



Mary Taylor, CPA
Auditor of State

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Local School District, Meigs County, Ohio (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Local School District, Meigs County, Ohio, as of June 30, 2009, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2010, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Mary Taylor, CPA
Auditor of State

February 26, 2010

Southern Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Unaudited

The discussion and analysis of the Southern Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2009 are as follows:

- Net assets of governmental activities increased \$569,974.
- General revenues accounted for \$6,078,862 in revenue or 68% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$2,890,290 or 32% of total revenues of \$8,969,152.
- The School District had \$8,399,178 in expenses related to governmental activities; only \$2,890,290 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$6,078,862 were adequate to provide for these programs.
- The School District's major funds were the General Fund and the Bond Retirement Debt Service Fund. The General Fund had \$6,089,574 in revenues and \$5,448,544 in expenditures. The General Fund's balance increased \$610,396. The Bond Retirement Fund had \$356,156 in revenues and \$310,943 in expenditures. The Bond Retirement Fund's balance increased \$45,213.

Using this Annual Financial Report

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

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

Southern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Bond Retirement Debt Service Fund.

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

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

Southern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
 Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2009 compared to 2008.

Table 1
Net Assets

	Governmental Activities		
	2009	2008	Change
Assets			
Current and Other Assets	\$4,899,151	\$4,323,676	\$575,475
Capital Assets	9,549,359	9,678,450	(129,091)
Total Assets	<u>14,448,510</u>	<u>14,002,126</u>	<u>446,384</u>
Liabilities			
Long-term Liabilities	3,195,539	3,336,155	(140,616)
Other Liabilities	2,746,881	2,729,855	17,026
Total Liabilities	<u>5,942,420</u>	<u>6,066,010</u>	<u>(123,590)</u>
Net Assets			
Invested in Capital Assets, Net of Debt	6,692,885	6,666,306	26,579
Restricted	770,995	598,654	172,341
Unrestricted	1,042,210	671,156	371,054
Total Net Assets	<u><u>\$8,506,090</u></u>	<u><u>\$7,936,116</u></u>	<u><u>\$569,974</u></u>

Total assets increased \$446,384. This increase was mainly due to an increase in cash and cash equivalents of \$287,079 and intergovernmental receivables of \$224,894, attributed to newly awarded grants. These increases were offset by a decrease in capital assets of \$129,091. As the assets increased, the total governmental activities liabilities decreased \$123,590.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2009, and comparisons to fiscal year 2008.

Southern Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Unaudited

Table 2
Changes in Net Assets

	Governmental Activities		
	2009	2008	Change
Revenues			
Program Revenues			
Charges for Services	\$368,000	\$411,570	(\$43,570)
Operating Grants, Contributions and Interest	2,466,716	1,976,517	490,199
Capital Grants and Contributions	55,574	7,254	48,320
Total Program Revenues	<u>2,890,290</u>	<u>2,395,341</u>	<u>494,949</u>
General Revenues			
Property Taxes	1,894,212	1,418,472	475,740
Grants and Entitlements	4,137,076	3,989,121	147,955
Investment Earnings	40,648	31,963	8,685
Miscellaneous	6,926	32,067	(25,141)
Total General Revenues	<u>6,078,862</u>	<u>5,471,623</u>	<u>607,239</u>
Total Revenues	<u>8,969,152</u>	<u>7,866,964</u>	<u>1,102,188</u>
Program Expenses			
Instruction:			
Regular	3,074,227	2,676,303	397,924
Special	985,650	953,633	32,017
Vocational	135,855	130,405	5,450
Adult/Continuing	109	5,707	(5,598)
Student Intervention	53,024	0	53,024
Support Services:			
Pupils	270,437	248,055	22,382
Instructional Staff	306,110	270,864	35,246
Board of Education	14,686	15,846	(1,160)
Administration	1,154,161	1,172,331	(18,170)
Fiscal	331,066	301,199	29,867
Operation and Maintenance of Plant	669,742	573,209	96,533
Pupil Transportation	565,698	482,517	83,181
Central	81,364	63,793	17,571
Operation of Non-Instructional Services:			
Food Service Operations	412,938	382,410	30,528
Other	73,148	1,347	71,801
Extracurricular Activities	129,521	129,730	(209)
Interest and Fiscal Charges	141,442	154,613	(13,171)
Total Expenses	<u>8,399,178</u>	<u>7,561,962</u>	<u>837,216</u>
Increase in Net Assets	569,974	305,002	264,972
Net Assets Beginning of Year	7,936,116	7,631,114	305,002
Net Assets End of Year	<u>\$8,506,090</u>	<u>\$7,936,116</u>	<u>\$569,974</u>

Southern Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Unaudited

During fiscal year 2009, the School District saw an increase in property tax revenue. State foundation funding remained relatively consistent with the prior year. The School District receives nearly 70% of its funds from the State due to area demographics.

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

Table 3
Governmental Activities

	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
Program Expenses				
Instruction:				
Regular	\$3,074,227	\$2,522,610	\$2,676,303	\$2,251,434
Special	985,650	389,637	953,633	245,870
Vocational	135,855	94,515	130,405	80,435
Adult/Continuing	109	(491)	5,707	2,667
Student Intervention	53,024	9,391	0	0
Support Services:				
Pupil	270,437	96,074	248,055	224,848
Instructional Staff	306,110	107,542	270,864	257,679
Board of Education	14,686	14,686	15,846	15,846
Administration	1,154,161	561,713	1,172,331	533,386
Fiscal	331,066	317,912	301,199	291,302
Operation and Maintenance of Plant	669,742	634,912	573,209	524,346
Pupil Transportation	565,698	514,603	482,517	418,356
Central	81,364	23,584	63,793	45,603
Operation of Non-Instructional Services:				
Food Service Operations	412,938	64,204	382,410	33,366
Other	73,148	(24,913)	1,347	702
Extracurricular Activities	129,521	41,467	129,730	86,168
Interest and Fiscal Charges	141,442	141,442	154,613	154,613
Total	\$8,399,178	\$5,508,888	\$7,561,962	\$5,166,621

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2009, 70% of instructional activities were supported through taxes and other general revenues.

Southern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

The School District Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,754,006 and expenditures of \$8,305,482. The School District is focusing its efforts to reduce expenditures, first through strict monitoring of its discretionary budgets, such as supplies and capital outlay, and also through the retirement of several staff members. Also, the School District joined OME-RESA health consortium, effective July 1, 2008, therefore pooling the risk with 30,000 consortium OME members for the future fiscal year. The School District passed its renewal levy in November 2008 for five years.

General Fund Budgeting Highlights

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

During the course of fiscal 2009, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$6,016,597, below final estimates of \$6,026,471. The \$9,874 difference was due to less interest and other revenue being received than anticipated. Original estimated revenues were decreased \$34,219 mainly in the taxes and intergovernmental revenue areas due to less than expected state foundation and tax monies. Actual expenditures were \$52,560 under final appropriations. Original appropriations were increased \$442,825 due in part to higher energy costs and increased contributions to the State retirement systems.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the School District had \$9,549,359 invested in land and land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2009 balances compared to 2008.

Southern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
 Unaudited

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2009	2008
Land	\$173,855	\$199,100
Land Improvements	191,880	210,044
Buildings and Improvements	8,486,392	8,851,898
Furniture and Equipment	528,561	351,213
Vehicles	168,671	66,195
Totals	\$9,549,359	\$9,678,450

See Note 11 to the basic financial statements for more information on capital assets.

Debt

At June 30, 2009, the School District had the following debt outstanding.

Table 5
 Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2009	2008
1995 Asbestos Loan	\$41,343	\$53,115
1998 School Facilities Construction Bonds	2,835,000	2,980,000
Capital Leases	21,474	32,144
	\$2,897,817	\$3,065,259

See Notes 14 and 16 to the basic financial statements for more information on debt.

Current Issues

The Southern Local School District continues to strengthen financially and expects to continue this trend under its leadership. Progress in economic development has helped the School District with increased enrollment. The School District was the only school in the County to obtain an “excellent” report card from the State Department of Education.

Southern Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Unaudited

Contacting the School District's Financial Management

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

Southern Local School District, Ohio

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,153,950
Cash and Cash Equivalents in Segregated Accounts	364
Accrued Interest Receivable	797
Accounts Receivable	3,088
Intergovernmental Receivable	337,635
Materials and Supplies Inventory	13,768
Prepaid Items	5,816
Property Taxes Receivable	2,383,733
Nondepreciable Capital Assets	173,855
Depreciable Capital Assets, Net	<u>9,375,504</u>
<i>Total Assets</i>	<u>14,448,510</u>
Liabilities	
Accounts Payable	52,403
Accrued Wages and Benefits Payable	531,686
Accrued Interest Payable	10,411
Vacation Benefits Payable	21,875
Claims Payable	98,477
Intergovernmental Payable	185,418
Deferred Revenue	1,846,611
Long-Term Liabilities:	
Due Within One Year	187,577
Due In More Than One Year	<u>3,007,962</u>
<i>Total Liabilities</i>	<u>5,942,420</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	6,692,885
Restricted for:	
Debt Service	375,215
Capital Projects	12,131
Unclaimed Monies	441
Other Purposes	383,208
Unrestricted	<u>1,042,210</u>
<i>Total Net Assets</i>	<u><u>\$8,506,090</u></u>

See accompanying notes to the financial statements.

Southern Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$3,074,227	\$234,659	\$316,958	\$0	(\$2,522,610)
Special	985,650	0	596,013	0	(389,637)
Vocational	135,855	0	41,340	0	(94,515)
Adult/Continuing	109	600	0	0	491
Student Intervention	53,024	0	43,633	0	(9,391)
Support Services:					
Pupils	270,437	1,728	172,635	0	(96,074)
Instructional Staff	306,110	0	198,568	0	(107,542)
Board of Education	14,686	0	0	0	(14,686)
Administration	1,154,161	0	592,448	0	(561,713)
Fiscal	331,066	0	13,154	0	(317,912)
Operation and Maintenance of Plant	669,742	0	34,830	0	(634,912)
Pupil Transportation	565,698	0	44,619	6,476	(514,603)
Central	81,364	0	57,780	0	(23,584)
Operation of Non-Instructional Services:					
Food Service Operations	412,938	92,057	256,677	0	(64,204)
Other	73,148	0	98,061	0	24,913
Extracurricular Activities	129,521	38,956	0	49,098	(41,467)
Interest and Fiscal Charges	141,442	0	0	0	(141,442)
Totals	\$8,399,178	\$368,000	\$2,466,716	\$55,574	(5,508,888)
General Revenues					
Property Taxes Levied for:					
					1,566,638
					298,765
					28,809
					4,137,076
					40,648
					6,926
					<u>6,078,862</u>
					569,974
					<u>7,936,116</u>
					<u>\$8,506,090</u>

See accompanying notes to the basic financial statements.

Southern Local School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2009*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,662,309	\$336,334	\$154,866	\$2,153,509
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	441	0	0	441
Cash and Cash Equivalents in Segregated Accounts	0	0	364	364
Receivables:				
Property Taxes	1,967,675	379,954	36,104	2,383,733
Accrued Interest	797	0	0	797
Accounts	2,113	0	975	3,088
Intergovernmental	5,341	0	332,294	337,635
Interfund	49,040	0	0	49,040
Prepaid Items	5,816	0	0	5,816
Materials and Supplies Inventory	5,520	0	8,248	13,768
<i>Total Assets</i>	<u>\$3,699,052</u>	<u>\$716,288</u>	<u>\$532,851</u>	<u>\$4,948,191</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$16,615	\$0	\$35,788	\$52,403
Accrued Wages and Benefits Payable	388,747	0	142,939	531,686
Interfund Payable	0	0	17,956	17,956
Intergovernmental Payable	112,166	0	73,252	185,418
Deferred Revenue	1,874,911	360,367	330,873	2,566,151
<i>Total Liabilities</i>	<u>2,392,439</u>	<u>360,367</u>	<u>600,808</u>	<u>3,353,614</u>
Fund Balances				
Reserved for Encumbrances	138	0	8,574	8,712
Reserved for Unclaimed Monies	441	0	0	441
Reserved for Property Taxes	94,041	19,587	1,652	115,280
Unreserved, Undesignated, Reported in:				
General Fund	1,211,993	0	0	1,211,993
Special Revenue Funds (Deficits)	0	0	(90,314)	(90,314)
Debt Service Fund	0	336,334	0	336,334
Capital Projects Funds	0	0	12,131	12,131
<i>Total Fund Balances (Deficit)</i>	<u>1,306,613</u>	<u>355,921</u>	<u>(67,957)</u>	<u>1,594,577</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,699,052</u>	<u>\$716,288</u>	<u>\$532,851</u>	<u>\$4,948,191</u>

See accompanying notes to the financial statements.

Southern Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2009*

Total Governmental Fund Balances	\$1,594,577
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,549,359
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes	421,842
Grants and Intergovernmental Revenues	296,905
Student Fees	793
	719,540
Accrued Interest Payable is recognized for outstanding long-term liabilities with interest accruals that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.	(10,411)
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due.	(21,875)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	(129,561)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
School Construction Bonds	(2,835,000)
Asbestos Abatement Loan	(41,343)
Capital Leases Payable	(21,474)
Sick Leave Benefits Payable	(297,722)
	(3,195,539)
Net Assets of Governmental Activities	\$8,506,090

See accompanying notes to the financial statements.

Southern Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$1,547,788	\$294,997	\$28,467	\$1,871,252
Intergovernmental	4,263,341	61,159	1,924,343	6,248,843
Investment Earnings	38,077	0	293	38,370
Charges for Services	0	0	92,657	92,657
Tuition and Fees	233,754	0	1,866	235,620
Extracurricular Activities	0	0	40,684	40,684
Gifts and Donations	0	0	219,654	219,654
Miscellaneous	6,614	0	312	6,926
<i>Total Revenues</i>	<u>6,089,574</u>	<u>356,156</u>	<u>2,308,276</u>	<u>8,754,006</u>
Expenditures				
Current:				
Instruction:				
Regular	2,285,483	0	469,613	2,755,096
Special	496,682	0	444,881	941,563
Vocational	143,945	0	0	143,945
Adult/Continuing	0	0	109	109
Student Intervention	0	0	53,024	53,024
Support Services:				
Pupils	288,776	0	57,513	346,289
Instructional Staff	180,676	0	78,323	258,999
Board of Education	14,686	0	0	14,686
Administration	472,461	0	635,786	1,108,247
Fiscal	279,707	13,367	24,328	317,402
Operation and Maintenance of Plant	526,697	0	119,623	646,320
Pupil Transportation	603,674	0	42,408	646,082
Central	55,306	0	61,201	116,507
Operation of Non-Instructional Services	0	0	475,204	475,204
Extracurricular Activities	87,246	0	83,982	171,228
Debt Service:				
Principal	10,670	156,812	0	167,482
Interest and Fiscal Charges	2,535	140,764	0	143,299
<i>Total Expenditures</i>	<u>5,448,544</u>	<u>310,943</u>	<u>2,545,995</u>	<u>8,305,482</u>
Excess of Revenues Over (Under) Expenditures	<u>641,030</u>	<u>45,213</u>	<u>(237,719)</u>	<u>448,524</u>
Other Financing Sources (Uses)				
Transfers In	0	0	55,879	55,879
Proceeds from Sale of Capital Assets	25,245	0	0	25,245
Transfers Out	(55,879)	0	0	(55,879)
<i>Total Other Financing Sources (Uses)</i>	<u>(30,634)</u>	<u>0</u>	<u>55,879</u>	<u>25,245</u>
<i>Net Change in Fund Balance</i>	610,396	45,213	(181,840)	473,769
<i>Fund Balances Beginning of Year</i>	<u>696,217</u>	<u>310,708</u>	<u>113,883</u>	<u>1,120,808</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$1,306,613</u>	<u>\$355,921</u>	<u>(\$67,957)</u>	<u>\$1,594,577</u>

See accompanying notes to the financial statements.

Southern Local School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2009*

Net Change in Fund Balances - Total Governmental Funds \$473,769

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

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

Capital Asset Additions	374,986	
Capital Contributions	49,098	
Depreciation Expense	<u>(493,719)</u>	(69,635)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (59,456)

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

Delinquent Taxes	22,960	
Student Fees	(961)	
Grants	<u>190,576</u>	212,575

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 167,482

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. 1,857

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (129,561)

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

Vacation Benefits Payable	(191)	
Sick Leave Benefits Payable	<u>(26,866)</u>	<u>(27,057)</u>

Change in Net Assets of Governmental Activities \$569,974

See accompanying notes to the financial statements.

Southern Local School District, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2009*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$1,485,407	\$1,477,021	\$1,477,021	\$0
Intergovernmental	4,286,133	4,261,934	4,261,934	0
Investment Earnings	36,205	36,000	37,246	1,246
Tuition and Fees	235,110	233,782	233,782	0
Miscellaneous	17,835	17,734	6,614	(11,120)
<i>Total Revenues</i>	<u>6,060,690</u>	<u>6,026,471</u>	<u>6,016,597</u>	<u>(9,874)</u>
Expenditures				
Current:				
Instruction:				
Regular	2,141,484	2,310,765	2,310,715	50
Special	451,100	487,037	487,037	0
Vocational	134,039	145,226	144,717	509
Support Services:				
Pupils	260,069	280,788	280,788	0
Instructional Staff	167,655	181,146	181,011	135
Board of Education	13,858	14,962	14,962	0
Administration	448,666	497,130	475,839	21,291
Fiscal	275,533	297,120	293,801	3,319
Operation and Maintenance of Plant	480,309	529,868	518,573	11,295
Pupil Transportation	566,864	627,984	612,023	15,961
Central	49,350	53,281	53,281	0
Extracurricular Activities	80,894	87,339	87,339	0
<i>Total Expenditures</i>	<u>5,069,821</u>	<u>5,512,646</u>	<u>5,460,086</u>	<u>52,560</u>
<i>Excess of Revenues Over Expenditures</i>	<u>990,869</u>	<u>513,825</u>	<u>556,511</u>	<u>42,686</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	25,388	25,245	25,245	0
Advances Out	(59,630)	(59,630)	(59,630)	0
Refund of Prior Year Receipts	(2,959)	(2,959)	(2,959)	0
Transfers Out	(55,879)	(55,879)	(55,879)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(93,080)</u>	<u>(93,223)</u>	<u>(93,223)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	897,789	420,602	463,288	42,686
<i>Fund Balance Beginning of Year</i>	1,216,516	1,216,516	1,216,516	0
Prior Year Encumbrances Appropriated	13,281	13,281	13,281	0
<i>Fund Balance End of Year</i>	<u>\$2,127,586</u>	<u>\$1,650,399</u>	<u>\$1,693,085</u>	<u>\$42,686</u>

See accompanying notes to the basic financial statements.

Southern Local School District, Ohio
Statement of Fund Net Assets
Medical and Prescription Internal Service Fund
June 30, 2009

Current Liabilities	
Interfund Payable	\$31,084
Claims Payable	<u>98,477</u>
<i>Total Liabilities</i>	<u>129,561</u>
 Net Assets	
Unrestricted (Deficit)	<u><u>(\$129,561)</u></u>

See accompanying notes to the basic financial statements.

Southern Local School District, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Medical and Prescription Internal Service Fund
For the Fiscal Year Ended June 30, 2009*

Operating Revenues	
Charges for Services	\$989,170
	<hr/>
Operating Expenses	
Purchased Services	261,652
Claims	859,650
	<hr/>
<i>Total Operating Expenses</i>	<i>1,121,302</i>
	<hr/>
<i>Operating Loss</i>	<i>(132,132)</i>
	<hr/>
Non-Operating Revenues:	
Interest	2,571
	<hr/>
<i>Change in Net Assets</i>	<i>(129,561)</i>
	<hr/>
<i>Net Assets Beginning of Year</i>	<i>0</i>
	<hr/>
<i>Net Assets (Deficit) End of Year</i>	<i>(\$129,561)</i>
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

Southern Local School District, Ohio
Statement of Cash Flows
Medical and Prescription Internal Service Fund
For the Fiscal Year Ended June 30, 2009

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Transactions with Other Funds	\$989,170
Cash Payments to Suppliers for Services	(261,652)
Cash Payments for Claims	(761,173)
	(33,655)

Net Cash Used For Operating Activities (33,655)

Cash Flows from Non-Capital and Related Financing Activities:

Advances In 31,084

Cash Flows from Investing Activities:

Interest 2,571

Net Increase in Cash and Cash Equivalents 0

Cash and Cash Equivalents Beginning of Year 0

Cash and Cash Equivalents End of Year \$0

Reconciliation of Operating Loss to Net

Cash Used For Operating Activities

Operating Loss (\$132,132)

Changes in Liabilities

Increase in Claims Payable 98,477

Net Cash Used For Operating Activities (\$33,655)

See accompanying notes to the basic financial statements.

Southern Local School District, Ohio

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2009

	Private-Purpose Trust Funds	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$134,747	\$4,960
Liabilities		
Due to Students		\$4,960
Net Assets		
Held in Trust for Scholarships	\$134,747	

See accompanying notes to the basic financial statements.

Southern Local School District, Ohio
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2009

	Private-Purpose Trust Funds
Additions	
Interest	\$ 6,792
Donations	52,000
Total Additions	58,792
Deductions	
Scholarships	4,400
Other Expenses in accordance with Trust Agreements	219
Total Deductions	4,619
<i>Change in Net Assets</i>	54,173
<i>Net Assets Beginning of Year</i>	80,574
<i>Net Assets End of Year</i>	\$ 134,747

See accompanying notes to the basic financial statements.

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 1 - Description of the School District and Reporting Entity

Southern Local School District, Meigs County (the School District), is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by State and/or local guidelines. The School District is staffed by 65 certificated employees and 41 classified employees who provide services to 709 students. The School District currently operates one elementary school (grades kindergarten to eighth) and one high school (grades ninth to twelfth).

The Auditor of State of Ohio declared the School District to be in fiscal emergency on November 8, 1999. A financial planning and supervision commission has been established. The Commission's primary charge is to develop, adopt, and implement a financial recovery plan. The original recovery plan was adopted on March 21, 2000. State law requires the plan to be updated annually. The last update was approved on April 26, 2006, for the fiscal year ending June 30, 2006. The update recommended that the School District continue to develop and maintain a five-year forecast that establishes the parameters of expenditures versus revenue for the School District and that the Board of Education contains expenditures within the five-year forecast. The Board of Education is prohibited from taking any action which is contrary to or not authorized by the plan. On April 22, 2009, the Commission and its role were terminated and the School District was taken out of fiscal emergency status.

Reporting Entity

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

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

The School District participates in the Southeastern Ohio Voluntary Education Cooperative and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations; the Ohio School Boards Association Workers' Compensation Group Rating Program, which is defined as an insurance purchasing pool; and the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, which is defined as a claims servicing pool. These organizations are presented in Notes 17, 18, and 19 to the basic financial statements.

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

B. Fund Accounting

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

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

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

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

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

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

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

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

C. Measurement Focus

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

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds except the private purpose trust funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". At the end of fiscal year 2009, the School District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$38,077, which includes \$11,910 assigned from other School District funds.

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

G. Inventory

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

H. Capital Assets

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

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

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

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

I. Restricted Assets

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

J. Compensated Absences

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

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

K. Accrued Liabilities and Long-term Obligations

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

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

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

L. Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

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

M. Fund Balance Reserves

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

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

N. Interfund Assets and Liabilities

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

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations and athletic and music activities, and federal and state grants restricted to expenditure for specified purposes.

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

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

P. Extraordinary and Special Items

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

Q. Estimates

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

R. Budgetary Process

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

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

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

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 3 - Fund Deficits

At June 30, 2009, the following funds had deficit fund balances:

	<u>Deficit</u>
Special Revenue Funds:	
Food Service	\$24,191
Uniform School Supplies	1,255
Poverty Based Assistance	31,200
Title VI-B	27,243
Title I	56,311
21st Century Grant	9,311
Grant to Reduce Alcohol Addiction	39,197

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

Note 4 - Budgetary Basis of Accounting

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

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

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

Net Change in Fund Balance	
GAAP Basis	\$610,396
Revenue Accruals	(72,943)
Expenditure Accruals	(24,218)
Unreported Items at End of Year	(34)
Prepaid Items:	
Beginning of Fiscal Year	5,578
End of Fiscal Year	(5,816)
Advances Out	(59,630)
Principal Retirement	10,670
Encumbrances	<u>(715)</u>
Budget Basis	<u><u>\$463,288</u></u>

Note 5 - Deposits and Investments

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

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

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

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

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

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

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the School District's bank balance was \$2,227,416. \$503,747 was covered by Federal depository insurance; \$1,723,669 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Tangible personal property tax revenue received during calendar 2009 (other than public utility property tax) represents the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Meigs County. The County Auditor periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2009, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. The amount available as an advance at June 30, 2009, was \$115,280 and is recognized as revenue: \$94,041 in the General Fund, \$1,652 in the Classroom Facilities Maintenance Special Revenue Fund, and \$19,587 in the Bond Retirement Fund. The amount available as an advance at June 30, 2008, was \$26,486 and is recognized as revenue: \$22,540 in the General Fund, \$371 in the Classroom Facilities Maintenance Special Revenue Fund, and \$3,575 in the Bond Retirement Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred. The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$59,797,210	82%	\$60,337,840	83%
Public Utility Personal	11,656,670	16%	11,818,070	16%
Tangible Personal Property	1,149,017	2%	635,140	1%
	<u>\$72,602,897</u>	<u>100%</u>	<u>\$72,791,050</u>	<u>100%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$31.70		\$31.70	

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 7 - Receivables

Receivables at June 30, 2009, consisted of taxes, accrued interest, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Except for property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Ohio Department of Taxation	\$2,631
State Foundation Adjustments	2,554
CAFS	156
Early Childhood Education	316
Title V	110
Safe and Drug Free	1,022
Title VI-B IDEA	4,708
Title VI-B Rural and Low Income	5,190
School Counseling Demonstration	320,282
Miscellaneous Reimbursements	666
Total	<u>\$337,635</u>

Note 8 - Interfund Transfers and Balances

Transfers made during fiscal year 2009 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$0	\$55,879
Nonmajor Special Revenue Funds:		
Food Service	24,308	0
Jividen Trust	161	0
Severance	23,011	0
Title I	4,540	0
21st Century	3,859	0
Total Special Revenue Funds	55,879	0
Total All Funds	<u>\$55,879</u>	<u>\$55,879</u>

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Unpaid interfund cash advances at June 30, 2009, were as follows:

	Receivables	Payables
General Fund	\$49,040	\$0
Nonmajor Special Revenue Funds:		
Uniform School Supplies	0	6,200
State Grant Funds	0	10,757
Title VIB	0	370
Federal Grant Funds	0	629
Total Special Revenue Funds	0	17,956
Internal Service Fund	0	31,084
Total All Funds	\$49,040	\$49,040

The interfund balances result from the provision of cash flow resources from the General Fund until the receipt of grant monies by the grant funds, to subsidize programs not covered by school fees by the Uniform School Supplies Special Revenue Fund, and to subsidize the underfunded self-insurance fund.

Note 9 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the School District contracted with Indiana Insurance Company for general liability, vehicle, and property insurance. Coverage provided by the Indiana Insurance Group is as follows:

Building and Contents-replacement cost	\$21,690,546
Inland Marine:	
Cameras and audio-visual equipment (\$500 deductible)	50,000
Signs	10,000
Music Instruments and Band Uniforms	90,000
Computers (\$1,000 deductible)	
Hardware	100,000
Extra Expense	5,000
Crime (\$500 deductible) -	
Public Employee Dishonesty	10,000
Forgery and Alteration	10,000
Automobile Liability (no deductible):	
Bodily Injury and Property Damage – combined single limit	1,000,000
Medical Payments – each person	5,000
Uninsured Motorist	1,000,000
Underinsured Motorist	1,000,000

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

General Liability (no deductible):	
Aggregate Limit	\$2,000,000
Medical Expense Limit – per person/accident	15,000
Employee Benefits Liability (\$1,000 deductible):	
Per Claim	1,000,000
Aggregate Limit	3,000,000
Umbrella:	
Each Occurrence	1,000,000
Aggregate Limit	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2008.

B. Workers' Compensation

For fiscal year 2009, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

C. Medical/Surgical and Prescription Drug Insurances

Medical/surgical and prescription drug insurance is offered through a self-insurance internal service fund. The School District pays 98% of the monthly insurance premium for either family or single coverage. The employee shall pay 2% of the monthly insurance premium. The School District is a member of a claims servicing pool in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The School District's stop loss amount per person is \$35,000 for fiscal year 2009. The claims liability of \$98,477 reported in the internal service fund at June 30, 2009, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by the incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount in 2009 were:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2009	\$0	\$859,650	\$761,173	\$98,477

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 10 – Employee Benefits

A. Compensated Absences

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

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

B. Insurance

The School District provides dental and life insurance and accidental death and dismemberment insurance to most employees through Coresource and vision insurance through Vision Plus. The cost of premiums for the coverage is \$52.26 for dental, and \$13.93 family and \$5.27 single for vision.

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance 6/30/2008	Additions	Deductions	Balance 6/30/2009
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$199,100	\$0	(\$25,245)	\$173,855
Total Capital Assets not being Depreciated	<u>199,100</u>	<u>0</u>	<u>(25,245)</u>	<u>173,855</u>
Depreciable Capital Assets:				
Land Improvements	533,074	0	(11,636)	521,438
Buildings and Improvements	13,101,574	14,300	0	13,115,874
Furniture and Equipment	813,187	265,888	(140,734)	938,341
Vehicles	580,526	143,896	(96,433)	627,989
Total Capital Assets being Depreciated	<u>15,028,361</u>	<u>424,084</u>	<u>(248,803)</u>	<u>15,203,642</u>
Less Accumulated Depreciation				
Land Improvements	(323,030)	(16,341)	9,813	(329,558)
Buildings and Improvements	(4,249,676)	(379,806)	0	(4,629,482)
Furniture and Equipment	(461,974)	(66,411)	118,605	(409,780)
Vehicles	(514,331)	(31,161)	86,174	(459,318)
Total Accumulated Depreciation	<u>(5,549,011)</u>	<u>(493,719) *</u>	<u>214,592</u>	<u>(5,828,138)</u>
Total Capital Assets being Depreciated, Net	<u>9,479,350</u>	<u>(69,635)</u>	<u>(34,211)</u>	<u>9,375,504</u>
Capital Assets, Net	<u>\$9,678,450</u>	<u>(\$69,635)</u>	<u>(\$59,456)</u>	<u>\$9,549,359</u>

Southern Local School District, Ohio
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For the Fiscal Year Ended June 30, 2009

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$232,276
Special	33,049
Vocational	14,165
Support Services:	
Pupils	10,012
Instructional Staff	40,185
Administration	26,880
Fiscal	8,591
Operation and Maintenance of Plant	31,912
Pupil Transportation	32,326
Central	3,418
Food Service Operations	53,514
Extracurricular Activities	7,391
Total Depreciation Expense	\$493,719

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$80,730, \$105,557 and \$77,212, respectively; 31.69 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

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

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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 - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007, were \$315,402, \$305,550, and \$310,229, respectively; 81.89 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 no payments were made by the School District and \$133 were made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2009, no members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 13 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007, were \$51,001, \$66,749, and \$34,568, respectively; 23.10 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007, were \$7,274, \$7,774, and \$4,519, respectively; 37.44 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

Plan Description – The School District contributes to 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. 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 may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Funding Policy – Ohio law 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007, were \$24,262, \$23,504, and \$23,864, respectively; 81.89 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Note 14 - Long-Term Debt

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

Governmental Activities:	Principal Outstanding 6/30/08	Additions	Deductions	Principal Outstanding 6/30/09	Amounts Due Within One Year
1995 Asbestos Abatement Loan - 0%	\$53,155	\$0	\$11,812	\$41,343	\$11,812
1998 Classroom Facilities Construction and Improvement Serial and Term Bonds - 3.2%-4.625%	2,980,000	0	145,000	2,835,000	165,000
Capital Leases	32,144	0	10,670	21,474	10,765
Sick Leave Benefits	270,856	52,116	25,250	297,722	0
Total Long Term Obligations	\$3,336,155	\$52,116	\$192,732	\$3,195,539	\$187,577

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

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

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

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

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

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

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

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

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

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

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

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

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

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

Principal and interest requirements to retire debt outstanding at June 30, 2009, are as follows:

Fiscal Year Ending June 30	Asbestos Abatement Loan	Classroom Facilities Construction and Improvement Bonds Principal	Classroom Facilities Construction and Improvement Bonds Interest	Total
2010	\$11,812	\$165,000	\$125,771	\$302,583
2011	11,812	175,000	118,369	305,181
2012	11,812	180,000	110,381	302,193
2013	5,907	190,000	102,057	297,964
2014	0	195,000	93,394	288,394
2015-2019	0	1,125,000	320,733	1,445,733
2020-2023	0	805,000	57,004	862,004
Total	\$41,343	\$2,835,000	\$927,709	\$3,804,052

The School District's overall debt margin was \$4,034,282, with an unnoted debt margin of \$72,588 at June 30, 2009.

Note 15 - Set-Aside Calculations

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

ORC 3315.17 (B)(2) and ORC 3315.18 (D)(1) allows a School District that is in fiscal emergency to deposit no money into their textbook and capital set-asides. Although the School District was no longer in fiscal emergency as of April 22, 2009, the School District decided not to deposit money in their textbooks and capital set-asides nor were they required to do so.

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 16 – Capital Leases

In prior fiscal years, the School District entered into a lease agreement with Cannon for seven photo-copying pieces of equipment. This lease obligation meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital leases payable have been recorded on the government-wide statements. Principal payments in fiscal year 2009 totaled \$13,205 in the governmental funds. The equipment was capitalized in the amount of \$32,144, the present value of the minimum lease payments at the inception of the lease. There was accumulated depreciation as of \$3,031 as of June 30, 2009, therefore, leaving a remaining book value of \$28,873. The agreements provide for minimum annual rental payments as follows:

Fiscal Year	Amount
2010	\$12,189
2011	11,173
Total Minimum Lease Payments	23,362
Less: Amount Representing Interest	(1,888)
Present Value of Minumim Lease Payments	\$21,474

Note 17- Jointly Governed Organizations

A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 28 participants consisting of school districts in nine southeastern Ohio counties. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2009, the School District paid \$15,227 to SEOVEC. To obtain financial information, write to the Southeastern Ohio Voluntary Education Cooperative at 221 North Columbus Road, Athens, Ohio 45701.

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 134 school districts and other educational institutions in the 32-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 32 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2009, the School District's annual fee to the Coalition was waived due to the School District being in fiscal emergency. The financial information for the Coalition of Rural and Appalachian Schools can be obtained from Dick Fisher, Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Southern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 18 - Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Program

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

Note 19 - Claims Servicing Pool

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

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

The School District has been approved for \$624,616 Federal Stimulus dollars as part of The American Recovery and Reinvestment Act of 2009. These allocations are primarily to fund special education and early childhood programs. The allocations will be available to fund fiscal year 2010 programs.

B. Litigation

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

Note 21 – Subsequent Event Note

On July 20, 2009, the School District refunded the 1998 Classroom Facilities Construction and Improvement Bonds. The School District issued \$2,670,000 of refunding bonds (\$2,595,000 in current interest bonds and \$75,000 in capital appreciation bonds).

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2008/2009	10.555	\$ 18,034	\$ 18,034
Cash Assistance:				
School Breakfast Program	2008/2009	10.553	78,286	78,286
National School Lunch Program	2008/2009	10.555	153,432	153,432
Cash Assistance Subtotal			<u>231,718</u>	<u>231,718</u>
Total Child Nutrition Cluster			<u>249,752</u>	<u>249,752</u>
Total U.S. Department of Agriculture			249,752	249,752
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Direct from the Federal Government:</i>				
Safe and Drug-Free Schools and Communities - National Programs	2008	84.184A		12,728
	2009		303,153	316,003
			<u>303,153</u>	<u>328,731</u>
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2009	84.010	342,361	355,183
Special Education Grants to States	2008	84.027		4,042
	2009		181,609	204,642
Total Special Education Grants to States			<u>181,609</u>	<u>208,684</u>
Safe and Drug-Free Schools and Communities State Grants	2009	84.186	4,154	4,628
Fund for the Improvement of Education	2009	84.215	45,000	40,896
Twenty-First Century Community Learning Centers	2008	84.287		4,424
	2009		200,000	232,765
Total State Grants for Innovative Programs			<u>200,000</u>	<u>237,189</u>
State Grants for Innovative Programs	2008	84.298		857
	2009		1,157	903
Total State Grants for Innovative Programs			<u>1,157</u>	<u>1,760</u>
Education Technology State Grants	2009	84.318	2,914	2,600
Rural Education	2009	84.358	18,593	17,937
Improving Teacher Quality State Grants	2008	84.367		8,377
	2009		76,033	81,128
Total Improving Teacher Quality State Grants			<u>76,033</u>	<u>89,505</u>
School Improvement Grants	2009	84.377	60,000	59,909
Total U.S. Department of Education			<u>1,234,974</u>	<u>1,347,022</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,484,726</u>	<u>\$ 1,596,774</u>

The Notes to the Federal Awards Receipts and Expenditures Schedule is an integral part of the Schedule.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the fair value of the commodities received less the cost associated with purchasing the commodities. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Local School District, Meigs County, Ohio (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated February 26, 2010

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



Mary Taylor, CPA
Auditor of State

February 26, 2010



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Southern Local School District, Meigs County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. The Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that OMB Circular A-133 requires us to report, which are described in the accompanying Schedule of Findings and Questioned Costs as items 2008-001 through 2008-003.

Internal Control over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 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. We do not consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding 2008-001 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2009-001 to be a significant deficiency.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report that we have repeated to the School District's management in a separate letter dated February 26, 2010

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



Mary Taylor, CPA
Auditor of State

February 26, 2010

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Grants to States: CFDA's #84.027 Title I Grants to Local Educational Agencies: CFDA #84.010 Safe and Drug Free Schools and Communities - National Program CFDA# 84.184A
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2009
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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1. Allowable Costs/Cost Principles

Finding Number	2009-001
CFDA Title and Number	Safe and Drug Free Schools and Communities – National Program – CFDA # 84.184A
Federal Award Number / Year	Q184A070040
Federal Agency	U.S. Department of Education
Pass-Through Agency	N/A

Noncompliance Citation/ Questioned Costs/ Significant Deficiency- Allowable Costs/ Cost Principles

2 C.F.R. Part 225, Appendix B Section 8h(3) states where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

2 C.F.R. Part 225, Appendix B Section 8h(4) states where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix unless a statistical sampling system (see subsection 8.h.(6) of this appendix) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

During our testing of the Grant to Reduce Alcohol Abuse (GRAA), we noted a \$10,439 allocation of the Program Director's salary to this grant. However, the Director did not prepare time and effort reports to substantiate his time worked on the grant.

Failure to follow time and effort requirements resulted in questioned costs of \$10,439 in the Grant to Reduce Alcohol Abuse (GRAA).

We recommend the Treasurer ensure all employees being paid from federal funds either prepare a semi-annual certification if being paid from one federal fund or document time and effort reports if being paid from various grants.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2009
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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2. Period of Availability

Finding Number	2009-002
CFDA Title and Number	Special Education Grants to States - CFDA # 84.027
Federal Award Number / Year	2009 and 2008
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation/ Questioned Costs - Period of Availability of Federal Funds

34 C.F.R. Section 80.23(a) states where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.

34 C.F.R. Section 80.23(b) states a grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF269). The Federal agency may extend this deadline at the request of the grantee.

On November 30, 2009, the School District transferred a balance of \$2,525 from the FY 2009 Special Education Grant Fund (516-9109) to the FY 2010 Special Education Grant Fund (516-9110) without approval by the Ohio Department of Education (ODE). The transfer and subsequent expenditure occurred well-beyond the 90 days time limitation which ended September 30, 2009.

Due to an audit finding in the fiscal year 2007 audit, the School District approved reversing advances made in FY 2007 of \$15,265 back to Special Education Grant Fiscal Year 2005 (516-9205) and \$352 back to Special Education Grant Fiscal Year 2006 (516-9206) from the General Fund. These amounts were then transferred to Special Education Grant Fiscal Year 2009 (516-9109) on June 12, 2009. These amounts were not approved by ODE. The transfer and subsequent expenditure occurred well-beyond the 90 days time limitation which ended September 30, 2005 and September 30, 2006, respectively. The School District did not receive the released fiscal year 2008 financial audit until June of 2009. The School District held the monies in the funds in question until June 2009 in order to obtain guidance from the Ohio Department of Education and the fiscal year 2008 financial audit as to the proper usage of these monies.

Failure to obtain approval to carry over and expend federal funds outside of the period of availability resulted in questioned costs of \$18,141 in the FY 2009 Special Education Grant.

This matter will be referred to the Ohio Department of Education.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2009
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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3. Period of Availability

Finding Number	2009-003
CFDA Title and Number	Title I - School Improvement Grant - CFDA # 84.010
Federal Award Number / Year	2009 and 2008
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation/ Questioned Costs- Period of Availability of Federal Funds

34 C.F.R. Section 80.23(a) states where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.

34 C.F.R. Section 80.23(b) states a grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF269). The Federal agency may extend this deadline at the request of the grantee.

On November 30, 2009, the School District transferred a balance of \$5,898 from the FY 2009 Title I Grant Fund (572-9109) to the 2010 Title I Grant Fund (572-9010) without approval by the Ohio Department of Education (ODE). The transfer and subsequent expenditure occurred well beyond the 90 days time limitation which ended September 30, 2009.

Due to an audit finding in the fiscal year 2007 audit, the District approved reversing advances made in FY 2007 of \$18,721 back to Title I Grant (572-0000) from the General Fund. This amount was then transferred to Title I Grant (572-9109) on June 12, 2009. These amounts were not approved by ODE. The transfer and subsequent expenditure occurred well beyond the 90 days time limitation which ended September 30, 2007. The School District did not receive the released fiscal year 2008 financial audit until June of 2009. The School District held the monies in the funds in question until June 2009 in order to obtain guidance from ODE and the fiscal year 2008 financial audit as to the proper usage of these monies.

Failure to obtain approval to carry over and expend federal funds outside of the period of availability resulted in questioned costs of \$24,619 in the FY 2009 Title I Grant.

This matter will be referred to the Ohio Department of Education.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2008-001	Ohio Rev. Code Section 5705.41(D)(1) for not always certifying the availability of funds prior to incurring obligations.	Yes	NA
2008-002	34 C. F. R. Section 80.21(b) for excessive grant fund balances in the GRAA fund.	No	Partially Corrected. This is reissued in the management letter.
2008-003	IDEA, Part B, Cash Management issue for lack of support for project cash requests and amounts reported on the PCR's not agreeing to the School District's accounting system.	No	Partially Corrected. This is reissued in the management letter.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
FISCAL YEAR ENDED JUNE 30, 2009**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2009-001	<p>The Treasurer's Office will monitor time and effort documentation for all employees covered by a grant.</p> <p>We have discussed this issue with employee in question to make sure the issue is addressed.</p>	05/01/2010	Roy W. Johnson
2009-002	<p>The School District expects the carry over to continue to shrink due to difficulties in reconciling grants prior to FY2008. It is fully anticipated that the issue will eventually correct itself. The School District spoke with Mary Kay Oris on a few occasions on the issue. ODE is aware.</p>	Continuing	Roy W. Johnson
2009-003	<p>The School District expects the carry over to continue to shrink due to difficulties in reconciling grants prior to FY2008. It is fully anticipated that the issue will eventually correct itself. The School District spoke with Mary Kay Oris on a few occasions on the issue. ODE is aware.</p>	Continuing	Roy W. Johnson



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on October 22, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

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- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the School District administration semiannually provide the president of the school district board a written summary of all reported incidents and post the summary on its web site, if the school district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Mary Taylor, CPA
Auditor of State

February 26, 2010



Mary Taylor, CPA
Auditor of State

SOUTHERN LOCAL SCHOOL DISTRICT

MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 15, 2010**