



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

South Point Local School District

Lawrence County, Ohio

Single Audit

July 1, 2010 through June 30, 2011

Year Audited Under GAGAS: 2011

bhs

Circleville

Ironton

Piketon

Wheelersburg

Worthington



Dave Yost • Auditor of State

Board of Education
South Point Local School District
302 High Street
South Point, Ohio 45680

We have reviewed the *Independent Auditor's Report* of the South Point Local School District, Lawrence County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2010 through June 30, 2011. 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 South Point Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

April 6, 2012

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South Point Local School District
Lawrence County, Ohio

Table of Contents

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet–Governmental Funds.....	12
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds To the Statement of Activities.....	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) – General Fund	16
Statement of Fiduciary Net Assets - Fiduciary Fund	17
Notes to the Basic Financial Statements.....	18
Schedule of Federal Awards Receipts and Expenditures	43
Notes to Schedule of Federal Awards Receipts and Expenditures.....	44
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	45
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	47
Schedule of Findings OMB Circular A-133 §.505.....	49
Schedule of Prior Audit Findings Section – 315(b)	50
Independent Auditor’s Report on Applying Agreed Upon Procedures.....	51

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Members of the Board
South Point Local School District
302 High Street
South Point, OH 45680

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Point Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

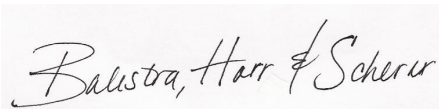
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South Point Local School District, Lawrence County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The schedule of federal awards receipts and expenditures provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of federal awards receipts and expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

January 27, 2012

South Point Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

The discussion and analysis of the South Point Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2011 are as follows:

- Net assets of governmental activities increased \$298,767.
- General revenues accounted for \$11,007,908 in revenue or 55% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$8,816,207 or 45% total revenues of \$19,824,115.
- Total assets of governmental activities increased \$10,919. Cash and Cash Equivalents decreased \$246,439 due mainly to payment of construction expenses, Property and Other Local Taxes Receivable increased \$253,765 and the District received a new Ed Jobs Grant which resulted in an increase to Intergovernmental Receivable of \$375,854. Capital assets decreased \$347,397 due to depreciation expenses. Total governmental activities liabilities decreased \$287,848. This decrease is attributed mainly to a decrease in contracts payable and long-term liabilities.
- The School District had \$19,525,348 in expenses related to governmental activities; only \$8,816,207 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$11,007,908 were inadequate to provide for these programs.
- The School District's major funds were the General Fund, and the Bond Retirement Debt Service Fund. The General Fund had \$14,985,046 in revenues and \$14,197,386 in expenditures. The General Fund's balance increased \$690,560. The Bond Retirement Fund had \$744,335 in revenues and \$685,112 in expenditures. The Bond Retirement Fund's balance increased \$59,223.

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 South Point Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

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

South Point Local School District, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011 Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Bond Retirement Debt Service Fund.

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

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

South Point Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010.

Table 1
Net Assets

	Governmental Activities		
	2011	2010	Change
Assets			
Current and Other Assets	\$13,915,016	\$13,556,700	\$358,316
Capital Assets	51,968,194	52,315,591	(347,397)
Total Assets	65,883,210	65,872,291	10,919
Liabilities			
Long-term Liabilities	12,527,510	13,068,441	(540,931)
Other Liabilities	5,813,838	5,560,755	253,083
Total Liabilities	18,341,348	18,629,196	(287,848)
Net Assets			
Invested in Capital Assets, Net of Debt	41,856,616	41,567,290	289,326
Restricted	3,254,992	3,791,766	(536,774)
Unrestricted (Deficit)	2,430,254	1,884,039	546,215
Total Net Assets	\$47,541,862	\$47,243,095	\$298,767

Total assets increased \$10,919. This increase was due to an increase in current assets and a decrease in capital assets resulting from depreciation charged in 2011. Total governmental activities liabilities decreased \$287,848. This decrease is attributed mainly to a decrease in long-term liabilities.

South Point Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2011 compared to 2010

Table 2
Changes in Net Assets

	Governmental Activities		
	2011	2010	Variance
Revenues			
Program Revenues			
Charges for Services	\$488,422	\$422,650	\$65,772
Operating Grants, Contributions and Interest	8,327,785	3,909,438	4,418,347
Total Program Revenues	<u>8,816,207</u>	<u>4,332,088</u>	<u>4,484,119</u>
General Revenues			
Property Taxes	3,715,685	3,662,574	53,111
Grants and Entitlements	7,188,720	12,575,578	(5,386,858)
Investment Earnings	16,744	27,606	(10,862)
Gain on Sale of Capital Assets	39,500	0	39,500
Miscellaneous	47,259	103,457	(56,198)
Total General Revenues	<u>11,007,908</u>	<u>16,369,215</u>	<u>(5,361,307)</u>
Total Revenues	<u>19,824,115</u>	<u>20,701,303</u>	<u>(877,188)</u>
Program Expenses			
Instruction:			
Regular	8,134,851	8,842,806	(707,955)
Special	2,277,136	2,360,715	(83,579)
Vocational	254,699	265,765	(11,066)
Student Intervention Services	26,347	119,046	(92,699)
Other	22,190	18,345	3,845
Support Services:			
Pupil	566,061	748,030	(181,969)
Instructional Staff	1,078,239	1,122,507	(44,268)
Board of Education	222,751	111,941	110,810
Administration	1,511,941	1,432,370	79,571
Fiscal	455,584	422,320	33,264
Operation and Maintenance of Plant	2,126,495	2,434,860	(308,365)
Pupil Transportation	1,133,651	986,741	146,910
Central	64,014	71,415	(7,401)
Operation of Non-Instructional Services:			
Food Service Operations	836,142	866,221	(30,079)
Community Services	1,060	0	1,060
Extracurricular Activities	291,738	462,978	(171,240)
Sport Oriented Activities	3,350	0	3,350
Interest and Fiscal Charges	519,099	529,473	(10,374)
Total Expenses	<u>19,525,348</u>	<u>20,795,533</u>	<u>(1,270,185)</u>
Increase in Net Assets	298,767	(94,230)	392,997
Net Assets Beginning of Year	<u>47,243,095</u>	<u>47,337,325</u>	<u>(94,230)</u>
Net Assets End of Year	<u>\$47,541,862</u>	<u>\$47,243,095</u>	<u>\$298,767</u>

South Point Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for 2011 compared to 2010. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2011	2011	2010	2010
Program Expenses				
Instruction:				
Regular	\$8,134,851	\$2,567,702	\$8,842,806	\$7,922,111
Special	2,277,136	1,238,549	2,360,715	1,265,634
Vocational	254,699	193,073	265,765	104,598
Student Intervention Services	26,347	26,347	119,046	119,046
Other	22,190	22,190	18,345	18,345
Support Services:				
Pupil	566,061	535,969	748,030	658,654
Instructional Staff	1,078,239	722,302	1,122,507	666,435
Board of Education	222,751	200,561	111,941	103,426
Administration	1,511,941	1,381,107	1,432,370	1,384,187
Fiscal	455,584	449,078	422,320	396,377
Operation and Maintenance of Plant	2,126,495	1,491,682	2,434,860	1,802,165
Pupil Transportation	1,133,651	1,002,052	986,741	942,285
Central	64,014	64,014	71,415	71,415
Operation of Non-Instructional Services:				
Food Service Operations	836,142	57,296	866,221	83,142
Community Services	1,060	44	0	0
Extracurricular Activities	291,738	234,726	462,978	396,152
Sport Oriented Activities	3,350	3,350	0	0
Interest and Fiscal Charges	519,099	519,099	529,473	529,473
Total	\$19,525,348	\$10,709,141	\$20,795,533	\$16,463,445

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 \$19,897,658 and expenditures of \$19,713,093. The School District is focusing its efforts to reduce expenditures, first through cuts to its discretionary budgets such as supplies and capital outlay, and also through the reduction of personnel. The economic condition within the School District would indicate the passage of an operating levy is highly unlikely.

South Point Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

General Fund Budgeting Highlights

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

During the course of fiscal 2011, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$15,110,564; equal to final estimates. Original estimated revenues were increased \$146,300. Actual expenditures were \$14,348,404; equal to final budget estimates. Original expenditure estimates were decreased \$493,760 due mainly to reduced salary and benefit expenditures in regular instruction and administration.

The School District's ending unobligated general fund balance was \$6,078,257.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011 the School District had \$51,968,194 invested in land and land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2011 balances compared to 2010

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2011	2010
Land	\$2,001,887	\$2,001,887
Land Improvements	2,334,274	2,253,827
Buildings and Improvements	46,389,615	46,911,157
Furniture and Equipment	887,036	904,733
Vehicles	355,382	243,987
Totals	<u>\$51,968,194</u>	<u>\$52,315,591</u>

South Point Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

See Note 10 to the basic financial statements for more information on capital assets.

Debt

At June 30, 2011 the School District had \$10,895,557 in long term debt. Total outstanding capital leases totaled \$1,315,671 and outstanding school construction bonds totaled \$9,579,886.

Table 5
Outstanding Debt, at Fiscal Year End

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
2002 School Facilities		
Construction and Improvement:		
Serial Bonds - 2.00%-3.25%	\$600,000	\$870,000
Term Bonds - 4.50%-5.00%	7,785,000	7,785,000
Original Issue of Capital Appreciation		
Bonds - 21.947%-21.861%	556,336	556,336
Accretion on Capital Appreciation Bonds	356,040	284,778
Premium on Capital Appreciation Bonds	282,510	295,066
Capital Leases	1,315,671	1,688,858
	<u>\$10,895,557</u>	<u>\$11,480,038</u>

See note 15 to the basic financial statements for more information on debt.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, 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 Tresa Baker, Treasurer, at South Point Local School District, 302 High Street, South Point OH 45680. Or e-mail at tbaker@southpoint.k12.oh.us.

South Point Local School District
Statement of Net Assets
June 30, 2011

	<u>Governmental</u> <u>Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 9,015,266
Cash and Cash Equivalents with Fiscal Agents	10,431
Materials and Supplies Inventory	40,234
Intergovernmental Receivable	527,777
Property and Other Local Taxes Receivable	4,175,879
Deferred Charges	145,429
Non-Depreciable Capital Assets	2,001,887
Depreciable Capital Assets, net	<u>49,966,307</u>
<i>Total Assets</i>	<u>65,883,210</u>
LIABILITIES:	
Accounts Payable	59,591
Accrued Wages and Benefits	1,641,780
Intergovernmental Payable	636,838
Accrued Interest Payable	32,188
Matured Compensated Absences Payable	236,658
Deferred Revenue	3,206,783
Long-Term Liabilities:	
Due Within One Year	792,706
Due in More Than One Year	<u>11,734,804</u>
<i>Total Liabilities</i>	<u>18,341,348</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	41,856,616
Restricted for Debt Service	977,496
Restricted for Capital Outlay	1,044,830
Restricted for Other Purposes	916,366
Restricted for Set Asides	67,581
Restricted for Textbooks	245,841
Restricted for Bus Purchases	2,878
Unrestricted	<u>2,430,254</u>
<i>Total Net Assets</i>	<u>\$ 47,541,862</u>

See accompanying notes to the basic financial statements

South Point Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	<u>Program Revenues</u>		<u>Net(Expense)Revenue and</u>
			<u>Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for</u> <u>Services and</u> <u>Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>
			<u>Governmental Activities</u>
Governmental Activities:			
Instruction:			
Regular	\$ 8,134,851	\$ 295,324	\$ 5,271,825
Special	2,277,136		1,038,587
Vocational	254,699		61,626
Student Intervention Services	26,347		
Other	22,190		
Support Services:			
Pupils	566,061		30,092
Instructional Staff	1,078,239		355,937
Board of Education	222,751		22,190
Administration	1,511,941		130,834
Fiscal	455,584		6,506
Operation and Maintenance of Plant	2,126,495		634,813
Pupil Transportation	1,133,651		131,599
Central	64,014		(64,014)
Operation of Non-Instructional Services:			
Food Service Operations	836,142	137,620	641,226
Community Services	1,060		1,016
Extracurricular Activities	291,738	55,478	1,534
Extracurricular Activities:			
Sport Oriented Activities	3,350		(3,350)
Interest and Fiscal Charges	519,099		(519,099)
Totals	\$ 19,525,348	\$ 488,422	\$ 8,327,785
			(10,709,141)
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes			3,035,866
Property Taxes, Levied for Debt Service			619,144
Property Taxes, Levied for Capital Maintenance			60,675
Grants and Entitlements not Restricted to Specific Program:			7,188,720
Investment Earnings			16,744
Gain on Sale of Capital Assets			39,500
Miscellaneous			47,259
Transfers			
<i>Total General Revenues and Transfers</i>			11,007,908
<i>Change in Net Assets</i>			298,767
<i>Net Assets Beginning of Year</i>			47,243,095
<i>Net Assets End of Year</i>			\$ 47,541,862

See accompanying notes to the basic financial statements

South Point Local School District
Balance Sheet
Governmental Funds
June 30, 2011

	<u>GENERAL</u>	<u>BOND RETIREMENT</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ 5,803,010	\$ 1,122,866	\$ 1,651,071	\$ 8,576,947
Cash and Cash Equivalents with Fiscal Agents		10,431		10,431
Materials and Supplies Inventory	24,317		15,917	40,234
Interfund Receivable	11,911			11,911
Intergovernmental Receivable			527,777	527,777
Property and Other Local Taxes Receivable	3,425,404	683,007	67,468	4,175,879
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	438,319			438,319
<i>Total Assets</i>	<u>\$ 9,702,961</u>	<u>\$ 1,816,304</u>	<u>\$ 2,262,233</u>	<u>\$ 13,781,498</u>
LIABILITIES:				
Accounts Payable	56,241		3,350	59,591
Accrued Wages and Benefits	1,324,033		317,747	1,641,780
Interfund Payable			11,911	11,911
Intergovernmental Payable	534,217		102,621	636,838
Matured Compensated Absences Payable	236,658			236,658
Deferred Revenue	3,132,768	624,480	79,718	3,836,966
<i>Total Liabilities</i>	<u>5,283,917</u>	<u>624,480</u>	<u>515,347</u>	<u>6,423,744</u>
FUND BALANCES:				
Nonspendable	62,824		15,917	78,741
Restricted	399,812	1,191,824	1,860,841	3,452,477
Committed	643,351			643,351
Assigned	221,689			221,689
Unassigned	3,091,368		(129,872)	2,961,496
<i>Total Fund Balances</i>	<u>4,419,044</u>	<u>1,191,824</u>	<u>1,746,886</u>	<u>7,357,754</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 9,702,961</u>	<u>\$ 1,816,304</u>	<u>\$ 2,262,233</u>	<u>\$ 13,781,498</u>

See accompanying notes to the basic financial statements

South Point Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2011*

Total Governmental Fund Balances		\$7,357,754
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		51,968,194
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	612,174	
Grants	18,009	630,183
Unamortized issuance costs represent deferred charges which do not provide current financial resources and therefore are not reported in the funds.		145,429
Interest Payable is accrued for outstanding long-term liabilities while interest is not reported until due on the balance sheet.		(32,188)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Improvement Bonds Payable	(9,579,886)	
Capital Lease Payable	(1,315,671)	
Sick Leave Benefits Payable	(1,631,953)	(12,527,510)
Net Assets of Governmental Activities		\$47,541,862

See accompanying notes to the basic financial statements

South Point Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	<u>GENERAL</u>	<u>BOND RETIREMENT</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property and Other Local Taxes	\$ 3,001,126	\$ 632,952	\$ 60,736	\$ 3,694,814
Intergovernmental	11,624,402	111,383	3,908,538	15,644,323
Interest	15,855		889	16,744
Tuition and Fees	159,170			159,170
Rent	8,320			8,320
Extracurricular Activities	42,793		55,478	98,271
Gifts and Donations	4,562		1,534	6,096
Customer Sales and Services	85,041		137,620	222,661
Miscellaneous	43,777		3,482	47,259
<i>Total Revenues</i>	<u>14,985,046</u>	<u>744,335</u>	<u>4,168,277</u>	<u>19,897,658</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	7,195,120		586,268	7,781,388
Special	996,530		1,083,195	2,079,725
Vocational	227,045			227,045
Student Intervention Services	26,347			26,347
Other	15,812			15,812
Support Services:				
Pupils	498,536		31,000	529,536
Instructional Staff	639,905		363,797	1,003,702
Board of Education	200,561		22,190	222,751
Administration	1,206,766		125,863	1,332,629
Fiscal	380,496	24,807	2,337	407,640
Operation and Maintenance of Plant	1,075,933		607,523	1,683,456
Pupil Transportation	1,005,774		99,283	1,105,057
Central	64,014			64,014
Operation of Non-Instructional Services:				
Food Service Operations			834,893	834,893
Community Services			1,060	1,060
Extracurricular Activities	204,595		64,083	268,678
Extracurricular Activities:				
Sport Oriented Activities			3,350	3,350
Capital Outlay	22,466		1,005,753	1,028,219
Debt Service:				
Principal	373,187	270,000		643,187
Interest	64,299	390,305		454,604
<i>Total Expenditures</i>	<u>14,197,386</u>	<u>685,112</u>	<u>4,830,595</u>	<u>19,713,093</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>787,660</u>	<u>59,223</u>	<u>(662,318)</u>	<u>184,565</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	0		136,600	136,600
Proceeds from Sale of Capital Assets	39,500			39,500
Transfers Out	(136,600)			(136,600)
<i>Total Other Financing Sources and Uses</i>	<u>(97,100)</u>		<u>136,600</u>	<u>39,500</u>
<i>Net Change in Fund Balances</i>	690,560	59,223	(525,718)	224,065
<i>Fund Balance at Beginning of Year (Restated see Note 3)</i>	<u>3,728,484</u>	<u>1,132,601</u>	<u>2,272,604</u>	<u>7,133,689</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 4,419,044</u>	<u>\$ 1,191,824</u>	<u>\$ 1,746,886</u>	<u>\$ 7,357,754</u>

See accompanying notes to the basic financial statements

South Point Local School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds		\$224,065
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*Amounts reported for governmental activities in the statement of activities
are different because:*

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

Capital Asset Additions	1,260,392	
Depreciation Expense	<u>(1,607,789)</u>	(347,397)

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

Grants	(133,914)	
Delinquent Taxes	<u>20,871</u>	(113,043)

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

270,000

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due:

Accrued Interest Payable	675	
Annual Accretion	<u>(71,262)</u>	(70,587)

Bond Premiums are reported as other financing sources in the governmental funds, but are allocated as a reduction of expense over the life of the bonds on the statement of activities

12,556

Issuance costs are reported as an expenditure when paid in governmental funds, but are allocated as an expense over the life of the outstanding debt on the statement of activities

(6,464)

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

Capital Lease Payable	373,187	
Compensated Absences Payable	<u>(43,550)</u>	<u>329,637</u>

Change in Net Assets of Governmental Activities

\$298,767

See accompanying notes to the basic financial statements

South Point Local School District, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$2,970,968	\$3,126,644	\$3,126,644	\$0
Intergovernmental	11,595,682	11,624,402	11,624,402	0
Investment Earnings	26,187	15,855	15,855	0
Tuition and Fees	172,402	159,170	159,170	0
Rent	3,657	8,320	8,320	0
Charges for Services	117,094	85,041	85,041	0
Extracurricular Activities	41,518	42,793	42,793	0
Gifts and Donations	2,517	4,562	4,562	0
Miscellaneous	34,239	43,777	43,777	0
<i>Total Revenues</i>	<i>14,964,264</i>	<i>15,110,564</i>	<i>15,110,564</i>	<i>0</i>
Expenditures				
Current:				
Instruction:				
Regular	7,713,710	7,303,354	7,303,354	0
Special	1,039,999	1,036,701	1,036,701	0
Vocational	227,165	226,512	226,512	0
Intervention	98,748	61,951	61,951	0
Support Services:				
Pupils	482,622	521,384	521,384	0
Instructional Staff	681,188	623,276	623,276	0
Board of Education	121,672	185,771	185,771	0
Administration	1,284,866	1,160,614	1,160,614	0
Fiscal	354,297	376,415	376,415	0
Operation and Maintenance of Plant	1,133,306	1,125,946	1,125,946	0
Pupil Transportation	968,774	986,671	986,671	0
Central	69,386	60,175	60,175	0
Extracurricular Activities	227,268	215,969	215,969	0
Capital Outlay	1,677	26,179	26,179	0
Debt Service:				
Principal	373,187	373,187	373,187	0
Interest and Fiscal Charges	64,299	64,299	64,299	0
<i>Total Expenditures</i>	<i>14,842,164</i>	<i>14,348,404</i>	<i>14,348,404</i>	<i>0</i>
<i>Excess of Revenues Under Expenditures</i>	<i>122,100</i>	<i>762,160</i>	<i>762,160</i>	<i>0</i>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	39,500	39,500	0
Advances In	20,117	28,000	28,000	0
Transfers Out	(62,000)	(136,600)	(136,600)	0
Advances Out	0	(11,911)	(11,911)	0
<i>Total Other Financing Sources (Uses)</i>	<i>(41,883)</i>	<i>(81,011)</i>	<i>(81,011)</i>	<i>0</i>
<i>Net Change in Fund Balance</i>	<i>80,217</i>	<i>681,149</i>	<i>681,149</i>	<i>0</i>
<i>Fund Balance Beginning of Year (Restated see Note 3)</i>	<i>5,041,075</i>	<i>5,041,075</i>	<i>5,041,075</i>	<i>0</i>
Prior Year Encumbrances Appropriated	356,033	356,033	356,033	0
<i>Fund Balance End of Year</i>	<i>\$5,477,325</i>	<i>\$6,078,257</i>	<i>\$6,078,257</i>	<i>\$0</i>

See accompanying notes to the basic financial statements

South Point Local School District
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2011

	<u>Agency Fund</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 35,867
<i>Total Current Assets</i>	<u>35,867</u>
<i>Total Assets</i>	<u>35,867</u>
LIABILITIES:	
Current Liabilities:	
Due to Students	<u>35,867</u>
<i>Total Current Liabilities</i>	<u>35,867</u>
See accompanying notes to the basic financial statements	

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

Note 1 - Description of the School District and Reporting Entity

South Point Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's four instructional/support facilities staffed by 84 classified, 113 certificated full time teaching personnel and 11 administrators who provide services to 1,872 students.

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

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 for the organization. The School District has no component units.

The School District participates in four organizations, one of which are defined as jointly governed organizations and three as insurance purchasing pools. The jointly governed organization is the South Central Ohio Computer Association, and the insurance purchasing pools are the Ohio School Plan, The Lawrence County Schools' Insurance Purchasing Consortium, and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Note 17 and 18 to the basic financial statements

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements ordinarily distinguish between activities that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type (primarily supported by fees and charges). The School District, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and are 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. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are two categories of funds for this School District: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Bond Retirement Fund The Bond Retirement Fund accounts for tax revenues collected to repay outstanding general obligation bonds.

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

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

Fiduciary Fund Types Fiduciary fund reporting focuses on net assets and changes in net assets. The Fiduciary Fund category is split into four classifications: Pension Trust Funds, Investment Trust Funds, Private-Purpose Trust Funds, and Agency Funds. Trust Funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only Fiduciary Fund is an Agency Fund which accounts for student activity programs.

C. Measurement Focus

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

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 (e.g., revenues and other financing sources) and uses (e.g., 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.

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. 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. "Measurable" means the amount of the transaction can be determined, and "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 8). 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.

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds 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 2011, investments were limited to certificates of deposit. These nonparticipating investment contracts are reported at cost.

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 2011 amounted to \$15,855 which includes \$5,623 assigned from other School District funds.

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

F. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expensed/expensed when used. Inventory consists of administrative supplies, custodial supplies and donated and purchased food held for consumption.

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

G. 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 imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization and unexpended revenues restricted for the purchase of buses. See Note 19 for additional information regarding set-asides.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Buildings and Improvements	20 - 50 years
Land Improvements	20 years
Furniture and Equipment	5 – 20 years
Vehicles	8 years

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. A liability is recorded for vacation eligible employees after one year of service with the School District.

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 fifteen years of current service with the School District.

The entire compensated absences liability is reported on the government-wide financial statements.

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

On the governmental fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees will be 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. Bonds that will be paid from governmental funds are recognized as an expenditure and liability on the governmental fund financial statements when due.

K. Interfund Activity

Transfers between governmental activities are eliminated on the government-wide statements. 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.

L. Interfund Balances

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

M. Fund Balance

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

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

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

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

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

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

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

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations and federal and state grants restricted to expenditure for specified purposes. The government wide statement of net assets reports \$3,254,992 restricted net assets, none of which has resulted from enabling legislation.

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

O. 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.

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

P. 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 of Education. The legal level of control has been established by the Board of Education at the fund level. Allocations of appropriations among functions and objects are made by the Treasurer.

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. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue equaled actual revenue for most line items.

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. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year plus encumbrances outstanding at year end for most line items.

Note 3 - Change in Accounting Principles and Restatement of Fund Balance

A. Change in Accounting Principles

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District's financial statements.

B. Restatement of Prior Year's Net Assets/Fund Balance

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

As a result net assets/fund balances were restated as follows:

	<u>General</u>	<u>Other Governmental Funds</u>
Fund Balance at June 30, 2010	\$2,981,053	\$3,020,035
Change in Fund Structure	<u>747,431</u>	<u>(747,431)</u>
Adjusted Fund Balance at June 30, 2010	<u><u>\$3,728,484</u></u>	<u><u>\$2,272,604</u></u>

Also, cash basis Fund Balance was restated by \$883,123 from \$4,157,952 to \$5,041,075.

Note 4 – Deficit Fund Balances

The following funds had deficit fund balances at June 30, 2011:

	<u>Fund Balances</u>
Special Revenue Funds:	
Lunchroom	\$83,332
IDEA-B	19,758
Title I	10,817
Miscellaneous Federal Grants	<u>42</u>
	<u>\$113,949</u>

These deficits are due to adjustments for accrued liabilities or grant requirements. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

Note 5 – 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:

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<u>Nonspendable:</u>				
Unclaimed Monies	\$38,507	\$0	\$0	\$38,507
Materials and Supplies Inventory	\$24,317	\$0	\$15,917	\$40,234
<i>Total Nonspendable</i>	<u>62,824</u>	<u>0</u>	<u>15,917</u>	<u>78,741</u>
<u>Restricted for:</u>				
Athletics and Music	0	0	28,019	28,019
Teacher Development	0	0	294,801	294,801
Class Size Reduction	0	0	1,160	1,160
Debt Service Payments	0	1,191,824	0	1,191,824
Capital Improvements	83,512	0	1,536,861	1,620,373
Budget Stabilization	67,581	0	0	67,581
School Bus Purchase	2,878	0	0	2,878
Textbooks	245,841	0	0	245,841
<i>Total Restricted</i>	<u>399,812</u>	<u>1,191,824</u>	<u>1,860,841</u>	<u>3,452,477</u>
<u>Committed to:</u>				
Other Purposes	643,351	0	0	643,351
<u>Assigned to:</u>				
Other Purposes	221,689	0	0	221,689
Unassigned:	3,091,368	0	(129,872)	2,961,496
<i>Total Fund Balances</i>	<u>\$4,419,044</u>	<u>\$1,191,824</u>	<u>\$1,746,886</u>	<u>\$7,357,754</u>

Note 6 - 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).

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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	\$690,560
Revenue Accruals	125,518
Expenditure Accruals	12,054
Advances In	28,000
Advances Out	(11,911)
Encumbrances	<u>(163,072)</u>
Budget Basis	<u>\$681,149</u>

Note 7 - Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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;

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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) of this section and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
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's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2011, the School District's bank balance of \$9,372,113 is either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above. As of June 30, 2011, the School District had no investments.

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2010, were levied after April 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lawrence 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, 2011, are available to finance fiscal year 2011 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, 2011 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, 2011, was \$292,636 in the General Fund, \$58,527 in the Bond Retirement Fund and \$5,759 in the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 2010 was \$418,154 in the General Fund, \$102,076 in the Bond Retirement Fund and \$8,765 in the Classroom Facilities Special Revenue Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2011 taxes were collected from Lawrence County are:

	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$157,760,510	94%	\$175,114,820	94%
Public Utility Personal	9,912,540	6%	10,981,010	6%
General Business Personal	262,530	0%	134,430	0%
Total	\$167,935,580	100%	\$186,230,260	100%
Tax rate per \$1,000 of assessed valuation		\$25.81		\$24.90

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

Note 9 - Receivables

Receivables at June 30, 2011 consisted of property taxes 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. Other than delinquent property taxes, all receivables are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Special Revenue Funds:	
ECE Grant	\$8,912
HSTW	4,005
EdJobs	290,341
Title I	128,436
Title II-A	27,050
IDEA-B	69,033
Total Intergovernmental Receivables	<u>\$527,777</u>

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Audit Balance 6/30/2010	Additions	Deductions	Balance 6/30/2011
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$2,001,887	\$0	\$0	\$2,001,887
Total Capital Assets not being Depreciated	<u>2,001,887</u>	<u>0</u>	<u>0</u>	<u>2,001,887</u>
Depreciable Capital Assets:				
Land Improvements	3,238,271	210,499	0	3,448,770
Buildings and Improvements	54,576,235	557,267	0	55,133,502
Furniture and Equipment	1,226,991	328,415	264,737	1,290,669
Vehicles	1,137,904	164,211	0	1,302,115
Total Capital Assets being Depreciated	<u>60,179,401</u>	<u>1,260,392</u>	<u>264,737</u>	<u>61,175,056</u>
Less Accumulated Depreciation				
Land Improvements	(984,444)	(130,052)		(1,114,496)
Buildings and Improvements	(7,665,078)	(1,078,809)	0	(8,743,887)
Furniture and Equipment	(322,258)	(346,112)	(264,737)	(403,633)
Vehicles	(893,917)	(52,816)	0	(946,733)
Total Accumulated Depreciation	<u>(9,865,697)</u>	<u>(1,607,789)</u>	<u>(264,737)</u>	<u>(11,208,749)</u>
Total Capital Assets being Depreciated, Net	<u>50,313,704</u>	<u>(347,397)</u>	<u>0</u>	<u>49,966,307</u>
Capital Assets, Net	<u>\$52,315,591</u>	<u>(\$347,397)</u>	<u>\$0</u>	<u>\$51,968,194</u>

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$807,131
Special	115,121
Vocational	25,229
Other	6,378
Support Services:	
Pupils	58,000
Instructional Staff	75,459
Administration	127,700
Fiscal	40,917
Operation of Plant	168,900
Pupil Transportation	159,894
Extracurricular Activities	23,060
Total Depreciation Expense	<u>\$1,607,789</u>

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted with Hylant Administrative Services Selective Insurance for property and fleet insurance.

The type and amount of coverage provided follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$64,448,602
Automobile Liability (\$1,000 deductible):	
Bodily Injury and Property Damage – combined single limit	4,000,000
Medical Payments – each person	5,000
Uninsured Motorists	1,000,000

The School District has joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 18).

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:	
Each Occurrence	\$4,000,000
Aggregate Limit	6,000,000
Products – Complete Operations Aggregate Limit	4,000,000
Fire Legal Liability	500,000
Medical Expense Limit – per person/accident	10,000
Employers Liability – Stop Gap:	
Per Accident	4,000,000
Per Disease Each Employee	4,000,000
Per Disease Policy Limit	4,000,000
Employee Benefits Liability:	
Per Claim	4,000,000
Aggregate Limit	6,000,000
Excess Liability:	
Each Occurrence	4,000,000
Aggregate Limit	6,000,000

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

For fiscal year 2011, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakly/Unicomp, Inc. provides administrative, cost control, and actuarial services to the GRP.

Note 12 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work on a twelve month contract, earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers, administrators, and classified employees who are contracted to work less than 260 days per year do not earn vacation time. Teachers and administrators earn sick leave at the rate of one and one-fourth days per month. There is no limit to the amount of sick leave that may be accumulated. Upon retirement, payment is made for one-half of the total sick leave accumulation, up to a maximum payment of 112.5 days for certified and classified employees.

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

B. Life Insurance and Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to certified, classified, and administrative employees through Guardian Insurance Company. The coverage amount is \$20,000 for certified and classified employees and \$50,000 for administrators. During fiscal year 2011, health insurance was provided by Anthem Inc. Premiums for this coverage are \$1,581 for family coverage and \$640 for single coverage. The School District pays 75% of both premiums for employees hired after July 1, 2002. The School District pays 100% of single premiums for employees hired before July 1, 2002. Dental insurance is provided by Guardian. Premiums for this coverage are \$83 for family coverage and \$22 for single coverage. The School District pays 100% of single coverage. Employees are responsible for the excess cost of the family premium.

Note 13 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 12.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$398,562, \$371,793, and \$334,548 respectively; 35.92 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal years 2010 and 2009.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

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

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

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,021,955, \$1,058,678, and \$968,566 respectively; 83.60 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal years 2010 and 2009.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011 none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

Note 14 - Postemployment Benefits

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$33,284.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009, were \$33,195, \$0, and \$114,405 respectively; 44.85 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for fiscal years ended June 30, 2011, 2010, and 2009 were \$21,563, \$8,258, and \$16,300 respectively; 48.87 percent has been contributed for fiscal year 2011, 82.62 percent for fiscal year 2010 and 100 percent for fiscal year 2009.

B. State Teachers Retirement System

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

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$69,793, \$72,831, and \$74,275 respectively; 83.60 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Note 15 - Long Term Obligations

The changes in the School District’s long-term obligations during fiscal year 2011 were as follows:

	Principal Outstanding 6/30/10	Additions	Reductions	Principal Outstanding 6/30/11	Amounts Due in One Year
Governmental Activities					
2004 School Facilities					
Construction and Improvement:					
Serial Bonds - 2.00% - 3.25%	870,000		270,000	600,000	270,000
Term Bonds - 4.50% - 5.00%	7,785,000			7,785,000	
Original Issue of Capital Appreciation					
Bonds	556,336			556,336	
Accretion on Capital Appreciation Bonds	284,778	71,262		356,040	
Premium on Capital Appreciation Bonds	295,066		12,556	282,510	
Capital Leases	1,688,858		373,187	1,315,671	389,279
Compensated Absences	1,588,403	382,028	338,478	1,631,953	133,427
Total Governmental Activities					
Long-Term Liabilities	<u>\$13,068,441</u>	<u>\$453,290</u>	<u>\$994,221</u>	<u>\$12,527,510</u>	<u>\$792,706</u>

Compensated Absences will be paid from the General Fund.

2004 School Facilities Construction and Improvement Bonds – On November 12, 2004, the School District issued \$10,316,336 in voted general obligation bonds for building a new middle school/high school and two elementary buildings. The bond issue included serial, term and capital appreciation bonds in the amount of \$1,975,000, \$7,785,000 and \$556,336, respectively. The bonds were issued for a twenty-seven year period, with the final maturity date during fiscal year 2031. The bonds are being retired through the Bond Retirement Debt Service Fund.

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

The term bond maturing on December 1, 2024 is 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:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2017	\$335,000
2018	355,000
2019	380,000
2020	400,000
2021	420,000
2022	450,000
2023	475,000
	<u>\$2,815,000</u>

The remaining principal amount of \$500,000 will be paid at stated maturity on December 1, 2024.

The term bond maturing on December 1, 2031 is 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:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2025	\$535,000
2026	560,000
2027	585,000
2028	660,000
2029	670,000
2030	720,000
	<u>\$3,730,000</u>

The remaining principal amount of \$740,000 will be paid at stated maturity on December 1, 2031.

The capital appreciation bonds mature December 1, 2013 through December 1, 2016. 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 the bonds is \$1,310,000. For fiscal year 2011, \$71,262 was accreted, leaving a total bond liability of \$912,376.

South Point Local School District, Ohio
Notes to the Basic Financial Statements
For Fiscal Year Ended June 30, 2011

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2011, were as follows:

Annual requirement to school improvement general obligation bonds are as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2012	270,000	381,615	0	77,300	270,000	458,915
2013	330,000	371,938	0	84,085	330,000	456,023
2014	0	366,900	156,328	90,273	156,328	457,173
2015	0	366,900	144,186	70,597	144,186	437,497
2016	0	366,900	132,990	49,264	132,990	416,164
2017-2021	1,470,000	1,693,000	122,832	26,107	1,592,832	1,719,107
2022-2026	2,380,000	1,184,838	0	0	2,380,000	1,184,838
2027-2031	3,195,000	544,162	0	0	3,195,000	544,162
2032	740,000	16,650	0	0	740,000	16,650
Totals	<u>\$8,385,000</u>	<u>\$5,292,903</u>	<u>\$556,336</u>	<u>\$397,626</u>	<u>\$8,941,336</u>	<u>\$5,690,529</u>

The overall debt margin of the School District as of June 30, 2011, was \$8,942,247, with an unvoted debt margin of \$186,230 at June 30, 2011

Note 16 – Transfers

During fiscal year 2011, the General Fund made transfers to the Food Service Special Revenue Fund in the amount of \$64,300 to subsidize food service operations and to the Baseball/Softball Facility Capital Projects Fund in the amount of \$72,300.

Note 17 - Jointly Governed Organizations

The **South Central Ohio Computer Association (SCOCA)** is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. The School District paid \$105,919 for services provided during fiscal year 2011. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

Note 18 - Insurance Purchasing Pools

The School District participates in the **Ohio School Plan (OSP)**, an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a thirteen member Board of directors consisting of school district superintendents and treasurers. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims as well as coordinating reinsurance brokerage for the OSP.

The School District participates in the **Lawrence County Schools Insurance Purchasing Consortium**, an insurance purchasing pool. The consortium's business and affairs are conducted by a nine member Board of Directors consisting of the superintendents of member school districts and educational service centers.

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

Note 19 - Set-Asides

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 purchase of textbooks and other instructional materials and an equal amount 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.

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the District's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any bureau of Workers' Compensation monies remaining in the budget reserve. During fiscal year 2002, the Board of Education passed a resolution to maintain only the refunds from the Bureau of Workers Compensation in the budget reserve pursuant to State Statute and at June 30, 2011, this is all that continues to be set aside.

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

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

	<u>Budget Stabilization</u>	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2010	\$67,581	\$240,644	\$0
Current Year Set-aside Requirement	0	259,472	259,472
Offsets	0	0	(74,428)
Qualifying Disbursements	0	(254,275)	(101,532)
Totals	<u>\$67,581</u>	<u>\$245,841</u>	<u>\$83,512</u>
Set-Aside Balance Carried Forward to Future Years	<u>\$67,581</u>	<u>\$245,841</u>	<u>\$83,512</u>
Set-Aside Reserve Balance as of June 30, 2011	<u>\$67,581</u>	<u>\$245,841</u>	<u>\$83,512</u>

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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, 2011.

B. Litigation

As of June 30, 2011, the School District is party to legal proceedings. The School District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Note 21 – Capital Leases – Lessee Disclosure

In prior fiscal years, the School District entered into a capitalized lease for a football stadium. The lease 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 have been reclassified from functional expenditures and are reflected as General Fund debt service expenditures in the financial statements. They are presented as current expenditures in the budgetary statements. Capital assets for equipment acquired by governmental activities through capitalized leases were recorded in the amount of \$2,500,000, acquired in 2006 and \$340,000, acquired in 2010 which is equal to the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on the assets is \$261,330 leaving a book value of \$2,578,670. Principal payments in fiscal year 2011 totaled \$373,187 in the governmental funds.

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2011

Future minimum lease payments for the \$2,500,000 acquisition in fiscal year 2006 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2012	334,808	39,691	374,499
2013	349,667	24,526	374,193
2014	365,184	8,795	373,979
Totals	<u>\$1,049,659</u>	<u>\$73,012</u>	<u>\$1,122,671</u>

Future minimum lease payments for the \$340,000 acquisition in fiscal year 2010 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2012	54,471	8,418	62,889
2013	56,402	6,486	62,888
2014	58,403	4,486	62,889
2015	60,474	2,415	62,889
2016	36,262	423	36,685
Totals	<u>\$266,012</u>	<u>\$22,228</u>	<u>\$288,240</u>

Note 22 – Interfund Balances

Interfund Balances at June 30, 2011, arise from the provision of cash flow resources from the General Fund until the receipt of other governmental funds.

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	<u>\$ 11,911</u>	<u>\$ -</u>
Other Governmental Funds	<u>\$ -</u>	<u>\$ 11,911</u>

South Point Local School District
Lawrence County

Schedule of Federal Awards Receipts and Expenditures.
For the Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 138,879	\$ -	\$ 138,879	\$ -
National School Lunch Program	3L60	10.555	390,785	97,825	390,785	97,825
Total Nutrition Cluster			529,664	97,825	529,664	97,825
Total United States Department of Agriculture			529,664	97,825	529,664	97,825
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education - Grants to States	3M20	84.027	406,936	-	419,818	-
ARRA - Special Education Grants to States	3DJ0	84.391	144,395	-	170,289	-
Total Special Education Cluster			551,331	-	590,107	-
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	672,253	-	694,194	-
ARRA - Title I Grants to Local Educational Agencies	3DK0	84.389	13,441	-	57,250	-
Total Title I, Part A Cluster			685,694	-	751,444	-
Education Technology State Grants	3S20	84.318	52,352	-	52,352	-
Improving Teacher Quality State Grants	3Y60	84.367	158,587	-	163,258	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	GRF	84.394	928,747	-	914,559	-
Education Jobs Fund	3ET0	84.410	204,450	-	198,555	-
Total United States Department of Education			2,581,161	-	2,670,275	-
Total Federal Financial Assistance			\$ 3,110,825	\$ 97,825	\$ 3,199,939	\$ 97,825

See Notes to the Schedule of Federal Awards Receipts and Expenditures.

South Point Local School District
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2011

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B –FOOD DISTRIBUTIONS

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the entitlement value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with state grants and local revenues from the sale of meals. It is assumed federal monies are expended first.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Members of the Board
South Point Local School District
302 High Street
South Point, OH 45680

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Point Local School District, Lawrence County, Ohio (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 27, 2012 wherein we noted the District implemented GASB Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

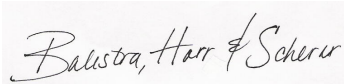
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies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

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

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
January 27, 2012



Balestra, Harr & Scherer, CPAs, Inc.

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Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Members of the Board
South Point Local School District
302 High Street
South Point, OH 45680

Compliance

We have audited the compliance of South Point Local School District, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of South Point Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the South Point Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

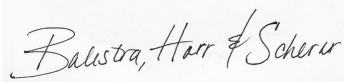
The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance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

Members of the Board
South Point Local School District
Report on Compliance With Requirements Applicable to Each Major Federal Program
and on Internal Control Over Compliance Required by OMB Circular A-133
Page 2

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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



Balestra, Harr & Scherer, CPAs, Inc.
January 27, 2012

South Point Local School District
 Schedule of Findings
 OMB CIRCULAR A-133 SECTION .505
 June 30, 2011

SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Program(s) (list):	Nutrition Cluster, School Breakfast Program CFDA #10.553, National School Lunch Program CFDA #10.555; Special Education Cluster, Special Education – Grants to States CFDA #84.027, ARRA – Special Education Grants to States, CFDA #84.391; ARRA, State Fiscal Stabilization Fund (SFSF) – Education State Grants, CFDA #84.394; Education Jobs Fund CFDA #84.410
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

South Point Local School District
 Schedule of Prior Audit Findings
 OMB CIRCULAR A-133 SECTION .315(b)
 June 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-001	Material Weakness – Financial Reporting	Yes	



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Independent Auditor's Report on Applying Agreed Upon Procedures

Members of the Board of Education
South Point Local School District
Lawrence County
302 High Street
South Point, Ohio 45680

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on August 16, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

Balestra, Harr & Scherer, CPAs, Inc.

January 27, 2012

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Dave Yost • Auditor of State

SOUTH POINT LOCAL SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 19, 2012**