

428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave.
Parkersburg, WV 26101
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569



Certified Public Accountants, A.C.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY
Single Audit
For the Year Ended June 30, 2015**

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...“bringing more to the table”

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Southern Local School District, Meigs County, prepared by Perry & Associates, Certified Public Accountants, A. C., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

May 6, 2016

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**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

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**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

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INDEPENDENT AUDITOR'S REPORT

February 5, 2016

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **Southern Local School District**, Meigs County, Ohio (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Southern Local School District, Meigs County, Ohio, as of June 30, 2015, and the respective changes in its financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 22 to the financial statements, during the year ended June 30, 2015, the School District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited**

The discussion and analysis of the Southern Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. 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 2015 are as follows:

- Net position of governmental activities increased \$1,048,906.
- General revenues accounted for \$7,529,361 in revenue, or 74% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$2,661,428, or 26% of total revenues of \$10,190,789.
- The School District had \$9,141,883 in expenses related to governmental activities; only \$2,661,428 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$7,529,361 were less than adequate to provide for these programs.
- The School District's major funds were the General Fund and the Bond Retirement Fund. The General Fund had \$7,161,961 in revenues and other financing sources and \$6,937,086 in expenditures and other financing uses. The General Fund's balance increased \$224,875. The Bond Retirement Fund had \$594,981 in revenues and \$522,134 in expenditures. The Bond Retirement Fund's balance increased \$72,847.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited
(Continued)**

regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. 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 Fund.

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

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

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

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited
(Continued)**

**Table 1
Net Position
Governmental Activities**

	2015	2014 (Restated)	Change
Assets			
Current and Other Assets	\$6,614,816	\$5,222,066	\$1,392,750
Capital Assets	20,224,717	20,589,614	(364,897)
Total Assets	<u>26,839,533</u>	<u>25,811,680</u>	<u>1,027,853</u>
Deferred Outflows of Resources			
Pension	687,292	592,748	94,544
Total Deferred Outflows of Resources	<u>687,292</u>	<u>592,748</u>	<u>94,544</u>
Liabilities			
Current and Other Liabilities	1,073,868	1,169,571	(95,703)
Long-Term Liabilities :			
Due Within One Year	124,995	343,557	(218,562)
Due Within More Than One Year:			
Net Pension Liability	8,168,124	9,702,937	(1,534,813)
Other Amounts	6,053,786	6,023,059	30,727
Total Liabilities	<u>15,420,773</u>	<u>17,239,124</u>	<u>(1,818,351)</u>
Deferred Inflows of Resources			
Property Taxes	1,711,522	1,292,573	418,949
Pension	1,472,893	-	1,472,893
Total Deferred Inflows of Resources	<u>3,184,415</u>	<u>1,292,573</u>	<u>1,891,842</u>
Net Position			
Net Investment in Capital Assets	14,977,145	15,007,814	(30,669)
Restricted	777,248	825,009	(47,761)
Unrestricted	(6,832,756)	(7,960,092)	1,127,336
Total Net Position	<u>\$8,921,637</u>	<u>\$7,872,731</u>	<u>\$1,048,906</u>

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited
(Continued)**

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past Service

- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as *against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014 by \$(9,110,189).

Total assets increased \$1,027,853. The increase in current and other assets was \$1,392,750. The decrease in capital assets was \$364,897.

Long-term liabilities decreased \$1,722,648 due primarily to payment for the outstanding debt and the decrease in net pension liability. The decrease in other liabilities is due to the decrease of \$95,703.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited
(Continued)**

**Table 2
Change in Net Position
Governmental Activities**

	2015	2014 (Restated)	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$452,160	\$437,450	\$14,710
Operating Grants and Contributions	2,209,268	1,566,445	642,823
Total Program Revenues	<u>2,661,428</u>	<u>2,003,895</u>	<u>657,533</u>
General Revenues:			
Property Taxes	2,770,388	1,484,828	1,285,560
Grants and Entitlements	4,462,512	4,757,172	(294,660)
Gifts and Donations	27,251	30,654	(3,403)
Investment Earnings	17,423	26,260	(8,837)
Miscellaneous	251,416	23,333	228,083
Premiums and Accrued Interest Received on Other Debt Issued	-	78,578	(78,578)
Proceeds from Sale of Capital Assets	371	-	371
Total General Revenues	<u>7,529,361</u>	<u>6,400,825</u>	<u>1,128,536</u>
Total Revenues	<u>10,190,789</u>	<u>8,404,720</u>	<u>1,786,069</u>
Program Expenses			
Instruction:			
Regular	2,600,058	2,754,097	(154,039)
Special	753,727	849,567	(95,840)
Vocational	159,071	174,109	(15,038)
Adult	-	399	(399)
Student Intervention Services	34,390	42,645	(8,255)
Other	865,970	803,980	61,990
Support Services:			
Pupils	517,330	548,384	(31,054)
Instructional Staff	355,106	428,655	(73,549)
Board of Education	39,934	111,415	(71,481)
Administration	503,680	454,421	49,259
Fiscal	303,676	292,883	10,793
Operation and Maintenance of Plant	885,772	693,589	192,183
Pupil Transportation	560,636	624,878	(64,242)
Central	278,366	294,888	(16,522)
Operation of Non-Instructional Services	402,304	402,835	(531)
Extracurricular Activities	678,076	194,391	483,685
Interest and Fiscal Charges	203,787	227,404	(23,617)
Total Expenses	<u>9,141,883</u>	<u>8,898,540</u>	<u>243,343</u>
Increase/(Decrease) in Net Position	<u>1,048,906</u>	<u>(493,820)</u>	<u>1,542,726</u>
Net Position Beginning of Year	<u>7,872,731</u>	N/A	
Net Position End of Year	<u>\$8,921,637</u>	<u>\$7,872,731</u>	<u>\$1,048,906</u>

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited
(Continued)**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$592,478 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$399,140. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$9,540,641
Pension expense under GASB 68	(399,140)
2015 contractually required contribution	610,536
Adjusted 2015 program expenses	<u>9,752,037</u>
Total 2014 program expenses under GASB 27	8,898,540
Increase in program expenses not related to pension	<u>\$853,497</u>

During fiscal year 2015, the School District saw a decrease in grants and entitlements. The School District receives nearly 65% of its funds from the State due to area demographics and overall tax base of the School District.

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited
(Continued)**

**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2015	2015	2014	2014
Instruction:				
Regular	\$2,600,058	\$1,857,826	\$2,754,097	\$2,223,149
Special	753,727	(157,268)	849,567	289,707
Vocational	159,071	116,913	174,109	119,588
Adult	-	-	399	399
Student Intervention Services	34,390	21,337	42,645	42,645
Other	865,970	661,769	803,980	659,834
Support Services:				
Pupils	517,330	470,034	548,384	454,077
Instructional Staff	355,106	281,019	428,655	320,471
Board of Education	39,934	39,934	111,415	111,415
Administration	503,680	449,662	454,421	417,248
Fiscal	303,676	300,076	292,883	289,283
Operation and Maintenance of Plant	885,772	869,601	693,589	673,610
Pupil Transportation	560,636	522,080	624,878	591,235
Central	278,366	182,833	294,888	223,553
Operation of Non-Instructional Services	402,304	47,589	402,835	97,578
Extracurricular Activities	678,076	613,263	194,391	143,449
Interest and Fiscal Charges	203,787	203,787	227,404	227,404
Total Expenses	\$9,141,883	\$6,480,455	\$8,898,540	\$6,894,645

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2015, 57% of instructional activities were supported through taxes and other general revenues.

The School District Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$9,377,008 and expenditures of \$9,595,785. The School District is focusing its efforts to reduce expenditures, first through strict monitoring of its discretionary budgets, such as supplies, purchased services and capital outlay, and also through the retirement of several staff members. Also, the School District joined the Jefferson Health Plan, effective July 1, 2008, therefore pooling the risk with 10,000 consortium members. The School District passed its renewal levy in November, 2013, for five years. Additionally, the School District passed a \$3,950,000 bond levy in August, 2010, for the construction of a new high school facility. The new high school addition opened for classes in September 2013.

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.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited
(Continued)**

During the course of fiscal year 2015, 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, final budget basis revenue and other financing sources were \$7,292,158 and actual were \$7,289,036. Original estimated revenues were increased \$393,402 mainly in intergovernmental revenue areas due to more than expected state foundation and tax monies. Actual expenditures were \$136,079 under final appropriations. Original appropriations were increased \$170,150 due to increases in technology purchases and union contract incentives.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the School District had \$20,224,717 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2015 balances compared to 2014.

**Table 4
Capital Assets
(Net of Depreciation)**

	Governmental Activities	
	2015	2014 (Restated)
Land	\$199,100	\$199,100
Land Improvements	1,252,671	1,229,832
Buildings and Improvements	17,571,373	17,845,395
Furniture and Equipment	1,015,929	1,082,110
Vehicles	185,644	233,177
Totals	\$20,224,717	\$20,589,614

See Note 12 to the basic financial statements for more information on capital assets.

Debt

At June 30, 2015, the School District had the following debt outstanding.

**Table 5
Outstanding Debt, At Fiscal Year End**

	Governmental Activities	
	2015	2014
2009 Classroom Facilities Refunding Bonds	\$1,692,967	\$1,898,491
2010 School Improvement Bonds	3,963,742	4,087,961
Computer Loan	-	62,193
Totals	\$5,656,709	\$6,048,645

See Note 16 to the basic financial statements for more information on debt.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited
(Continued)**

Current Issues

Over the past five years, the district has experienced several formula changes in state funding. Historically, funding formulas have been inconsistent and calculated using various components, but have maintained that Ohio's school funding formula is centered on the needs of students. FY16, introduced the state's new biennium budget (HB64) and new funding formula. The goals of this funding formula is to work with the existing formula enacted under HB59, make appropriate adjustments to the per pupil amount based on the needs of students, direct additional resources to districts with the lowest capacity, and make progress at eliminating short circuits in the formula (funding caps and guarantees). The district forecast projects state funding for FY16 and beyond based on the formula established under HB64 and applying projected enrollment. It assumes the HB64 formula will stay in place during FY18, FY19, and FY20.

The new component "Capacity Aid" is where the district received the biggest increase of funding. This funding is very similar to former aims to manage low property wealth and in the past this funding has not been sustained. The district must consider its sustainability with the next biennium budget and funding formula.

The district's forecast projects in FY17 and FY20 the district will experience "overspending". Seeing deficits in future years is not uncommon given the uncertainty of future state budgets, local economic factors, state and federal mandates, etc..... The district must focus on recognizing how these conditions relate to current operations and identify future year's deficits and engage in planning for those conditions prior to their arrival and eliminate the projected deficit.

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 Christi Hendrix, Treasurer, at Southern Local School District, PO Box 147, Racine, Ohio 45771, or E-Mail at Christi.Hendrix@southernlocal.net.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Net Position
June 30, 2015**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	2,127,226
Cash and Cash Equivalents with Fiscal Agents		543,564
Materials and Supplies Inventory		11,072
Accrued Interest Receivable		1,183
Accounts Receivable		114
Intergovernmental Receivable		176,916
Taxes Receivable		3,754,741
Non-Depreciable Capital Assets		199,100
Depreciable Capital Assets, net		<u>20,025,617</u>
Total Assets		<u>26,839,533</u>
 Deferred Outflows of Resources:		
Pension		<u>687,292</u>
Total Deferred Outflows of Resources		<u>687,292</u>
 LIABILITIES:		
Accounts Payable		98,691
Accrued Wages and Benefits		582,171
Intergovernmental Payable		198,541
Accrued Interest Payable		48,380
Accrued Vacation Leave Payable		19,046
Claims Payable		127,039
Long-Term Liabilities:		
Due Within One Year		124,995
Due in More Than One Year		6,053,786
Net Pension Liability		<u>8,168,124</u>
Total Liabilities		<u>15,420,773</u>
 Deferred Inflows of Resources:		
Property Taxes Receivable		1,711,522
Pension		<u>1,472,893</u>
Total Deferred Inflows of Resources		<u>3,184,415</u>
 Net Position:		
Net Investment in Capital Assets		14,977,145
Restricted for Debt Service		532,674
Restricted for Capital Outlay		118,334
Restricted for Other		125,799
Restricted for Unclaimed Monies		441
Unrestricted		<u>(6,832,756)</u>
Total Net Position	\$	<u><u>8,921,637</u></u>

See Accompanying Notes to the Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$ 2,600,058	\$ 353,954	\$ 388,278	\$ (1,857,826)
Special	753,727	-	910,995	157,268
Vocational	159,071	-	42,158	(116,913)
Student Intervention Services	34,390	-	13,053	(21,337)
Other	865,970	-	204,201	(661,769)
Support Services:				
Pupils	517,330	-	47,296	(470,034)
Instructional Staff	355,106	-	74,087	(281,019)
Board of Education	39,934	-	-	(39,934)
Administration	503,680	-	54,018	(449,662)
Fiscal	303,676	-	3,600	(300,076)
Operation and Maintenance of Plant	885,772	-	16,171	(869,601)
Pupil Transportation	560,636	-	38,556	(522,080)
Central	278,366	-	95,533	(182,833)
Operation of Non-Instructional Services	402,304	39,408	315,307	(47,589)
Extracurricular Activities	678,076	58,798	6,015	(613,263)
Interest and Fiscal Charges	203,787	-	-	(203,787)
Totals	\$ 9,141,883	\$ 452,160	\$ 2,209,268	(6,480,455)

General Revenues:

Taxes:		
Property Taxes, Levied for General Purposes	2,144,021	
Property Taxes, Levied for Debt Service	586,252	
Property Taxes, Levied for Other	40,115	
Grants and Entitlements not Restricted to Specific Programs	4,462,512	
Gifts and Donations not Restricted to Specific Programs	27,251	
Investment Earnings	17,423	
Miscellaneous	251,416	
Proceeds from Sale of Capital Assets	371	
Total General Revenues	7,529,361	
Change in Net Position	1,048,906	
Net Position Beginning of Year - Restated	7,872,731	
Net Position End of Year	\$ 8,921,637	

See Accompanying Notes to the Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2015**

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,412,701	\$ 510,503	\$ 203,581	\$ 2,126,785
Materials and Supplies Inventory	3,429	-	7,643	11,072
Accrued Interest Receivable	1,112	-	71	1,183
Accounts Receivable	114	-	-	114
Interfund Receivable	11,756	-	-	11,756
Intergovernmental Receivable	-	-	176,916	176,916
Taxes Receivable	2,813,691	892,943	48,107	3,754,741
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	441	-	-	441
Total Assets	\$ 4,243,244	\$ 1,403,446	\$ 436,318	\$ 6,083,008
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 83,636	\$ -	\$ 15,055	\$ 98,691
Accrued Wages and Benefits	463,017	-	119,154	582,171
Interfund Payable	-	-	11,756	11,756
Intergovernmental Payable	171,449	-	27,092	198,541
Total Liabilities	718,102	-	173,057	891,159
Deferred Inflow of Resources				
Property Levied for the Next Fiscal Year	1,954,987	697,443	30,918	2,683,348
Unavailable Revenue	-	-	77,582	77,582
Total Deferred Inflows of Resources	1,954,987	697,443	108,500	2,760,930
Total Liabilities and Deferred Inflows of Resources	2,673,089	697,443	281,557	3,652,089
Fund Balances				
Nonspendable	3,870	-	7,643	11,513
Restricted	-	706,003	171,874	877,877
Assigned	27,546	-	33,805	61,351
Unassigned	1,538,739	-	(58,561)	1,480,178
Total Fund Balances	1,570,155	706,003	154,761	2,430,919
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 4,243,244	\$ 1,403,446	\$ 436,318	\$ 6,083,008

See Accompanying Notes to the Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2015**

Total Governmental Fund Balances	\$	2,430,919
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Amounts reported for governmental activities on the statement of Net Position are different because of the following:

The net pension liability is not due in the current period therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	687,292	
Deferred Inflows - Pension	(1,472,893)	
Net Pension Liability	(8,168,124)	(8,953,725)

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	20,224,717
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	971,826
Grants and Intergovernmental Revenues	77,582
	1,049,408

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.	(48,380)
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Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of Net Position.	416,525
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Accrued Vacation Leave Payable is recognized for earned vacation benefits that are to be used within one year but it not recognized on the balance sheet until due.	(19,046)
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Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:	
School Construction Refunding Bonds	(1,692,967)
School Construction Bonds	(3,963,742)
Capital Leases	(214,172)
Sick Leave Benefits Payable	(307,900)
	(6,178,781)

Net Position of Governmental Activities	\$	8,921,637
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See Accompanying Notes to the Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015**

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property and Other Local Taxes	\$ 1,747,515	\$ 473,163	\$ 32,552	\$ 2,253,230
Intergovernmental	5,016,700	121,818	1,455,820	6,594,338
Interest	16,563	-	1,035	17,598
Tuition and Fees	353,954	-	-	353,954
Extracurricular Activities	1,540	-	57,258	58,798
Gifts and Donations	9,894	-	23,307	33,201
Customer Sales and Services	-	-	39,408	39,408
Miscellaneous	15,424	-	11,057	26,481
Total Revenues	7,161,590	594,981	1,620,437	9,377,008
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,262,291	-	292,563	2,554,854
Special	572,058	-	254,320	826,378
Vocational	167,654	-	2,115	169,769
Student Intervention Services	-	-	13,053	13,053
Other	705,197	-	204,218	909,415
Support Services:				
Pupils	511,884	-	47,296	559,180
Instructional Staff	282,640	-	75,689	358,329
Board of Education	39,934	-	-	39,934
Administration	504,632	-	54,018	558,650
Fiscal	296,902	17,591	7,181	321,674
Operation and Maintenance of Plant	603,118	-	86,090	689,208
Pupil Transportation	528,577	-	38,556	567,133
Central	180,424	-	99,150	279,574
Operation of Non-Instructional Services	10,798	-	408,902	419,700
Extracurricular Activities	139,426	-	57,184	196,610
Capital Outlay	-	-	547,434	547,434
Debt Service:				
Principal	73,021	340,000	-	413,021
Interest	7,326	164,543	-	171,869
Total Expenditures	6,885,882	522,134	2,187,769	9,595,785
Excess of Revenues Over (Under) Expenditures	275,708	72,847	(567,332)	(218,777)
OTHER FINANCING SOURCES AND USES:				
Transfers In	-	-	51,204	51,204
Proceeds from Sale of Capital Assets	371	-	-	371
Inception of Capital Lease	-	-	225,000	225,000
Transfers Out	(51,204)	-	-	(51,204)
Total Other Financing Sources and Uses	(50,833)	-	276,204	225,371
Net Change in Fund Balances	224,875	72,847	(291,128)	6,594
Fund Balance (Deficit) at Beginning of Year	1,345,280	633,156	445,889	2,424,325
Fund Balance (Deficit) at End of Year	\$ 1,570,155	\$ 706,003	\$ 154,761	\$ 2,430,919

See Accompanying Notes to the Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2015**

Net Change in Fund Balances - Total Governmental Funds	\$	6,594
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>		
<p>Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.</p>		
		479,283
<p>Except for amounts reported as deferred inflows/outflows, changes in the net position liability are reported as pension expense in the statement of activities.</p>		
		(399,140)
<p>Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current year.</p>		
Capital Outlay - Depreciable Capital Assets	553,057	
Depreciation	<u>(917,954)</u>	
		(364,897)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Intergovernmental	77,442	
Property Taxes	<u>517,158</u>	
		594,600
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the Statements of Activities.</p>		
		413,021
<p>Internal Service Fund is used by management to charge the costs of insurance to individual funds not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities.</p>		
		496,774
<p>Interest is reported as an expenditure when due in governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:</p>		
Annual Accretion	(39,346)	
Accrued Interest Payable	48,380	
Amortization of Refunding	(6,625)	
Amortization of Premium	39,107	
Amortization of Discount	<u>(3,303)</u>	
		38,213
<p>Inception of capital lease</p>		
		(225,000)
<p>Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:</p>		
Accrued Vacation Leave Payable	(613)	
Compensated Absences Payable	<u>10,071</u>	
		9,458
Change in Net Position of Governmental Activities	\$	<u><u>1,048,906</u></u>

See Accompanying Notes to the Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property Taxes	\$ 1,751,037	\$ 1,876,287	\$ 1,876,228	\$ (59)
Intergovernmental	4,784,512	5,017,512	5,016,700	(812)
Interest	22,000	20,000	17,063	(2,937)
Tuition and Fees	321,207	355,338	353,954	(1,384)
Gifts and Donations	-	150	125	(25)
Miscellaneous	20,000	17,500	17,561	61
Total Revenues	<u>6,898,756</u>	<u>7,286,787</u>	<u>7,281,631</u>	<u>(5,156)</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,362,245	2,305,253	2,295,783	9,470
Special	620,711	597,528	577,411	20,117
Vocational	187,927	191,543	171,315	20,228
Student Intervention Services	4,110	4,110	-	4,110
Other	686,809	686,809	705,255	(18,446)
Support services:				
Pupils	473,683	500,083	506,473	(6,390)
Instructional Staff	277,883	344,414	321,117	23,297
Board of Education	96,519	99,519	93,472	6,047
Administration	502,341	507,343	497,814	9,529
Fiscal	310,034	321,945	314,679	7,266
Operation and Maintenance of Plant	615,296	608,539	593,447	15,092
Pupil Transportation	525,279	541,201	528,545	12,656
Central	163,462	194,671	173,088	21,583
Operation of Non-Instructional/Shared Services	6,692	6,494	6,454	40
Extracurricular activities	140,233	147,210	135,732	11,478
Debt Service:				
Principal	62,193	73,021	73,019	2
Interest	762	7,328	7,328	-
Total Expenditures	<u>7,036,179</u>	<u>7,137,011</u>	<u>7,000,932</u>	<u>136,079</u>
Excess of Revenues Over (Under) Expenditures	<u>(137,423)</u>	<u>149,776</u>	<u>280,699</u>	<u>130,923</u>
Other Financing Sources (Uses):				
Transfers In	-	1,000	3,000	2,000
Proceeds from Sale of Capital Assets	-	371	371	-
Refund of Prior Year Expenditures	-	4,000	4,034	34
Transfers Out	-	(69,318)	(69,318)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(63,947)</u>	<u>(61,913)</u>	<u>2,034</u>
Net Change in Fund Balance	(137,423)	85,829	218,786	132,957
Fund Balance at Beginning of Year	966,994	966,994	966,994	-
Prior Year Encumbrances Appropriated	128,445	128,445	128,445	-
Fund Balance at end of Year	<u>\$ 958,016</u>	<u>\$ 1,181,268</u>	<u>\$ 1,314,225</u>	<u>\$ 132,957</u>

See Accompanying Notes to Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Fund Net Position
Internal Service Fund
June 30, 2015**

	<u>Internal Service</u>
Current Assets:	
Equity in Pooled Cash and Cash Equivalents with Fiscal Agents	\$ <u>543,564</u>
Current Liabilities:	
Claims Payable	<u>127,039</u>
Net Position:	
Unrestricted	\$ <u>416,525</u>

See Accompanying Notes to Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Fund
June 30, 2015**

OPERATING REVENUES:	
Charges for Services	\$ <u>1,414,176</u>
OPERATING EXPENSES:	
Purchased Services	302,743
Claims	<u>614,659</u>
Total Operating Expenses	<u>917,402</u>
Operating Income (Loss)	<u>496,774</u>
Net Change in Net Position	496,774
Net Position (Deficit) at Beginning of Year	(80,249)
Net Position (Deficit) at End of Year	\$ <u><u>416,525</u></u>

See Accompanying Notes to Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Cash Flows
Internal Service Fund
June 30, 2015**

	Internal Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Charges for Services	\$ 1,414,176
Payments for Purchased Services	(302,743)
Payments for Claims	<u>(657,743)</u>
Net Cash Provided by Operating Activities	<u>453,690</u>
Net Increase (Decrease) in Cash and Cash Equivalents	453,690
Cash and Cash Equivalents at Beginning of Year	<u>89,874</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>543,564</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:	
Operating Income (Loss)	\$ 496,774
Adjustments	
Increase (Decrease) in Liabilities:	
Claims Payable	<u>(43,084)</u>
Net Cash Provided by Operating Activities	\$ <u><u>453,690</u></u>

See Accompanying Notes to Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2015**

	<u>Agency Fund</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>5,492</u>
Total Assets	<u><u>5,492</u></u>
Liabilities	
Current Liabilities:	
Due Students	<u>5,492</u>
Total Liabilities	<u><u>\$ 5,492</u></u>

See Accompanying Notes to the Basic Financial Statements

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015**

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 34 classified employees who provide services to 767 students. The School District currently operates one elementary school (grades kindergarten to eighth) and one high school (grades ninth to twelfth).

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

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 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 Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

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

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

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

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

Fiduciary Fund Type - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only agency fund accounts for student activities.

C. Measurement Focus

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus (Continued)

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 13.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 13).

Pensions

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

Property taxes for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance year 2016 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as a deferred inflow. Special assessments and sales taxes not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2015, are recorded as a deferred inflow in the governmental funds.

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

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 are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2015, investments were limited to certificates of deposit, which are reported at cost.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents (Continued)

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 2015 amounted to \$16,563, which includes \$3,975 assigned from other School District funds.

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

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

F. Inventory

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

G. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

H. Restricted Assets

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

I. Compensated Absences

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

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

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

J. Accrued Liabilities and Long-term Obligations

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

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

K. Internal Activity

Transfers between governmental activities are eliminated. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

L. Fund Balance

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

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

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

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

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

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

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

M. Interfund Assets and Liabilities

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

N. Unamortized Issuance Costs and Note/Bond Premiums and Discounts

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

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

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

O. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position 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 position restricted for other purposes include resources restricted for food service operations, athletic and music activities, and federal and state grants restricted to expenditure for specified purposes.

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2015, the School District had none.

Q. Estimates

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

R. Budgetary Process

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

R. Budgetary Process (Continued)

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.

Note 3 - Fund Balances

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

<u>Fund Balance</u>	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Unclaimed Monies	\$441	\$-	\$-	\$441
Materials and Supplies Inventory	3,429	-	7,643	11,072
Total Nonspendable	<u>3,870</u>	<u>-</u>	<u>7,643</u>	<u>11,513</u>
Restricted for:				
Local Grant Expenditures	-	-	44,743	44,743
Federal Grant Expenditures	-	-	26,423	26,423
Athletic Programs	-	-	16,179	16,179
Capital Improvements	-	-	84,529	84,529
Debt Service	-	706,003	-	706,003
Total Restricted	<u>-</u>	<u>706,003</u>	<u>171,874</u>	<u>877,877</u>
Assigned to:				
Capital Improvements	-	-	33,805	33,805
Other Purposes	27,546	-	-	27,546
Total Assigned	<u>27,546</u>	<u>-</u>	<u>33,805</u>	<u>61,351</u>
Unassigned	1,538,739	-	(58,561)	1,480,178
Total Fund Balance	<u>\$1,570,155</u>	<u>\$706,003</u>	<u>\$154,761</u>	<u>\$2,430,919</u>

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 4 - Fund Deficits

At June 30, 2015, the following funds had deficit fund balances:

	Deficit
Special Revenue Funds:	
Food Service	\$24,956
Early Childhood	8,021
State Grants	6,431
Title II-A	7,719
Federal Grants	3,791

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 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget 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 an assignment of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Unreported and prepaid items represent amounts received but not included as revenues on the budget basis operating statements. These amounts are included as revenues on the GAAP basis operating statement.

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

Net Change in Fund Balance	
GAAP Basis	\$224,875
Revenue Accruals	(93,650)
Expenditure Accruals	197,802
Net Non General Fund Cash Activity	941
Encumbrances	(111,182)
Budget Basis	\$218,786

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

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 \$2,137,284. \$500,000 was covered by Federal depository insurance; \$1,637,284 was exposed to custodial credit risk as discussed below.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 6 - Deposits and Investments (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in calendar year 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Meigs County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2015, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2015, was \$1,071,393 and is recognized as revenue: \$858,704 in the General Fund, \$17,189 in the Classroom Facilities Fund, and \$195,500 in the Bond Retirement Fund. The amount available as an advance at June 30, 2014, was \$1,319,479 and is recognized as revenue: \$987,417 in the General Fund, \$16,876 in the Classroom Facilities Fund, and \$315,186 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.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 7 - Property Taxes (Continued)

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second-Half Collections		2015 First-Half Collections	
	Amount	Percent	Amount	Percent
Residential/Agricultural and Other Real Estate	\$77,651,650	85%	\$77,942,750	85%
Public Utility Personal	13,423,000	15%	13,829,310	15%
Total Assessed Value	\$91,074,650	100%	\$91,772,060	100%
Tax rate per \$1,000 of assessed valuation	\$28.20		\$28.20	

Note 8 – Receivables

Receivables at June 30, 2015, consisted of taxes, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Except for property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Early Childhood	\$6,337
Title VI-B	16,941
Title I	38,375
Improving Teacher Quality	1,629
Rural & Low Income	572
Pep	113,062
Total	\$176,916

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 9 - Interfund Transfers and Balance

Transfers made during fiscal year 2015 were as follows:

	Transfer In	Transfer Out
General Fund	\$ -	\$51,204
Nonmajor Funds:		
Food Service Special Revenue Fund	51,109	-
District Managed Activities	95	-
Total All Funds	\$51,204	\$51,204

Unpaid interfund cash advances at June 30, 2015, were as follows:

	Receivables	Payables
General Fund	\$11,756	\$ -
Nonmajor Special Revenue Funds:		
State Grant Funds	-	10,757
Title VIB	-	370
Federal Grant Funds	-	629
Total Special Revenue Funds	-	11,756
Total All Funds	\$11,756	\$11,756

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District holds commercial property and liability insurance. The types and amounts of coverage provided by the Reed & Baur (Liberty Mutual Insurance) are as follows:

Property (\$1,000 deductible):	
Building and Contents-replacement cost	\$28,875,328
Boiler and Machinery Breakdown	28,875,328
Equipment Inland Marine (\$500. Deductible)	
Miscellaneous Equipment	15,353
Miscellaneous School Property Floater Band Uniforms	
Athletic Equipment/Musical Equipment/Cameras & Audio Visual /Fine Arts/ Signs	360,000
Crime (\$1,000 deductible):	
Employee Theft	25,000
Forgery of Alteration	25,000
Computer Fraud	10,000
Automobile Liability (Comprehensive \$250/Collision \$500):	
Bodily Injury and Property Damage – combined single limit	1,000,000
Medical Payments – each person 5,000	
Uninsured/Underinsured Motorist	1,000,000
General Liability (no deductible):	
Bodily Injury and Property Damage Limit – each occurrence	1,000,000
Aggregate Limit	2,000,000
Violence Coverage (no deductible)	
Violence Limit	500,000
Aggregate Limit	500,000
Employee Benefits Liability each occurrence	1,000,000
Aggregate Limit (\$1000 deductible)	3,000,000
Sexual Misconduct & Molestation Liability each occurrence	1,000,000
Aggregate Limit (\$5000 deductible)	1,000,000
Law Enforcement Liability each occurrence	1,000,000
Aggregate Limit (\$1000 deductible)	1,000,000
Employers’ – Stop Gap – Bodily Injury: (no deductible) each occurrence	2,000,000
Aggregate Limit	1,000,000
School Leaders Errors and Omissions Injury Limit each occurrence	1,000,000
Aggregate Limit (\$5000 deductible)	1,000,000
Umbrella each occurrence	1,000,000
Aggregate Limit (\$10,000 Self Insured Retention)	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 2015.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 10 - Risk Management (Continued)

B. Workers' Compensation

For fiscal year 2015, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Medical/Surgical and Prescription Drug Insurances

Medical/surgical and prescription drug insurance is offered through a self-insurance internal service fund. The School District pays 90% of the monthly insurance premium for either family or single coverage. The employee shall pay 10% of the monthly insurance premium. The School District is a member of a claims servicing pool in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The School District's stop loss amount per person is \$50,000 for fiscal year 2015. The claims liability of \$127,039 reported in the internal service fund at June 30, 2015, 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 2015 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2014	\$135,531	\$889,811	\$855,219	\$170,123
2015	\$170,123	\$614,659	\$657,743	\$127,039

Note 11 - Employee Benefits

A. Compensated Absences

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 11 - Employee Benefits (Continued)

B. Insurance

The School District provides health, dental, and life insurance and accidental death and dismemberment insurance to most employees. Health was through Anthem, Dental was through SEOVEC Dental Consortium (Delta Dental), Vision was through Vision Service Plan (VSP) and Life was through Metropolitan Education Council (American United Life Insurance). The monthly cost of board paid premiums for the coverage's were \$55.83 for Dental, \$12.00 family and \$5.30 single for Vision, \$0.10 per \$1,000.00 for Life, and \$685.75 for single health and \$1521.47 for family.

Note 12 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance at 6/30/2014 Restated	Additions	Reductions	Balance at 6/30/2015
Capital Assets:				
Capital Assets not being Depreciated:				
Land	\$199,100	\$-	\$-	\$199,100
Total Capital Assets not being Depreciated:	<u>199,100</u>	<u>-</u>	<u>-</u>	<u>199,100</u>
Depreciable Capital Assets				
Land Improvements	1,597,943	98,792	-	1,696,735
Buildings and Improvements	22,202,367	399,697	-	22,602,064
Furniture and Equipment	1,784,272	54,568	-	1,838,840
Vehicles	727,833	-	-	727,833
Total Capital Assets being Depreciated	<u>26,312,415</u>	<u>553,057</u>	<u>-</u>	<u>26,865,472</u>
Less Accumulated Depreciation				
Land Improvements	368,111	75,953	-	444,064
Buildings and Improvements	4,356,972	673,719	-	5,030,691
Furniture and Equipment	702,162	120,749	-	822,911
Vehicles	494,656	47,533	-	542,189
Total Accumulated Depreciation	<u>5,921,901</u>	<u>917,954</u>	<u>-</u>	<u>6,839,855</u>
Total Capital Assets being Depreciated, Net	<u>20,390,514</u>	<u>(364,897)</u>	<u>-</u>	<u>20,025,617</u>
Capital Assets, Net	<u>\$20,589,614</u>	<u>(\$364,897)</u>	<u>\$-</u>	<u>\$20,224,717</u>

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 12 - Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$366,848
Vocational	3,671
Other	481
Support Services:	
Pupil	555
Instructional Staff	21,940
Administration	4,241
Fiscal	160
Operation and Maintenance of Plant	2,933
Pupil Transportation	49,076
Central	4,439
Other Non-Instructional Services	11,685
Extracurricular	23,169
Capital Outlay	428,756
Total Depreciation Expense	<u>\$917,954</u>

Note 13 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment in exchanges that already have occurred.

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 13 - Defined Benefit Pension Plans (Continued)

Net Pension Liability (Continued)

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 13 - Defined Benefit Pension Plans (Continued)

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$131,422 for fiscal year 2015. Of this amount \$94,392 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 13 - Defined Benefit Pension Plans (Continued)

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$422,232 for fiscal year 2015. Of this amount \$71,812 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,684,535	\$6,483,589	\$8,168,124
Proportion of the Net Pension Liability	0.033285%	0.0266557%	
Pension Expense	\$99,604	299,536	399,140

At June 30, 2015, the District reported outflows of resources and deferred inflows of resources related to pensions from the following sources:

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 13 - Defined Benefit Pension Plans (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$14,337	\$62,419	\$76,756
District contributions subsequent to the measurement date	188,304	422,232	610,536
Total Deferred Outflows of Resources	<u>\$202,641</u>	<u>\$484,651</u>	<u>\$687,292</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$273,405</u>	<u>\$1,199,488</u>	<u>\$1,472,893</u>

\$610,536 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	(\$64,767)	(\$284,267)	(\$349,034)
2017	(64,767)	(284,267)	(349,034)
2018	(64,767)	(284,267)	(349,034)
2019	(64,767)	(284,268)	(349,035)
Total	<u>(\$259,068)</u>	<u>(\$1,137,069)</u>	<u>(\$1,396,137)</u>

Actuarial Assumptions - SERS

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 13 - Defined Benefit Pension Plans (Continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 13 - Defined Benefit Pension Plans (Continued)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$2,403,331	\$1,684,535	\$1,079,965

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 13 - Defined Benefit Pension Plans (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$9,281,964	\$6,483,589	\$4,117,105

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2015, no members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 14 - Postemployment Benefits

A. School Employees Retirement System

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

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

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2015, the health care allocation is .82%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount; pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$17,140. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned health care for the years ended June 30, 2015, 2014, and 2013 were \$8,177, \$1,727, and \$1,993, respectively; 47.15 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

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

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

B. State Teachers Retirement System

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 14 - Postemployment Benefits (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$26,890, and \$30,353 respectively. For fiscal year 2015, 0 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

Note 15 - Capitalized Leases

In 2015, the School District has entered into lease agreements for a fieldhouse renovation project. These lease obligations meets 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 lease payments are reflected as debt service expenditures in the fund financial statements. Principal payments in fiscal year 2015 totaled \$10,828 in the governmental funds. The equipment has been capitalized in the amount of \$225,000, the present value of the minimum lease payments at the inception of the lease.

The following is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of June 30, 2015:

Fiscal Year Ending June 30,	General Long-Term Obligations
2016	\$18,975
2017	18,975
2018	18,976
2019	18,975
2020	18,976
2021 – 2025	94,877
2026 - 2030	77,501
Total Future Minimum Lease Payments	267,255
Less: Amount Representing Interest	(53,083)
Present Value of Future Minimum Lease Payments	\$214,172

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 16 - 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 6/30/2014	Additions	Deductions	Balance at 6/30/2015	Amounts Due Within One Year
2009 Classroom Facilities Refunding Bonds – 2.00% - 4.00%	\$1,725,000	\$-	\$220,000	\$1,505,000	\$-
Original Issue of Capital Appreciation Bonds	75,000	-	-	75,000	75,000
Accretion on Capital Appreciation Bonds – 18.517%	80,233	16,937	-	97,170	-
Deferred Amount on Refunding	(49,176)	-	(6,625)	(42,551)	-
Discount on Term Bonds	(16,024)	-	(2,159)	(13,865)	-
Premium on Term Bonds	83,458	-	11,245	72,213	-
2010 School Improvement Original Issue of Capital Appreciation Bonds – 2.04% - 3.25%	82,991	-	30,959	52,032	22,819
Accretion on Capital Appreciation Bonds – 32.96%	27,001	22,499	74,041	(24,541)	-
Recovery Zone Economic Development Bonds – 7.10%	1,820,000	-	-	1,820,000	-
Qualified School Construction Bonds – 6.60%	1,990,000	-	15,000	1,975,000	15,000
Discount on Serial Bonds	(54,924)	-	(1,144)	(53,780)	-
Premium on Serial Bonds	222,893	-	27,862	195,031	-
Commercial Loan - Computers	62,193	-	62,193	-	-
Capital Lease	-	225,000	10,828	214,172	12,176
Net Pension Liability	9,702,937	-	1,534,813	8,168,124	-
Sick Leave Benefits	317,971	-	10,071	307,900	-
Total Long Term Obligations	<u>\$16,069,553</u>	<u>\$264,436</u>	<u>\$1,987,084</u>	<u>\$14,346,905</u>	<u>\$124,995</u>

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

The School District's overall debt margin was \$2,602,776 with an unvoted debt margin of \$91,772 at June 30, 2015.

Classroom Facilities Construction and Improvement Bonds - On December 1, 1998, the School District issued \$4,042,000 in voted general obligation bonds for building a new elementary and an addition to the high school. The bond issue included serial and term bonds in the amounts of \$1,432,000 and \$2,610,000, respectively. The bonds were issued for a twenty-three year period, with the final maturity date during fiscal year 2022. During fiscal year 2010, the School District made the schedule repayment of the bonds in the amount of \$165,000 and advance refunded the remaining bonds of \$2,670,000. The refunded bonds were removed from the financial statements of School District.

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 16 - Long-Term Debt (Continued)

These refunding bonds were issued with a discount of \$26,700 which is reported as a decrease to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method; the amortization of the discount for fiscal year 2015 was \$2,159. These refunding bonds were also issued with a premium of \$139,066 which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method; the amortization of the premium for fiscal year 2015 was \$11,245. The issuance costs of \$27,347 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2015 was \$2,211. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$81,938. This difference, reported in the accompanying financial statements as a decrease to bonds payable is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2015 was \$6,625.

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

The capital appreciation bonds for the issue mature December 1, 2015. These bonds were purchased as a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$230,000. In fiscal year 2007, \$180,465 capital appreciation bond principal was repaid. For fiscal year 2015, \$16,937 was accreted, leaving a total bond liability of \$121,359.

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

Year Ending June 30,	Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2016	\$-	\$-	\$75,000	\$212,262	\$75,000	\$212,262
2017	230,000	53,237	-	-	230,000	53,237
2018	235,000	45,100	-	-	235,000	45,100
2019	245,000	36,394	-	-	245,000	36,394
2020	255,000	26,700	-	-	255,000	26,700
2021-2022	540,000	21,800	-	-	540,000	21,800
Total	<u>\$1,505,000</u>	<u>\$183,231</u>	<u>\$75,000</u>	<u>\$212,262</u>	<u>\$1,580,000</u>	<u>\$395,493</u>

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 16 - Long-Term Debt (Continued)

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

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

Recovery Zone Economic Development Bonds				
Fiscal Year				
Ending June 30,	Principal	Interest	Subsidy	Total
2016	\$-	\$129,220	(\$58,149)	\$71,071
2017	-	129,220	(58,149)	71,071
2018	-	129,220	(58,149)	71,071
2019	-	129,220	(58,149)	71,071
2020	-	129,220	(58,149)	71,071
2021 – 2025	-	646,100	(290,745)	355,355
2026 - 2030	-	646,100	(290,745)	355,355
2031 – 2035	945,000	485,818	(218,619)	1,212,199
2036 - 2039	875,000	116,197	(52,478)	939,139
Total	<u>\$1,820,000</u>	<u>\$2,540,735</u>	<u>(\$1,143,332)</u>	<u>\$3,217,403</u>

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

Qualified School Construction Bonds				
Fiscal Year				
Ending June 30,	Principal	Interest	Subsidy	Total
2016	\$15,000	\$129,855	(\$109,393)	\$35,462
2017	15,000	128,865	(108,559)	35,306
2018	30,000	127,380	(107,308)	50,072
2019	130,000	122,100	(102,860)	149,240
2020	135,000	113,355	(95,493)	152,862
2021 – 2025	755,000	423,555	(356,813)	821,742
2026 - 2030	895,000	151,635	(127,741)	918,894
Total	<u>\$1,975,000</u>	<u>\$1,196,745</u>	<u>(\$1,008,167)</u>	<u>\$2,163,578</u>

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 16 - Long-Term Debt (Continued)

Year (December 1)	Principal Amount to be Redeemed
2030	\$170,000
2031	175,000
2032	190,000
2033	200,000
2034	210,000
2035	230,000
2036	240,000
2037	250,000
Total	\$1,665,000

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

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

Year (December 1)	Principal Amount to be Redeemed
2015	\$15,000
2016	15,000
2017	30,000
2018	130,000
2019	135,000
2020	140,000
2021	145,000
2022	150,000
2023	160,000
2024	160,000
2025	165,000
2026	175,000
2027	180,000
2028	185,000
Total	\$1,785,00

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

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 16 - Long-Term Debt (Continued)

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

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

To the extent that less than 100% of the available project proceeds of the Series 2010C Bonds are expended for qualified purposes by November 30, 2014, (or if an extension of such expenditure period has been received by the School District from the Secretary of the Treasury or the IRS, by the close of the extended period), the School District shall be required to redeem the nonqualified Series 2010C Bonds within 90 days after the end of such period. Redemption of the nonqualified Series 2010C Bonds shall be at a price equal to the sum of the principal amount being redeemed plus accrued interest thereon to the redemption date.

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

The capital appreciation bonds for this issue mature December 1, 2014, 2014, 2015, 2016, and 2017. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$525,000. The 2015 accretion was \$22,499 leaving a total bond liability of \$214,992.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$22,819	\$82,181	\$105,000
2017	16,818	88,182	105,000
2018	12,395	92,605	105,000
Totals	<u>\$52,032</u>	<u>\$262,968</u>	<u>\$315,000</u>

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

On June 14, 2014, the School District obtained a commercial loan for \$123,003 from Home National Bank for the purpose of providing computers to the School District. The loan will mature on June 14, 2015 and has an interest rate of 2.25%. The loan was retired in FY 2015.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 17 - Set-Aside Calculations

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

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

	Capital Improvements Reserve
Set-aside Cash Balance as of June 30, 2014	\$-
Prior Offsets Not Recorded	-
Current Year Set-aside Requirement	121,259
Offsetting Credits	(67,611)
Qualifying Disbursements	(53,648)
Totals	-
Set-aside Balance Carried Forward to Future Fiscal Years	\$-

Note 18 - Jointly Governed Organizations

A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 28 participants consisting of school districts in eight southeastern Ohio counties. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2015, the School District paid \$86,711 to SEOVEC. To obtain financial information, write to the Southeastern Ohio Voluntary Education Cooperative at 221 North Columbus Road, Athens, Ohio 45701.

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 134 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$385 for fiscal year 2015. The financial information for the Coalition of Rural and Appalachian Schools can be obtained from the Executive Director at McCracken Hall, Ohio University, Athens, Ohio 45701.

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 19 - Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

Note 20 - Claims Servicing Pool

The School District participates in the Jefferson Health Plan, a claims servicing pool composed of over 250 public employer member organizations. The Plan's business and affairs are conducted by a nine member Board of Directors elected by plan members. 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 21 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

B. Litigation

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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2015
(Continued)**

Note 22 - CHANGE IN ACCOUNTING PRINCIPLE

Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure.

The beginning accumulated depreciation was adjusted due to the inclusion of several assets that were less than the District's capitalize threshold.

The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	\$16,612,200
Adjustments:	
Net Pension Liability	(9,702,937)
Deferred Outflow – Payments Subsequent to Measurement Date	592,748
Accumulated Depreciation	370,720
Restated Net Position June 30, 2014	<u>\$7,872,731</u>

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

The prior audit report included an investment in the private purpose trust fund. The District has no authority over these funds and they should not be included in the District's financial statements. The restatement had the following effect on the net position in the private purpose trust fund as of June 30, 2014:

Net Position June 30, 2014	\$138,361
Adjustments:	
Removal of trust funds	(138,361)
Restated Net Position June 30, 2014	<u>\$0</u>

**SOUTHERN LOCAL SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
 LAST TWO FISCAL YEARS**

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.033285%	0.033285%
School District's Proportionate Share of the Net Pension Liability	\$1,684,535	\$1,979,352
School District's Covered-Employee Payroll	\$947,355	\$931,376
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	177.81%	212.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available

**SOUTHERN LOCAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST TWO FISCAL YEARS (1)**

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.026657%	0.026657%
School District's Proportionate Share of the Net Pension Liability	\$6,483,589	\$7,723,585
School District's Covered-Employee Payroll	\$2,763,624	\$2,797,367
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	234.60%	276.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available

**SOUTHERN LOCAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$188,304	\$233,477
Contributions in Relation to the Contractually Required Contribution	<u>(188,304)</u>	<u>(233,477)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$1,428,710	\$1,684,535
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%

(1) Information prior to 2014 is not available

**SOUTHERN LOCAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$422,232	\$359,271
Contributions in Relation to the Contractually Required Contribution	<u>(422,232)</u>	<u>(359,271)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$3,015,943	\$2,763,624
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%

(1) Information prior to 2014 is not available

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass Through Grantor / Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through The Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Breakfast Program	2014	10.553	\$ 110,321	\$ 110,321
National School Lunch Program	2014	10.555	186,012	186,012
Cash Assistance			296,333	296,333
Non-Cash Assistance (Food Distribution)	2014	10.555	21,420	21,420
Total Child Nutrition Cluster			<u>317,753</u>	<u>317,753</u>
Total U.S. Department of Agriculture			<u>317,753</u>	<u>317,753</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Direct from the Federal Government:</i>				
Carol M. White Physical Education Program	2015	84.215F	272,768	265,891
Carol M. White Physical Education Program	2014	84.215F	125,554	126,073
Total Carol M. White Physical Education Program			<u>398,322</u>	<u>391,964</u>
<i>Passed Through The Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2015	84.010	211,962	211,768
Title I Grants to Local Educational Agencies	2014	84.010	6,288	36,015
Total Title I Grants to Local Educational Agencies			<u>218,250</u>	<u>247,783</u>
Special Education Grants to States	2015	84.027	142,225	147,794
Special Education Grants to States	2014	84.027	-	12,842
Total Special Education Grants to States			<u>142,225</u>	<u>160,636</u>
Twenty-First Century Community Learning Centers	2015	84.287	90,279	88,226
Twenty-First Century Community Learning Centers	2014	84.287	(2,762)	8,637
Total Twenty-First Century Community Learning Centers			<u>87,517</u>	<u>96,863</u>
Title VI-B Rural Education	2015	84.358	13,192	12,139
Title VI-B Rural Education	2014	84.358	-	316
Total VI-B Rural Education			<u>13,192</u>	<u>12,455</u>
Title II-A Improving Teacher Quality State Grants	2015	84.367	56,830	56,830
Title II-A Improving Teacher Quality State Grants	2014	84.367	-	1,808
Total Title II-A Improving Teacher Quality State Grants			<u>56,830</u>	<u>58,638</u>
ARRA - State Fiscal Stabilization Fund - Race to the Top Incentive Grants	2014	84.395	7,614	11,658
Total – U.S. Department of Education			<u>923,950</u>	<u>979,997</u>
Total Federal Financial Assistance			<u>\$ 1,241,703</u>	<u>\$ 1,297,750</u>

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2015**

Note A – Significant Accounting Policies

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports 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 comingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

Note C – Food Donation

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

Note D – Refunded Receipts

The School District returned \$2,762 in unexpended grant funds to the Ohio Department of Education during fiscal year 2015 for the Twenty-First Century Community Learning Centers grant. This amount is reported as a negative receipt of the Schedule.



428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave.
Parkersburg, WV 26101
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

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

February 5, 2016

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **Southern Local School District**, Meigs County, (the School District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 5, 2016 wherein we noted the School District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.



...“bringing more to the table”

Tax- Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



Compliance and Other Matters

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

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 5, 2016.

Entity's Response to Findings

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

Purpose of this Report

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



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



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Marietta, OH 45750
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Parkersburg, WV 26101
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St. Clairsville, OH 43950
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

February 5, 2016

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited **Southern Local School District's** (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Southern Local School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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



... "bringing more to the table"

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Opinion on the Major Federal Program

In our opinion, Southern Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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



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

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Schedule of Audit Findings
OMB Circular A -133 § .505
For the Fiscal Year Ended June 30, 2015
(Continued)**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Carol M. White Physical Education Program, CFDA #84.215F
<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?	Yes

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

FINDING 2015-001

Material Weakness

Posting of Receipts and Disbursements

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code.

Receipts and disbursements were not always posted correctly. The following posting errors were noted:

- Capital lease was recorded as Miscellaneous instead of Inception of Capital Lease in the Permanent Improvement Fund;

**SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Schedule of Audit Findings
OMB Circular A -133 § .505
For the Fiscal Year Ended June 30, 2015
(Continued)**

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

FINDING 2015-001 (Continued)

Posting of Receipts and Disbursements (Continued)

- Same capital lease was recorded again by the compiler in the General Fund as Inception of Capital Lease and Operation and Maintenance of Plant.

Not posting receipts and disbursements accurately resulted in the financial statements requiring reclassification and adjustment. The financial statements reflect the reclassification and adjustment. The School District is in agreement with the adjustment and has communicated it to the compiler.

To help ensure accuracy and reliability in the financial reporting process, we recommend the Treasurer perform a detailed review of the financial statements prepared by the compiler. Such review should include procedures to ensure that all receipts and disbursements are properly identified and classified on the financial statements.

Officials' Response: The Treasurer will perform a detailed review of the financial statements prepared by the compiler and ensure that all receipts and disbursements are properly identified and classified on the financial statements.

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

SOUTHERN LOCAL SCHOOL DISTRICT

MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 19, 2016**