
(d)(1)(ii)	Were there any other significant deficiencies In internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance 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 other 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 section. 510?	No
(d)(1)(vii)	Major Programs:	Title 1, CFDA #84.10 Title VI-B, CDFA #84.027 Special Ed. Preschool, CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs:	Type A: >\$750,000; Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	No

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

FINDING NUMBER 2016-001

Ohio Revised Code Section 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 of 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 Revised Code Section 117.38.

Ohio Admin. Code Section 117-2-03 (B) requires the District to file its annual 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 Revised Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required report.

**SOUTHERN LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS (CONTINUED)
2 CFR SECTION 200.515
June 30, 2016**

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

FINDING NUMBER 2016-001 (Continued)

We recommend the District take the necessary steps to ensure that the annual 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.

3. Findings and Questioned Costs for Federal Awards

None

SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/ Sub-Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements	Expenditures to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE:							
Pass through Ohio Department of Education							
Nutrition Cluster							
National School Breakfast Program	n/a	10.553	146,552	10,453	146,552	10,453	-
National School Lunch Program	n/a	10.555	203,007	14,435	203,007	14,435	-
Total Nutrition Cluster			349,559	24,888	349,559	24,888	-
Total U.S. Department of Agriculture			349,559	24,888	349,559	24,888	-
U.S. DEPARTMENT OF EDUCATION:							
Pass through Ohio Department of Education							
Title I Cluster:							
Title I Educationally Deprived Children	CI-S1-2015	84.010	105,651	-	87,002	-	-
	CI-S1-2016		371,461	-	395,782	-	-
Total Title I Cluster			477,112	-	482,784	-	-
Special Education Cluster (IDEA):							
Title VI-B Special Education Assistance	6B-SF-2015	84.027	18,292	-	15,418	-	-
	6B-SF-2016		176,297	-	179,312	-	-
Total VI-B Special Education Assistance			194,589	-	194,730	-	-
Special Education Preschool Grants	6B-SF-2015	84.173	242	-	-	-	-
	6B-SF-2016		3,521	-	3,521	-	-
Total Special Education Preschool Grants			3,763	-	3,521	-	-
Total Special Education Cluster (IDEA)			198,352	-	198,251	-	-
Twenty-First Century Community Learning Centers	2015	84.287	82,098	-	78,195	-	-
	2016		184,649	-	198,959	-	142,151
Total Twenty-First Century Community Learning Centers			266,747	-	277,154	-	142,151
Improving Teacher Quality	TR-S1-2015	84.367	10,309	-	4,650	-	-
	TR-S1-2016		46,950	-	45,133	-	-
Total Improving Teacher Quality			57,259	-	49,783	-	-
Teacher Incentive Fund (TIF) Cluster:							
TIF-Professional Development	2015	84.374	8,976	-	147	-	-
Teacher Incentive Fund	2015		13,171	-	2,369	-	-
Teacher Incentive Fund	2016		75,400	-	76,283	-	-
Total Teacher Incentive Fund (TIF)			97,547	-	78,799	-	-
ARRA-Teacher Incentive Fund, Recovery Act							
OTIF Incentive Awards	2016	84.385	164,725	-	164,725	-	-
Total ARRA-Teacher Incentive Fund, Recovery Act			164,725	-	164,725	-	-
Total Teacher Incentive Fund (TIF) Cluster			262,272	-	243,524	-	-
Total U.S. Department of Education			1,261,742 #	-	1,251,496	-	142,151
Total Federal Awards Expenditures			<u>\$ 1,611,301</u>	<u>\$ 24,888</u>	<u>\$ 1,601,055</u>	<u>\$ 24,888</u>	<u>\$ 142,151</u>

See notes to Schedule of Federal Awards Expenditures.

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - GENERAL

The basis for determining when federal awards are expended is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. In addition, expenditures reported on the Schedule are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The School District has not elected to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The School District passes-through certain Federal assistance received from the U.S. Department of Education to other governments or not-for-profit agencies (subrecipients). As described in Note A, the School District records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under the Uniform Guidance, the School District is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

NOTES D – CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

Southern Local School District reports commodities 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.

**SOUTHERN LOCAL SCHOOL DISTRICT
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2016**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2015-001	ORC 117.38 and OAC 117-02-03(B) Filed on basis prescribed by AOS, not GAAP	No	Not Corrected, Repeated as Finding 2016-001

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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
JANUARY 19, 2017**