

South Point Local School District  
Lawrence County  
Single Audit  
For the Fiscal Year Ended June 30, 2013



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# 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 Millhuff-Stang, CPA, Inc., for the audit period July 1, 2012 through June 30, 2013. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 3, 2014

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**South Point Local School District**  
**Lawrence County**  
*Table of Contents*  
*For the Fiscal Year Ended June 30, 2013*

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Title	Page
Independent Auditor’s Report.....	1 – 3
Management’s Discussion and Analysis.....	4 – 10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	13
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances –Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund .....	17
Statement of Fiduciary Net Position – Fiduciary Fund.....	18
Notes to the Basic Financial Statements .....	19 – 43
Schedule of Federal Awards Expenditures.....	44
Notes to the Schedule of Federal Awards Expenditures .....	45
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	46 – 47
Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by OMB CircularA-133.....	48 – 49
Schedule of Findings and Questioned Costs OMB Circular A-133 Section .505 .....	50
Independent Accountant’s Report on Applying Agreed-Upon Procedure .....	51

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**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Point Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***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 South Point Local School District, Lawrence County, Ohio, as of June 30, 2013, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during 2013, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinions regarding these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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 assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of federal awards expenditures, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

December 20, 2013

## South Point Local School District, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited*

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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, 2013. 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 2013 are as follows:

- Net position of governmental activities decreased \$72,409 as expenditures outpaced revenues.
- General revenues accounted for \$16,832,768 in revenue or 87% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$2,611,921 or 13% total revenues of \$19,444,689.
- The School District had \$19,517,098 in expenses related to governmental activities; only \$2,611,921 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$16,832,768 were not adequate to provide for these programs.
- The School District's major funds were the General Fund, and the Bond Retirement Debt Service Fund. The General Fund had \$15,871,349 in revenues and \$15,595,069 in expenditures. The General Fund's balance increased \$431,768. The Bond Retirement Fund had \$709,850 in revenues and \$733,020 in expenditures. The Bond Retirement Fund's balance increased \$114,994.

### **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 Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look 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, 2013*

Unaudited

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### ***Reporting the School District as a Whole***

#### *Statement of Net Position and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into 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 position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non instructional services, debt service, 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**South Point Local School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013*

Unaudited

**Fiduciary Funds** The School District's fiduciary fund is an agency fund. All of the School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds use the accrual basis of accounting.

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012.

Table 1  
Net Position

	Governmental Activities		
	2013	2012	Change
<b>Assets</b>			
Current and Other Assets	\$15,749,701	\$15,110,990	\$638,711
Capital Assets	48,808,580	49,891,743	(1,083,163)
Total Assets	<u>64,558,281</u>	<u>65,002,733</u>	<u>(444,452)</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	<u>930,050</u>	<u>0</u>	<u>930,050</u>
<b>Liabilities</b>			
Long-term Liabilities	12,191,325	11,847,123	344,202
Other Liabilities	<u>2,095,862</u>	<u>2,080,424</u>	<u>15,438</u>
Total Liabilities	<u>14,287,187</u>	<u>13,927,547</u>	<u>359,640</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes not Levied to Finance Current Year Operations	<u>3,189,877</u>	<u>2,991,510</u>	<u>198,367</u>
<b>Net Position</b>			
Net Investment in Capital Assets	40,004,498	40,452,981	(448,483)
Restricted	2,994,108	2,797,743	196,365
Unrestricted	<u>5,012,661</u>	<u>4,832,952</u>	<u>179,709</u>
Total Net Position	<u><u>\$48,011,267</u></u>	<u><u>\$48,083,676</u></u>	<u><u>(\$72,409)</u></u>

Total assets decreased \$444,452. This was due to a decrease in capital assets resulting from depreciation charged in 2013. This was partially offset by an increase in cash and cash equivalents due to revenues outpacing expenditures on the cash basis. Total governmental activities liabilities increased \$359,640. This increase is attributed mainly to an increase in long-term liabilities, which resulted from a refunding issuance in 2013.

**South Point Local School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013*

Unaudited

Table 2 shows the changes in net position for the fiscal year ended June 30, 2013 compared to 2012.

	Governmental Activities		
	2013	2012	Variance
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$371,645	\$373,580	(\$1,935)
Operating Grants, Contributions and Interest	2,240,276	2,390,008	(\$149,732)
Capital Grants and Contributions	0	0	0
<b>Total Program Revenues</b>	<b>2,611,921</b>	<b>2,763,588</b>	<b>(151,667)</b>
General Revenues			
Property Taxes	3,743,502	4,279,434	(535,932)
Grants and Entitlements	12,780,689	12,577,522	203,167
Investment Earnings	20,586	2,293	18,293
Insurance Recoveries	194,988	0	194,988
Miscellaneous	93,003	76,291	16,712
<b>Total General Revenues</b>	<b>16,832,768</b>	<b>16,935,540</b>	<b>(102,772)</b>
<b>Total Revenues</b>	<b>19,444,689</b>	<b>19,699,128</b>	<b>(254,439)</b>
<b>Program Expenses</b>			
Instruction:			
Regular	8,666,034	8,761,568	(95,534)
Special	2,358,666	2,220,957	137,709
Vocational	254,131	259,259	(5,128)
Student Intervention Services	34,297	39,699	(5,402)
Other	7,536	11,060	(3,524)
Support Services:			
Pupil	603,929	563,661	40,268
Instructional Staff	1,097,399	991,860	105,539
Board of Education	87,031	172,179	(85,148)
Administration	1,197,023	1,059,704	137,319
Fiscal	435,551	477,592	(42,041)
Operation and Maintenance of Plant	2,009,911	1,830,634	179,277
Pupil Transportation	1,173,380	1,055,390	117,990
Central	82,134	59,196	22,938
Operation of Non-Instructional Services:			
Food Service Operations	779,328	831,024	(51,696)
Community Services	1,060	1,028	32
Extracurricular Activities	376,115	322,345	53,770
Interest and Fiscal Charges	353,573	500,158	(146,585)
<b>Total Expenses</b>	<b>19,517,098</b>	<b>19,157,314</b>	<b>359,784</b>
<b>Change in Net Position</b>	<b>(72,409)</b>	<b>541,814</b>	<b>(614,223)</b>
Net Position Beginning of Year	48,083,676	47,541,862	541,814
<b>Net Position End of Year</b>	<b>\$48,011,267</b>	<b>\$48,083,676</b>	<b>(\$72,409)</b>

**South Point Local School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013*

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 2013 compared to 2012. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3  
Governmental Activities

	<u>Total Cost of Services 2013</u>	<u>Net Cost of Services 2013</u>	<u>Total Cost of Services 2012</u>	<u>Net Cost of Services 2012</u>
<b>Program Expenses</b>				
Instruction:				
Regular	\$8,666,034	\$8,198,972	\$8,761,568	\$8,194,190
Special	2,358,666	1,426,426	2,220,957	1,364,775
Vocational	254,131	254,131	259,259	197,633
Student Intervention Services	34,297	34,297	39,699	39,699
Other	7,536	7,536	11,060	11,060
Support Services:				
Pupil	603,929	543,270	563,661	563,661
Instructional Staff	1,097,399	751,794	991,860	709,288
Board of Education	87,031	87,031	172,179	172,179
Administration	1,197,023	1,197,023	1,059,704	1,059,704
Fiscal	435,551	433,562	477,592	467,874
Operation and Maintenance of Plant	2,009,911	1,945,361	1,830,634	1,772,535
Pupil Transportation	1,173,380	1,134,100	1,055,390	1,014,959
Central	82,134	82,134	59,196	59,196
Operation of Non-Instructional Services:				
Food Service Operations	779,328	139,243	831,024	9,855
Community Services	1,060	1,060	1,028	(23)
Extracurricular Activities	376,115	315,664	322,345	256,983
Interest and Fiscal Charges	353,573	353,573	500,158	500,158
Total	<u>\$19,517,098</u>	<u>\$16,905,177</u>	<u>\$19,157,314</u>	<u>\$16,393,726</u>

**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 \$19,201,334 and expenditures of \$19,032,946. The School District has focused 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.

**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.

**South Point Local School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013*

Unaudited

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During the course of fiscal 2013, the School District amended its General Fund budget. 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 \$16,000,261; equal to final estimates. Original estimated revenues were decreased \$38,804. Actual expenditures were \$15,886,084. Original expenditure estimates were increased \$1,168,442 due mainly to an increase in regular instruction and operation of maintenance and plant.

The School District's ending unobligated general fund balance was \$6,982,496.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2013 the School District had \$48,808,580 invested in land and land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2013 balances compared to 2012.

Table 4  
Capital Assets  
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Land	\$1,978,553	\$1,978,553
Land Improvements	2,312,223	2,281,414
Buildings and Improvements	43,472,289	44,346,926
Furniture and Equipment	636,211	820,971
Vehicles	409,304	463,879
Totals	<u>\$48,808,580</u>	<u>\$49,891,743</u>

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

***Debt***

At June 30, 2013 the School District had \$10,570,174 in long term debt. Total outstanding capital leases totaled \$520,322 and outstanding school construction bonds totaled \$10,049,852.

**South Point Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2013*

Unaudited

	Governmental Activities	
	2013	2012
2013 Refunding bonds		
Serial Bonds - 1.75%-2.625%	\$3,045,000	\$0
Term Bonds - 3.00%-3.25%	4,485,000	0
Capital Appreciation Bonds	184,996	0
CAB Premium	942,478	0
Accretion on Capital Appreciation Bonds	61,219	0
2004 School Facilities		
Construction and Improvement:		
Serial Bonds - 2.00%-3.25%	0	310,000
Term Bonds - 4.50%-5.00%	0	7,785,000
Original Issue of Capital Appreciation		
Bonds - 21.947%-21.861%	556,336	556,336
Accretion on Capital Appreciation Bonds	517,425	433,340
Premium on Capital Appreciation Bonds	257,398	269,954
Capital Leases	520,322	926,391
	<u>\$10,570,174</u>	<u>\$10,281,021</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, 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, Ohio 45680. Or e-mail at [tbaker@southpoint.k12.oh.us](mailto:tbaker@southpoint.k12.oh.us).



**South Point Local School District, Ohio**  
*Statement of Net Position*  
*June 30, 2013*

	Governmental Activities
<b>ASSETS:</b>	
Equity in Pooled Cash and Cash Equivalents	\$11,213,749
Cash and Cash Equivalents with Fiscal Agents	10,431
Materials and Supplies Inventory	34,570
Intergovernmental Receivable	316,340
Property and Other Local Taxes Receivable	4,174,611
Non-Depreciable Capital Assets	1,978,553
Depreciable Capital Assets, net	46,830,027
<i>Total Assets</i>	<i>64,558,281</i>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred Charge on Refunding	930,050
<i>Total Deferred Outflows of Resources</i>	<i>930,050</i>
<b>LIABILITIES:</b>	
Accounts Payable	78,395
Accrued Wages and Benefits	1,528,270
Intergovernmental Payable	437,520
Accrued Interest Payable	17,451
Matured Compensated Absences Payable	34,226
Long-Term Liabilities:	
Due Within One Year	1,152,479
Due in More Than One Year	11,038,846
<i>Total Liabilities</i>	<i>14,287,187</i>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Property Taxes Not Levied For Current Fiscal Year	3,189,877
<i>Total Deferred Inflows of Resources</i>	<i>3,189,877</i>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	40,004,498
Restricted for Debt Service	1,200,893
Restricted for Capital Outlay	887,678
Restricted for Other Purposes	835,078
Restricted for Set-Asides	67,581
Restricted for School Bus Purchases	2,878
Unrestricted	5,012,661
<i>Total Net Position</i>	<i>\$48,011,267</i>

See accompanying notes to the basic financial statements.

**South Point Local School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2013

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$8,666,034	\$196,206	\$270,856	(\$8,198,972)
Special	2,358,666	0	932,240	(1,426,426)
Vocational	254,131	0	0	(254,131)
Student Intervention Services	34,297	0	0	(34,297)
Other	7,536	0	0	(7,536)
<b>Support Services:</b>				
Pupils	603,929	0	60,659	(543,270)
Instructional Staff	1,097,399	0	345,605	(751,794)
Board of Education	87,031	0	0	(87,031)
Administration	1,197,023	0	0	(1,197,023)
Fiscal	435,551	0	1,989	(433,562)
Operation and Maintenance of Plant	2,009,911	0	64,550	(1,945,361)
Pupil Transportation	1,173,380	0	39,280	(1,134,100)
Central	82,134	0	0	(82,134)
<b>Operation of Non-Instructional/Shared Services:</b>				
Food Service Operations	779,328	116,455	523,630	(139,243)
Community Services	1,060	0	0	(1,060)
<b>Extracurricular Activities</b>	376,115	58,984	1,467	(315,664)
<b>Interest and Fiscal Charges</b>	353,573	0	0	(353,573)
<b>Total Governmental Activities</b>	<u>\$19,517,098</u>	<u>\$371,645</u>	<u>\$2,240,276</u>	<u>(16,905,177)</u>
<b>General Revenues:</b>				
<b>Taxes:</b>				
Property Taxes, Levied for General Purposes				3,076,160
Property Taxes, Levied for Debt Service				605,744
Property Taxes, Levied for Capital Maintenance				61,598
Grants and Entitlements not Restricted to Specific Programs				12,780,689
Investment Earnings				20,586
Miscellaneous				93,003
Insurance Recoveries				194,988
<b>Total General Revenues</b>				<u>16,832,768</u>
<b>Change in Net Position</b>				<u>(72,409)</u>
<b>Net Position Beginning of Year</b>				<u>48,083,676</u>
<b>Net Position End of Year</b>				<u>\$48,011,267</u>

See accompanying notes to the basic financial statements.

**South Point Local School District, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2013*

	General	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 8,099,238	\$ 1,303,010	\$ 1,570,715	\$ 10,972,963
Cash and Cash Equivalents with Fiscal Agents	0	10,431	0	10,431
Materials and Supplies Inventory	20,717	0	13,853	34,570
Interfund Receivable	2,832	0	0	2,832
Intergovernmental Receivable	23,200	0	293,140	316,340
Property and Other Local Taxes Receivable	3,429,590	677,088	67,933	4,174,611
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	240,786	0	0	240,786
<i>Total Assets</i>	<u>\$ 11,816,363</u>	<u>\$ 1,990,529</u>	<u>\$ 1,945,641</u>	<u>\$ 15,752,533</u>
<b>LIABILITIES:</b>				
Accounts Payable	76,695	0	1,700	78,395
Accrued Wages and Benefits	1,278,760	0	249,510	1,528,270
Interfund Payable	0	0	2,832	2,832
Intergovernmental Payable	367,294	0	70,226	437,520
Matured Compensated Absences Payable	34,226	0	0	34,226
<i>Total Liabilities</i>	<u>1,756,975</u>	<u>0</u>	<u>324,268</u>	<u>2,081,243</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Property Taxes Not Levied For Current Fiscal Year	2,606,064	514,787	69,026	3,189,877
Unavailable Revenue	563,660	111,025	79,937	754,622
<i>Total Deferred Inflows of Resources</i>	<u>3,169,724</u>	<u>625,812</u>	<u>148,963</u>	<u>3,944,499</u>
<b>FUND BALANCES:</b>				
Nonspendable	27,703	0	13,853	41,556
Restricted	240,786	1,364,717	1,533,211	3,138,714
Committed	658,839	0	0	658,839
Assigned	51,468	0	0	51,468
Unassigned	5,910,868	0	(74,654)	5,836,214
<i>Total Fund Balances</i>	<u>6,889,664</u>	<u>1,364,717</u>	<u>1,472,410</u>	<u>9,726,791</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 11,816,363</u>	<u>\$ 1,990,529</u>	<u>\$ 1,945,641</u>	<u>\$ 15,752,533</u>

See accompanying notes to the basic financial statements.

**South Point Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2013*

<b>Total Governmental Fund Balances</b>		\$9,726,791
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		48,808,580
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds:		
Property Taxes	685,562	
Grants	69,060	754,622
Deferred Outflows of Resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds		930,050
Interest Payable is accrued for outstanding long-term liabilities while interest is not reported until due on the balance sheet.		(17,451)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Improvement Bonds Payable	(10,049,852)	
Capital Lease Payable	(520,322)	
Sick Leave Benefits Payable	(1,621,151)	(12,191,325)
Net Position of Governmental Activities		\$48,011,267

See accompanying notes to the basic financial statements

**South Point Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2013*

	General	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 3,061,289	\$ 603,140	\$ 61,200	\$ 3,725,629
Intergovernmental	12,504,500	104,000	2,377,893	14,986,393
Interest	20,374	0	212	20,586
Tuition and Fees	104,768	0	0	104,768
Rent	57,400	0	0	57,400
Extracurricular Activities	34,038	0	58,984	93,022
Gifts and Donations	2,611	0	1,467	4,078
Customer Sales and Services	0	0	116,455	116,455
Miscellaneous	86,369	2,710	3,924	93,003
<i>Total Revenues</i>	<u>15,871,349</u>	<u>709,850</u>	<u>2,620,135</u>	<u>19,201,334</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	7,706,957	0	239,633	7,946,590
Special	1,285,115	0	984,372	2,269,487
Vocational	234,570	0	0	234,570
Student Intervention Services	34,297	0	0	34,297
Other	4,368	0	0	4,368
<b>Support Services:</b>				
Pupils	495,374	0	64,912	560,286
Instructional Staff	682,293	0	369,070	1,051,363
Board of Education	87,031	0	0	87,031
Administration	1,025,343	0	0	1,025,343
Fiscal	376,213	24,306	2,459	402,978
Operation and Maintenance of Plant	1,785,270	0	91,699	1,876,969
Pupil Transportation	1,037,718	0	0	1,037,718
Central	72,542	0	0	72,542
Operation of Non-Instructional/Shared Services	7,519	0	771,322	778,841
Extracurricular Activities	239,866	0	74,751	314,617
Capital Outlay	83,510	0	106,639	190,149
<b>Debt Service:</b>				
Principal	406,069	380,000	0	786,069
Interest	31,014	190,550	0	221,564
Issuance Costs	0	138,164	0	138,164
<i>Total Expenditures</i>	<u>15,595,069</u>	<u>733,020</u>	<u>2,704,857</u>	<u>19,032,946</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>276,280</u>	<u>(23,170)</u>	<u>(84,722)</u>	<u>168,388</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers In	0	0	39,500	39,500
Refunding Bonds Issued	0	7,784,996	0	7,784,996
Premium on Refunding Bonds Issued	0	994,838	0	994,838
Insurance Recoveries	194,988	0	0	194,988
Transfers Out	(39,500)	0	0	(39,500)
Payment to Refunded Bond Escrow Agent	0	(8,641,670)	0	(8,641,670)
<i>Total Other Financing Sources and Uses</i>	<u>155,488</u>	<u>138,164</u>	<u>39,500</u>	<u>333,152</u>
<i>Net Change in Fund Balances</i>	431,768	114,994	(45,222)	501,540
<i>Fund Balance at Beginning of Year</i>	<u>6,457,896</u>	<u>1,249,723</u>	<u>1,517,632</u>	<u>9,225,251</u>
<i>Fund Balance at End of Year</i>	<u>\$ 6,889,664</u>	<u>\$ 1,364,717</u>	<u>\$ 1,472,410</u>	<u>\$ 9,726,791</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, 2013*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>		\$501,540
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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:

Capital Asset Additions	251,248	
Depreciation Expense	<u>(1,334,411)</u>	(1,083,163)

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

Grants	30,494	
Delinquent Taxes	<u>17,873</u>	48,367

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		380,000
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Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Capital Appreciation Bond Premium	64,916	
Accrued Interest Payable	48	
Amortization of Deferred Amount on Refunding	(51,669)	
Annual Accretion	<u>(145,304)</u>	(132,009)

Long-term debt proceeds are other financing sources in the governmental funds, but the issuance increases long-term liabilities on the statement of net position:

Proceeds of General Obligation Bonds	(7,784,996)	
Bond Premium	<u>(994,838)</u>	(8,779,834)

Payment to refunded bond escrow agent is an other financing use in the governmental funds, but the payment reduces long-term liabilities on the statement of net position.		8,641,670
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Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement on net position.		406,069
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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:

Sick Leave Benefits Payable		<u>(55,049)</u>
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<i>Change in Net Position of Governmental Activities</i>		<u><u>(\$72,409)</u></u>
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See accompanying notes to the basic financial statements

**South Point Local School District, Ohio**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance - Budget (Non-GAAP Basis) and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Property and Other Local Taxes	\$3,312,396	\$3,249,852	\$3,249,852	\$0
Intergovernmental	12,576,059	12,504,500	12,504,500	0
Interest	2,080	20,374	20,374	0
Tuition and Fees	126,423	104,768	104,768	0
Rent	3,920	57,400	57,400	0
Gifts and Donations	0	2,000	2,000	0
Miscellaneous	18,187	61,367	61,367	0
<b>Total Revenues</b>	<b>16,039,065</b>	<b>16,000,261</b>	<b>16,000,261</b>	<b>0</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,747,685	7,662,596	7,662,596	0
Special	1,293,672	1,310,345	1,310,345	0
Vocational	220,168	233,107	233,107	0
Student Intervention Services	39,467	34,314	34,314	0
Other	7,957	7,292	7,292	0
<b>Support Services:</b>				
Pupils	507,025	509,895	509,895	0
Instructional Staff	694,415	703,215	703,215	0
Board of Education	215,828	101,090	101,090	0
Administration	1,104,866	1,029,349	1,029,349	0
Fiscal	404,272	388,643	388,643	0
Operation and Maintenance of Plant	1,615,380	1,959,069	1,959,069	0
Pupil Transportation	1,116,101	1,102,825	1,102,825	0
Central	62,568	72,384	72,384	0
Operation of Non-Instructional/Shared Services	0	10,519	10,519	0
Extracurricular Activities	222,623	240,185	240,185	0
Capital Outlay	465,617	84,173	84,173	0
<b>Debt Service:</b>				
Principal	0	406,069	406,069	0
Interest	0	31,014	31,014	0
<b>Total Expenditures</b>	<b>14,717,644</b>	<b>15,886,084</b>	<b>15,886,084</b>	<b>0</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,321,421</b>	<b>114,177</b>	<b>114,177</b>	<b>0</b>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Advances In	0	2,350	2,350	0
Insurance Recoveries	0	194,988	194,988	0
Transfers Out	0	(189,500)	(189,500)	0
Advances Out	0	(2,832)	(2,832)	0
<b>Total Other Financing Sources and Uses</b>	<b>0</b>	<b>5,006</b>	<b>5,006</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>1,321,421</b>	<b>119,183</b>	<b>119,183</b>	<b>0</b>
<b>Fund Balance at Beginning of Year (Restated)</b>	<b>6,627,175</b>	<b>6,627,175</b>	<b>6,627,175</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>236,138</b>	<b>236,138</b>	<b>236,138</b>	<b>0</b>
<b>Fund Balance at End of Year</b>	<b>\$8,184,734</b>	<b>\$6,982,496</b>	<b>\$6,982,496</b>	<b>\$0</b>

See accompanying notes to the basic financial statements.

**South Point Local School District, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Fund*  
*June 30, 2013*

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	<u>Agency Fund</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$    38,159
<i>Total Current Assets</i>	<u>38,159</u>
<i>Total Assets</i>	<u>38,159</u>
LIABILITIES:	
Current Liabilities:	
Due to Students	<u>38,159</u>
<i>Total Current Liabilities</i>	<u>38,159</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, 2013

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#### **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 85 classified, 114 certificated full time teaching personnel and 11 administrators who provide services to 1,860 students.

#### *Reporting Entity*

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 one jointly governed organization and three insurance purchasing pools. These organizations are the South Central Ohio Computer Association Council of Governments, the Ohio School Plan, the Lawrence County Schools Council of Governments Health Benefits Program, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 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 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 position 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, 2013

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**Government-wide Financial Statements** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary 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 position presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and 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, 2013

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***Fiduciary Fund Types*** Fiduciary fund reporting focuses on net position and changes in net position. The Fiduciary Fund category is split into four classifications: Pension Trust Funds, Investment Trust Funds, Private-Purpose Trust Funds, and Agency Funds. 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

***Fund Financial Statements*** All Governmental Funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources 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 inflows/outflows of resources, 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, 2013

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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 Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, interest, charges for services, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

***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 2013, investments were limited to overnight repurchase agreements. 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 2013 amounted to \$20,374 which includes \$4,971 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.

**South Point Local School District, Ohio**

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2013

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***F. Inventory***

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

***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 externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets include unexpended revenues restricted for budget stabilization, the purchase of buses, and capital acquisition. See Note 19 for additional information regarding set-asides.

***H. Capital Assets***

The School District's only capital assets are general 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 position but are not reported in the fund financial statements.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
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. The liability for vacation benefits is recorded as vacation benefits payable, rather than long-term liabilities, since at the employee's request, any carry-over may be paid to the employees each year, or carried over.

## South Point Local School District, Ohio

### Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2013

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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.

#### ***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 within governmental activities were 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 position.

#### ***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 governmental funds. The classifications are as follows:

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

## South Point Local School District, Ohio

### Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2013

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

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the 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 the use in satisfying those contractual requirements.

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

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

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

#### ***N. Bond Premiums and Discounts***

Bond discounts and premiums are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts on the capital appreciation bonds are accreted over the term of the bonds.

On the governmental fund financial statements, bond premiums and bond discounts are recognized in the period in which bonds are issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

#### ***O. Deferred Charge on Refunding***

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

**South Point Local School District, Ohio**

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2013

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***P. Net Position***

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include music and athletic programs and local, federal, and state grants restricted to expenditure for specified purposes.

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

***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The School District reported no such items for fiscal year 2013.

***R. 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.

***S. Budgetary Process***

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

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 on the budgetary statement reflect the amounts on the certificate of estimated resources in effect when the original appropriations were adopted. The amounts reported as the final budgeted amounts on 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.

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 fiscal year end.



**South Point Local School District, Ohio**

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2013

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**Note 3 - Changes in Accounting Principles**

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements;" Statement No. 61, "Accounting and Financial Reporting Entity: Omnibus;" Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements;" Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position;" Statement No. 65, "Items Previously Reported as Assets and Liabilities;" and Statement No. 66, "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and the financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the District's financial statements.

**Note 4 – Deficit Fund Balances**

The following funds had deficit fund balances at June 30, 2013:

	<u>Deficit Fund Balances</u>
Special Revenue Funds:	
Food Service	\$70,039
Title VI	4,572
Miscellaneous Federal Grant	43

**South Point Local School District, Ohio**

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2013

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.

**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	\$6,986	\$0	\$0	\$6,986
Materials and Supplies Inventory	20,717	0	13,853	34,570
<i>Total Nonspendable</i>	27,703	0	13,853	41,556
<u>Restricted for:</u>				
Athletics and Music	0	0	24,854	24,854
Classroom Instruction	0	0	5,735	5,735
Technology Improvements	0	0	7,200	7,200
Teacher Development	0	0	54,784	54,784
Class Size Reduction	0	0	1,945	1,945
Debt Service Payments	0	1,364,717	0	1,364,717
Capital Improvements	170,327	0	1,438,693	1,609,020
Budget Stabilization	67,581	0	0	67,581
School Bus Purchase	2,878	0	0	2,878
Textbooks	0	0	0	0
<i>Total Restricted</i>	240,786	1,364,717	1,533,211	3,138,714
<u>Committed to:</u>				
Other Purposes	658,839	0	0	658,839
<i>Total Committed</i>	658,839	0	0	658,839
<u>Assigned to:</u>				
Capital Improvements	51,468	0	0	51,468
<i>Total Assigned</i>	51,468	0	0	51,468
<u>Unassigned:</u>	5,910,868	0	(74,654)	5,836,214
<i>Total Fund Balances</i>	\$6,889,664	\$1,364,717	\$1,472,410	\$9,726,791

**South Point Local School District, Ohio**

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2013

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**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 (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis)
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment, or assignment of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. As part of generally accepted accounting principles, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. Certain agency funds are also considered part of the General Fund on a GAAP basis This includes the Public School Support, Employee Benefits, and Severance Benefits Special Revenue Funds and the Unclaimed Monies Agency Fund.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the General Fund.

Net Change in Fund Balance	
GAAP Basis	\$431,768
Revenue Accruals	165,363
Expenditure Accruals	37,704
Advances In	2,350
Advances Out	(2,832)
Encumbrances	(428,338)
Prospective Differences for Mapped Funds	<u>(86,832)</u>
Budget Basis	<u><u>\$119,183</u></u>

The beginning balance of the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual was restated from \$7,435,077 to \$6,627,175 due to certain funds that were included with the General Fund on a budgetary basis in fiscal year 2012 but were excluded from the General in fiscal year 2013. The funds are included on a GAAP basis for reporting purposes.

**South Point Local School District, Ohio**  
Notes to the Basic Financial Statements  
For Fiscal Year Ended June 30, 2013

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**Note 7 - Deposits and Investments**

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

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

Inactive deposits are public deposits that the Board 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, Bills, 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;
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); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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

**South Point Local School District, Ohio**  
Notes to the Basic Financial Statements  
For Fiscal Year Ended June 30, 2013

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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, 2013 the School District's bank balance of \$11,368,402 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above. As of June 30, 2013, 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from 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, 2013, are available to finance fiscal year 2013 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 and public utility property taxes which were measurable as of June 30, 2013, 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 reflected 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 inflows of resources.

The amount available as an advance at June 30, 2013, was \$259,866 in the General Fund, \$51,276 in the Bond Retirement Fund and \$5,169 in the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 2012 was \$448,429 in the General Fund, \$88,583 in the Bond Retirement Fund and \$8,682 in the Classroom Facilities Special Revenue Fund.

**South Point Local School District, Ohio**  
Notes to the Basic Financial Statements  
For Fiscal Year Ended June 30, 2013

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On an 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 2013 taxes were collected from Lawrence County are:

	2012 First- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$173,871,290	94%	\$173,421,390	94%
Public Utility Personal	10,946,270	6%	11,522,120	6%
Total	<u>\$184,817,560</u>	<u>100%</u>	<u>\$184,943,510</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$24.90		\$24.90	

**Note 9 - Receivables**

Receivables at June 30, 2013 consisted of interfund loans, 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>
General Fund	\$23,200
Nonmajor Funds:	
HSTW	8,000
IDEA-B	53,035
Title I	195,152
Title II-A	36,953
Total Nonmajor Funds	<u>293,140</u>
Total Intergovernmental Receivables	<u>\$316,340</u>

**South Point Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2013**

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Balance 6/30/2012	Adjustments	Additions	Deductions	Balance 6/30/2013
Capital Assets:					
Capital Assets not being depreciated:					
Land	\$1,978,553	\$0	\$0	\$0	\$1,978,553
Total Capital Assets not being Depreciated	1,978,553	0	0	0	1,978,553
Depreciable Capital Assets:					
Land Improvements	3,430,576	0	177,000	0	3,607,576
Buildings and Improvements	52,943,568	140,000	29,405	0	53,112,973
Furniture and Equipment	1,290,669	(140,000)	21,931	0	1,172,600
Vehicles	1,444,228	0	22,912	0	1,467,140
Total Capital Assets being Depreciated	59,109,041	0	251,248	0	59,360,289
Less Accumulated Depreciation					
Land Improvements	(1,149,162)	0	(146,191)	0	(1,295,353)
Buildings and Improvements	(8,596,642)	0	(1,044,042)	0	(9,640,684)
Furniture and Equipment	(469,698)	0	(66,691)	0	(536,389)
Vehicles	(980,349)	0	(77,487)	0	(1,057,836)
Total Accumulated Depreciation	(11,195,851)	0	(1,334,411)	0	(12,530,262)
Total Capital Assets being Depreciated, Net	47,913,190	0	(1,083,163)	0	46,830,027
Capital Assets, Net	\$49,891,743	\$0	(\$1,083,163)	\$0	\$48,808,580

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$620,374
Special	107,033
Vocational	19,100
Other	3,168
Support Services:	
Pupils	41,758
Instructional Staff	62,716
Administration	90,971
Fiscal	31,066
Operation of Plant	133,164
Pupil Transportation	163,563
Extracurricular Activities	61,498
Total Depreciation Expense	<u>\$1,334,411</u>

**South Point Local School District, Ohio**

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2013

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**Note 11 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, 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)	\$63,031,094
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).

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. The School District reviewed its building and contents coverage and adjusted this coverage as it deemed appropriate. There have been no other significant reductions in insurance coverage from the prior fiscal year.



**South Point Local School District, Ohio**

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2013

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***B. Workers' Compensation***

For fiscal year 2013, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to reward participants that are able to keep their claims costs below a predetermined amount. As part of the GRP, school districts join together as a group. Each school district continues to pay its own individual premium to the State. However, each school district has the opportunity to receive retrospective premium adjustments (refunds or assessments) at 12, 24, and 36 months after the end of the policy year. At the end of each policy year, the Bureau of Workers' Compensation (BWC) will take a snap-shot of the incurred claims losses (indemnity, medical, and reserves) for the entire group and calculate the group's retrospective premium. If the retrospective premium that is calculated is less than the group's total standard premium, the participants will receive a refund. However, if the retrospective premium is greater than the group's total standard premium, an assessment will be levied by BWC. Each group limits the maximum assessment by selecting a premium cap between five percent and 100 percent of merit rated premium. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

**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.

***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 \$30,000 for certified and classified employees and \$50,000 for administrators. Health insurance is provided by Anthem Inc. Premiums for this coverage are \$1,589 for family coverage and \$643 for single coverage. The School District pays 80% 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 and vision insurance is provided by Guardian. Premiums for dental coverage are \$77 for family coverage and \$21 for single coverage. Premiums for vision coverage are \$11 for family coverage and \$6 for single coverage. The School District pays 100% of single coverage. Employees are responsible for the excess cost of the family premium.

**South Point Local School District, Ohio**

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2013

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**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 pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/ Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining .9 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for fiscal years ended June 30, 2013, 2012, and 2011 were \$260,933, \$414,786, and \$398,562 respectively; 100% has been contributed for fiscal years 2013, 2012 and 2011.

***B. State Teachers Retirement System***

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

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

## South Point Local School District, Ohio

### Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2013

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$1,001,432, \$941,592, and \$1,021,955 respectively. For fiscal year 2013, 83.77% has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

#### ***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, 2013 none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

#### **Note 14 - Postemployment Benefits**

##### ***A. School Employees Retirement System***

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, .16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2013, this amount was \$20,525.

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.

**South Point Local School District, Ohio**

Notes to the Basic Financial Statements

For Fiscal Year Ended June 30, 2013

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The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011, were \$35,930, \$0, and \$33,195 respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for fiscal years ended June 30, 2013, 2012, and 2011 were \$14,740, \$5,260, and \$21,563, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

***B. State Teachers Retirement System***

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$67,990, \$66,755, and \$69,793, respectively; 83.77 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**South Point Local School District, Ohio**  
Notes to the Basic Financial Statements  
For Fiscal Year Ended June 30, 2013

**Note 15 - Long Term Obligations**

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

	Principal Outstanding 6/30/2012	Additions	Reductions	Principal Outstanding 6/30/13	Amounts Due in One Year
<b>Governmental Activities</b>					
2012 Refunding Bonds					
Serial Bonds - 1.75%-2.625%	\$0	\$3,115,000	\$70,000	\$3,045,000	\$125,000
Term bonds - 3.00%-3.25%	0	4,485,000	0	4,485,000	0
Capital Appreciation bonds	0	184,996	0	184,996	0
CAB Premium	0	994,838	52,360	942,478	0
Accretion on Capital Appreciation Bonds	0	61,219	0	61,219	0
2004 School Facilities					
Construction and Improvement:					
Serial Bonds - 2.00% - 3.25%	310,000	0	310,000	0	0
Term Bonds - 4.50% - 5.00%	7,785,000	0	7,785,000	0	0
Original Issue of Capital Appreciation					
Bonds	556,336	0	0	556,336	156,328
Accretion on Capital Appreciation Bonds	433,340	84,085	0	517,425	168,672
Premium on Capital Appreciation Bonds	269,954	0	12,556	257,398	0
Capital Leases	926,391	0	406,069	520,322	423,587
Compensated Absences	1,566,102	205,152	150,103	1,621,151	278,892
<b>Total Governmental Activities</b>					
Long-Term Liabilities	<u>\$11,847,123</u>	<u>\$9,130,290</u>	<u>\$8,786,088</u>	<u>\$12,191,325</u>	<u>\$1,152,479</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 \$1,975,000 in serial bonds, \$7,785,000 in term bonds, and \$556,336 in capital appreciation bonds. The bonds were issued for a twenty-seven year period, with the final maturity date during fiscal year 2032. The bonds are being retired through the Bond Retirement Debt Service Fund. These bonds were partially refunded in 2013.

The 2004 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 2013, \$84,085 was accreted, leaving a total bond liability of \$1,073,761.

**2013 Refunding Bonds** - On July 13, 2012, the School District issued refunding bonds of \$7,784,996 consisting of \$3,115,000 in serial bonds, \$184,996 in capital appreciation bonds, and \$4,485,000 in term bonds. The refunding bonds will mature on December 1, 2032. These bonds were issued to advance refund part of the 2004 School Building Construction Bonds. The advance refunded portion of the bonds, as well as the unamortized premium and discount of these advance refunded bonds, were removed from the financial statements of the School District. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$981,719. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest

**South Point Local School District, Ohio**  
Notes to the Basic Financial Statements  
For Fiscal Year Ended June 30, 2013

expense over the life of the refunded bonds using the straight-line method. The amortization of this difference for 2013 was \$51,669. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$693,397. The issuance resulted in an economic gain of \$536,139. At the date of the refunding, \$8,779,834 (including underwriter fees and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2004 bonds. As of June 30, 2013, the amount of the refunded bonds is still outstanding, and the balance of the irrevocable trust account was \$8,657,474

The 2012 refunding capital appreciation bonds mature December 1, 2017 through December 1, 2020. 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 \$1,415,000. For fiscal year 2013, \$61,219 was accreted, leaving a total bond liability of \$246,215.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2013, were as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion*	Principal	Accretion/ Interest
2014	\$125,000	\$208,156	\$156,328	\$168,672	\$281,328	\$376,828
2015	125,000	205,656	144,186	180,814	269,186	386,470
2016	125,000	203,156	132,990	192,010	257,990	395,166
2017	130,000	200,769	122,831	212,169	252,831	412,938
2018	0	199,631	81,435	383,565	81,435	583,196
2019-2023	1,480,000	950,381	103,562	846,440	1,583,562	1,796,821
2024-2028	2,795,000	649,416	0	0	2,795,000	649,416
2029-2032	2,750,000	180,175	0	0	2,750,000	180,175
<b>Totals</b>	<b>\$7,530,000</b>	<b>\$2,797,340</b>	<b>\$741,332</b>	<b>\$1,983,670</b>	<b>\$8,271,332</b>	<b>\$4,781,010</b>

\*The amounts above show total accretion at maturity. These amounts will not tie to the table above as amounts have not yet been fully accreted.

The overall debt margin of the School District as of June 30, 2013, was \$9,676,588, with an unvoted debt margin of \$184,944 at June 30, 2013.

**Note 16 – Interfund Balances and Transfers**

During fiscal year 2013, the General Fund made transfers to the Foodservice Special Revenue Fund in the amount of \$39,500 to subsidize food service operations.

Interfund receivables and payables at June 30, 2013; consist of the following individual balances, representing monies advanced to special revenue funds to be repaid to the General Fund when grant funds are received

**South Point Local School District, Ohio**  
Notes to the Basic Financial Statements  
For Fiscal Year Ended June 30, 2013

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	Interfund Receivable	Interfund Payable
General Fund	\$2,832	\$0
Nonmajor Fund:		
HSTW	0	2,832
Total All Funds	\$2,832	\$2,832

**Note 17 - Jointly Governed Organizations**

The District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCACoG) which is a computer consortium formerly known as South Central Ohio Computer Association. SCOCACoG is a council of governments providing computer services to its members of public school districts within the boundaries of Highland, Adams, Pickaway, Gallia, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. SCOCACoG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The South Point Local School District paid \$111,496 for services provided during fiscal year 2013. To obtain financial information write to the SCOCACoG, Sandra Benson, Treasurer, P.O. Box 596, 23365 State Route 124, Piketon, Ohio 45661.

**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 fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

The School District participates in the **Lawrence County Schools Council of Governments Health Benefits Program (Council)**, a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by a board of directors, which consists of the superintendent from each participating school district. The council elects officers for one-year terms to serve on the Board of Directors. The board exercises control over the operation of the council. All council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. The Lawrence County Educational Service Center is the fiscal agent of the council. Each school district reserves the right to withdraw from the plan. If this is done, no further contributions will be made and the school district will be distributed their net pooled share and all claims submitted by covered members of the school district after the distribution will be exclusively the liability of the school district.

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

**South Point Local School District, Ohio**  
Notes to the Basic Financial Statements  
For Fiscal Year Ended June 30, 2013

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**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 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, 2013, this is all that continues to be set aside.

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

	<u>Budget Stabilization</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2012	\$67,581	\$0
Current Year Set-aside Requirement	0	316,467
Offsets	0	(74,505)
Qualifying Disbursements	0	(71,635)
Totals	\$67,581	\$170,327
Set-Aside Balance Carried Forward to Future Years	\$67,581	\$170,327
Set-Aside Reserve Balance as of June 30, 2013	\$67,581	\$170,327

**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, 2013.



**South Point Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For Fiscal Year Ended June 30, 2013**

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**B. Litigation**

As of June 30, 2013, the School District is not party to any legal proceedings.

**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 \$537,523 leaving a book value of \$2,302,477. Principal payments in fiscal year 2013 totaled \$406,069 in the governmental funds.

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

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$365,184	\$8,795	\$373,979

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

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$58,403	\$4,486	\$62,889
2015	60,474	2,415	62,889
2016	36,261	423	36,684
Totals	\$155,138	\$7,324	\$162,462

**South Point Local School District, Ohio**  
*Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2013*

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>United States Department of Agriculture</u></b>						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$149,156	\$0	\$149,156	\$0
National School Lunch Program	3L60	10.555	419,745	58,656	419,745	58,656
Total Child Nutrition Cluster			568,901	58,656	568,901	58,656
<b>Total United States Department of Agriculture</b>			568,901	58,656	568,901	58,656
<b><u>United States Department of Education</u></b>						
<i>Passed through the Ohio Department of Education</i>						
Special Education-Grants to States	3M20	84.027	442,269	0	439,431	0
Title I Grants to Local Educational Agencies	3M00	84.010	922,217	0	914,998	0
Education Jobs	3ET0	84.410	78,818	0	79,015	0
State Fiscal Stabilization Fund (SFSF)-Race-to-the-Top Incentive Grants, Recovery Act	3FD0	84.395	2,100	0	2,100	0
Improving Teacher Quality State Grants	3Y60	84.367	111,399	0	108,131	0
Total United States Department of Education			1,556,803	0	1,543,675	0
<b>Total Federal Financial Assistance</b>			\$2,125,704	\$58,656	\$2,112,576	\$58,656

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

**South Point Local School District, Ohio**  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2013*

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**Note 1 – Significant Accounting Policies**

The accompanying schedule of federal awards expenditures includes the federal grant activity of the School District and has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Note 2 – Child Nutrition Cluster**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first. 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 non-monetary assistance (expenditures) is reported in the schedule using the entitlement value of the commodities received.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Point Local School District, Lawrence County, Ohio (the School District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 20, 2013, wherein we noted the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

December 20, 2013

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance  
Required by OMB Circular A-133**

Independent Auditor's Report

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

**Report on Compliance for Each Major Federal Program**

We have audited South Point Local School District's (the School District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2013. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

December 20, 2013

**South Point Local School District**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Fiscal Year Ended June 30, 2013*

**Section I – Summary of Auditor’s Results**

<i>Financial Statements</i>		
Type of financial statement opinion:		Unmodified
Internal control over financial reporting:		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?		No
<i>Federal Awards</i>		
Internal control over major program(s):		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:		Unmodified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?		No
Identification of major program(s):		Title I Grants to Local Educational Agencies (CFDA #84.010)
Dollar threshold used to distinguish between type A and type B programs:		Type A: >\$300,000 Type B: all others
Auditee qualified as low-risk auditee?		Yes

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None



**Independent Accountant's Report on Applying Agreed-Upon Procedure**

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

Ohio Revised 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 School District) has updated its anti-harassment policy in accordance with Ohio Revised 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 May 13, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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 this specified party.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

December 20, 2013

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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  
MARCH 13, 2014**