



Mary Taylor, CPA
Auditor of State

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – Cash Basis	11
Statement of Activities – Cash Basis	12
Balance Sheet – Cash Basis – Governmental Funds.....	13
Statement of Cash Receipts, Disbursements and Changes in Fund Balances – Cash Basis – Governmental Funds	14
Statement of Cash Receipts, Disbursements and Changes in Fund Balance – Budget (Budgetary Basis) and Actual – General Fund.....	15
Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Fund	16
Notes to the Basic Financial Statements	17
Schedule of Federal Awards Receipts and Expenditures.....	37
Notes to the Schedule of Federal Awards Receipts and Expenditures	38
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	41
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	43
Schedule of Findings – OMB Circular A-133 § .505	45
Schedule of Prior Audit Findings– OMB Circular A-133 § .315(b).....	51

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

South Point Local School District
Lawrence County
302 High Street
South Point, Ohio 45680

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Point Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South Point Local School District, Lawrence County, Ohio, as of June 30, 2008, and the respective changes in cash financial position and the budgetary comparison for the General Fund, thereof, for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2009, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 26, 2009

South Point Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The discussion and analysis of the South Point Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. 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 2008 are as follows:

- Net assets of governmental activities decreased \$5,896,049.
- General cash receipts accounted for \$19,637,673 in revenue or 83% of all revenues. Program specific cash receipts in the form of charges for services, grants, and contributions accounted for \$3,990,764 or 17% of total cash receipts of \$23,628,437. The School District had \$29,524,486 in cash disbursements related to governmental activities; \$3,990,764 of these cash disbursements was offset by program specific charges for services, grants, and contributions. General cash receipts were not adequate to cover the remaining program cash disbursements.
- The School District has three major funds: the General Fund, the Classroom Facilities Capital Projects Fund, and the Capital Projects Local Initiative Capital Projects Fund. All governmental funds had total cash receipts and other financing sources of \$27,058,288 and total cash disbursements and other financing uses of \$32,954,337.

USING THE BASIC FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the School District's cash basis of accounting.

REPORT COMPONENTS

The *Statement of Net Assets – Cash Basis* and *Statement of Activities – Cash Basis* provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specific purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported on the basic financial statements.

South Point Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

BASIS OF ACCOUNTING

The basis of accounting is a set of guidelines that determines when financial events are recorded. The School District has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the School District did financially during 2008, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, the condition of the School District's capital assets and infrastructure, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the School District has one type of activity: governmental.

South Point Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial statements 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, the Classroom Facilities Capital Projects Fund, and the Capital Projects Local Initiative Capital Projects 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 the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed short-term view of the 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. Since the School District is reporting on the cash basis of accounting, there are no differences in the net assets and fund cash balances or changes in net assets and changes in fund balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the fund financial statements to the statement of activities due to transfers and advances netted on the statement of activities. See Note 2 to the basic financial statements.

Fiduciary Funds The School District's fiduciary fund is reported in a separate Statement of Fiduciary Net Assets – Cash Basis. 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the cash basis of accounting.

The School District's fiduciary fund is an agency fund which is used to maintain financial activity of the School District's Student Managed Activities.

South Point Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 as compared to 2007.

Table 1
Net Assets - Cash Basis

	Government Activities	
	2008	2007*
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 21,313,036	\$ 27,089,099
Cash and Cash Equivalents with Fiscal Agents	10,431	10,431
Restricted Cash and Cash Equivalents	414,118	534,104
Total Assets	21,737,585	27,633,634
Net Assets		
Restricted for:		
Capital Outlay	15,135,611	18,901,721
Debt Service	672,399	450,338
Other Purposes	1,061,891	511,048
Set Asides	414,118	534,104
Unrestricted	4,453,566	7,236,423
Total Net Assets	\$ 21,737,585	\$ 27,633,634

* As restated – see Note 17 of the Notes to the Basic Financial Statements for additional information about the restatement.

Total net assets of the School District decreased \$5,896,049 during fiscal year 2008. The decrease in total net assets is a result of a decrease in the School District's cash. The primary reasons for the decrease in cash are due to the decrease in intergovernmental receipts during the 2008 fiscal year from the Ohio School Facilities Commission and the disbursements for the ongoing construction projects.

South Point Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008 as compared to 2007.

Table 2
Changes in Net Assets

	Governmental Activities	
	2008	2007 *
Cash Receipts		
Program Cash Receipts		
Charges for Services and Sales	\$ 456,293	\$ 344,354
Operating Grants and Contributions	3,522,794	4,141,029
Capital Grants and Contributions	11,677	11,679
Total Program Cash Receipts	<u>3,990,764</u>	<u>4,497,062</u>
General Cash Receipts		
Property Taxes	3,891,877	3,763,155
Grants and Entitlements not Restricted to Specific Programs	10,915,843	8,966,314
Grants and Entitlements Restricted for Classroom Facilities	4,046,364	13,512,769
Proceeds from Capital Lease Agreement	-	2,500,000
Investment Earnings	711,419	1,234,097
Miscellaneous	72,170	18,511
Total General Cash Receipts	<u>19,637,673</u>	<u>29,994,846</u>
Total Cash Receipts	<u>23,628,437</u>	<u>34,491,908</u>
Cash Disbursements		
Instruction:		
Regular	7,867,929	6,369,022
Special	2,173,674	1,863,922
Vocational	233,475	4,317
Other	49,749	90,835
Support Services:		
Pupil	734,404	591,697
Instructional Staff	901,718	750,302
Board of Education	57,217	27,382
Administration	1,486,104	2,157,123
Fiscal	510,496	508,166
Operation and Maintenance of Plant	1,641,469	1,124,367
Pupil Transportation	916,508	732,022
Central	56,788	51,360
Operation of Non-Instructional Services	738,958	687,514
Extracurricular Activities	317,246	280,921
Capital Outlay	10,828,943	16,134,976
Principal	506,427	457,457
Interest and Fiscal Charges	503,381	510,632
Total Cash Disbursements	<u>29,524,486</u>	<u>32,342,015</u>
Increase (Decrease) in Net Assets	(5,896,049)	2,149,893
Net Assets at Beginning of Year	27,633,634	25,483,741
Net Assets at End of Year	<u>\$ 21,737,585</u>	<u>\$ 27,633,634</u>

* As restated – see Note 17 of the Notes to the Basic Financial Statements for additional information about the restatement.

South Point Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Governmental Activities

Operating grants and contributions, grants and entitlements not restricted to specific programs, and grants and entitlements restricted for classroom facilities comprised 15, 46 and 17 percent of revenue, respectively, for governmental activities of the School District for fiscal year 2008.

Grants and entitlements restricted for classroom facilities decreased \$9,466,405 from fiscal year 2007 to 2008 due to the Classroom Facilities construction program.

As indicated by governmental program expenses, instruction is emphasized. Regular Instruction comprised 27 percent of governmental program cash disbursements. Regular Instruction increased while Administration expenditures decreased from fiscal year 2007 to 2008 due to the misclassification of expenditures in the previous fiscal year. Capital outlay comprised 37 percent of the cash disbursements due to the Classroom Facilities construction program. Operation and maintenance of plant increased due to an increase in purchased services, materials and equipment related to the opening of the new High School/Middle School building. Capital outlay decreased \$5,306,033 from fiscal year 2007 to 2008 due to the lesser Classroom Facilities construction program activity in 2008 than 2007.

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

Table 3
Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program Cash Disbursements				
Instruction:				
Regular	\$ 7,867,929	\$ 7,417,988	\$ 6,369,022	\$ 5,098,265
Special	2,173,674	101,822	1,863,922	201,180
Vocational	233,475	180,392	4,317	4,077
Other	49,749	49,546	90,835	71,584
Support Services:				
Pupil	734,404	594,549	591,697	577,631
Instructional Staff	901,718	555,290	750,302	472,942
Board of Education	57,217	57,217	27,382	27,297
Administration	1,486,104	1,414,112	2,157,123	2,052,389
Fiscal	510,496	510,496	508,166	436,256
Operation and Maintenance of Plant	1,641,469	1,638,680	1,124,367	1,094,983
Pupil Transportation	916,508	874,768	732,022	352,900
Central	56,788	56,788	51,360	51,200
Operation of Non-Instructional Services	738,958	47,434	687,514	86,948
Extracurricular Activities	317,246	195,889	280,921	214,236
Capital Outlay	10,828,943	10,828,943	16,134,976	16,134,976
Principal	506,427	506,427	457,457	457,457
Interest and Fiscal Charges	503,381	503,381	510,632	510,632
Total	<u>\$ 29,524,486</u>	<u>\$ 25,533,722</u>	<u>\$ 32,342,015</u>	<u>\$ 27,844,953</u>

South Point Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

THE SCHOOL DISTRICT FUNDS

The School District's funds are accounted for using the cash basis of accounting. The General Fund had \$14,249,505 in cash receipts and \$17,946,012 in cash disbursements and other financing uses. The General Fund's balance decreased \$3,696,507. This decrease is due mainly to the transfers out to other funds for capital improvements and other purposes during the current fiscal year. The Classroom Facilities Fund had cash receipts and other financing sources of \$5,496,501 and cash disbursements of \$7,574,608. The fund's balance decreased \$2,078,107. This decrease is due mainly to the decrease in intergovernmental revenues received during the current fiscal year from the Ohio School Facilities Commission and the use of funds for construction projects. The Capital Projects Local Initiative Fund had other financing sources of \$1,554,337 and cash disbursements of \$3,230,661 which resulted in a fund balance decrease of \$1,676,324. The decrease is the result of the School District using existing cash balances to pay for the School District's share of the classroom facilities projects and other related capital projects.

General Fund Budgeting Highlights

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

During 2008, revisions were made to the General Fund budget. Appropriations increased by \$2,304,175 from the original to final budget primarily due to expenditures for regular instruction and various other functions that were higher than anticipated. These increases were partially offset by decreased appropriations for administration due to expenditures that were lower than anticipated. Estimated revenues decreased \$965,972 due to a decrease in estimated receipts for tax and intergovernmental revenue. The General Fund's ending unobligated cash balance was \$4,001,669.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The School District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The School District had capital outlay disbursements of \$10,828,943 during fiscal year 2008.

Debt

Under the cash basis of accounting the School District does not report bonds or capital leases in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about the School District's bonds and leases. At June 30, 2008, the School District had \$9,150,000 in current interest school improvement bonds and \$556,336 in capital appreciation bonds. In addition to the bonds, the School District had a capital lease obligation outstanding in the amount of \$1,971,116. The School District's overall legal debt margin was \$5,886,561, with an unvoted debt margin of \$173,254 at June 30, 2008. See note 10 to the basic financial statements for additional information about debt.

ECONOMIC FACTORS

As the preceding information shows, the School District depends upon the State School Foundation Program. The School District is in a low economic growth area, so dependence on local tax revenue must be minimized.

South Point Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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 the School District Treasurer, Terri Baker, at (740) 377-9177.

South Point Local School District
Statement of Net Assets - Cash Basis
As of June 30, 2008

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 21,313,036
Cash and Cash Equivalents with Fiscal Agents	10,431
Restricted Cash and Cash Equivalents	414,118
<i>Total Assets</i>	21,737,585
Net Assets	
Restricted for:	
Capital Outlay	15,135,611
Debt Service	672,399
Other Purposes	1,061,891
Set-Asides	414,118
Unrestricted	4,453,566
<i>Total Net Assets</i>	\$ 21,737,585

See accompanying notes to the basic financial statements.

South Point Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2008

	Program Receipts			Capital Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services & Sales	Operating Grants and Contributions		Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 7,867,929	\$ 173,235	\$ 276,706	\$ -	\$ (7,417,988)
Special	2,173,674	-	2,071,852	-	(101,822)
Vocational	233,475	-	53,083	-	(180,392)
Other	49,749	-	203	-	(49,546)
Support Services:					
Pupil	734,404	-	139,855	-	(594,549)
Instructional Staff	901,718	-	346,428	-	(555,290)
Board of Education	57,217	-	-	-	(57,217)
Administration	1,486,104	-	71,992	-	(1,414,112)
Fiscal	510,496	-	-	-	(510,496)
Operation and Maintenance of Plant	1,641,469	-	2,789	-	(1,638,680)
Pupil Transportation	916,508	-	30,063	11,677	(874,768)
Central	56,788	-	-	-	(56,788)
Operation of Non-Instructional					
Services	738,958	161,701	529,823	-	(47,434)
Extracurricular Activities	317,246	121,357	-	-	(195,889)
Capital Outlay	10,828,943	-	-	-	(10,828,943)
Debt Service:					
Principal	506,427	-	-	-	(506,427)
Interest and Fiscal Charges	503,381	-	-	-	(503,381)
<i>Totals</i>	<u>\$ 29,524,486</u>	<u>\$ 456,293</u>	<u>\$ 3,522,794</u>	<u>\$ 11,677</u>	<u>(25,533,722)</u>
General Cash Receipts					
Property Taxes Levied for:					
General Purposes					3,075,267
Debt Service					748,280
Classroom Facilities Maintenance					68,330
Grants and Entitlements not Restricted to Specific Programs					10,915,843
Grants and Entitlements Restricted for Classroom Facilities					4,046,364
Investment Earnings					711,419
Miscellaneous					72,170
<i>Total General Cash Receipts</i>					<u>19,637,673</u>
<i>Change in Net Assets</i>					(5,896,049)
<i>Net Assets Beginning of Year - Restated, See Note 17</i>					<u>27,633,634</u>
<i>Net Assets End of Year</i>					<u>\$ 21,737,585</u>

See accompanying notes to the basic financial statements.

South Point Local School District

Balance Sheet - Cash Basis

Governmental Funds

As of June 30, 2008

	<u>General</u>	<u>Classroom Facilities</u>	<u>Capital Projects Local Initiative</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 4,497,014	\$ 14,350,956	\$ 757,235	\$ 1,707,831	\$ 21,313,036
Cash and Cash Equivalents with Fiscal Agents	-	-	-	10,431	10,431
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	<u>414,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>414,118</u>
<i>Total Assets</i>	<u><u>\$ 4,911,132</u></u>	<u><u>\$ 14,350,956</u></u>	<u><u>\$ 757,235</u></u>	<u><u>\$ 1,718,262</u></u>	<u><u>\$ 21,737,585</u></u>
Fund Balances					
Reserved for Encumbrances	\$ 909,463	\$ 2,842,380	\$ 178,292	\$ 259,824	\$ 4,189,959
Reserved for Textbooks and Materials	304,106	-	-	-	304,106
Reserved for Budget Stabilization	67,581	-	-	-	67,581
Reserved for Bus Purchases	42,431	-	-	-	42,431
Unreserved, Undesignated, Reported in:					
General Fund	3,587,551	-	-	-	3,587,551
Special Revenue Funds	-	-	-	784,155	784,155
Debt Service Funds	-	-	-	672,399	672,399
Capital Projects Funds	<u>-</u>	<u>11,508,576</u>	<u>578,943</u>	<u>1,884</u>	<u>12,089,403</u>
<i>Total Fund Balances</i>	<u><u>\$ 4,911,132</u></u>	<u><u>\$ 14,350,956</u></u>	<u><u>\$ 757,235</u></u>	<u><u>\$ 1,718,262</u></u>	<u><u>\$ 21,737,585</u></u>

See accompanying notes to the basic financial statements.

South Point Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
 Governmental Funds
 For the Fiscal Year Ended June 30, 2008

	General	Classroom Facilities	Capital Projects Local Initiative	Other Governmental Funds	Total Governmental Funds
Cash Receipts					
Taxes	\$ 3,075,267	\$ -	\$ -	\$ 816,610	\$ 3,891,877
Intergovernmental	10,609,255	4,046,364	-	3,841,059	18,496,678
Investment Earnings	376,934	334,485	-	-	711,419
Tuition and Fees	169,206	-	-	-	169,206
Extracurricular Activities	-	-	-	121,358	121,358
Charges for Services	4,028	-	-	161,701	165,729
Miscellaneous	14,815	-	-	57,355	72,170
<i>Total Cash Receipts</i>	<u>14,249,505</u>	<u>4,380,849</u>	<u>-</u>	<u>4,998,083</u>	<u>23,628,437</u>
Cash Disbursements					
Current:					
Instruction:					
Regular	6,747,382	-	-	1,120,547	7,867,929
Special	1,290,688	-	-	882,986	2,173,674
Vocational	233,475	-	-	-	233,475
Other	18,467	-	-	31,282	49,749
Support Services:					
Pupil	641,255	-	-	93,149	734,404
Instructional Staff	624,281	-	-	277,437	901,718
Board of Education	57,217	-	-	-	57,217
Administration	1,369,347	-	-	116,757	1,486,104
Fiscal	424,995	-	-	85,501	510,496
Operation and Maintenance of Plant	1,518,195	255	-	123,019	1,641,469
Pupil Transportation	912,462	-	-	4,046	916,508
Central	56,788	-	-	-	56,788
Operation of Non-Instructional Services	-	-	-	738,958	738,958
Extracurricular Activities	233,970	-	-	83,276	317,246
Capital Outlay	12,250	7,574,353	3,230,661	11,679	10,828,943
Debt Service:					
Principal	281,427	-	-	225,000	506,427
Interest and Fiscal Charges	93,962	-	-	409,419	503,381
<i>Total Cash Disbursements</i>	<u>14,516,161</u>	<u>7,574,608</u>	<u>3,230,661</u>	<u>4,203,056</u>	<u>29,524,486</u>
<i>Excess of Cash Receipts Under Cash Disbursements</i>	<u>(266,656)</u>	<u>(3,193,759)</u>	<u>(3,230,661)</u>	<u>795,027</u>	<u>(5,896,049)</u>
Other Financing Sources (Uses)					
Transfers - In	-	1,115,652	1,554,337	759,862	3,429,851
Transfers - Out	(3,429,851)	-	-	-	(3,429,851)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,429,851)</u>	<u>1,115,652</u>	<u>1,554,337</u>	<u>759,862</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	<u>(3,696,507)</u>	<u>(2,078,107)</u>	<u>(1,676,324)</u>	<u>1,554,889</u>	<u>(5,896,049)</u>
<i>Fund Balances Beginning of Year - Restated, See Note 17</i>	<u>8,607,639</u>	<u>16,429,063</u>	<u>2,433,559</u>	<u>163,373</u>	<u>27,633,634</u>
<i>Fund Balances End of Year</i>	<u>\$ 4,911,132</u>	<u>\$ 14,350,956</u>	<u>\$ 757,235</u>	<u>\$ 1,718,262</u>	<u>\$ 21,737,585</u>

See accompanying notes to the basic financial statements.

South Point Local School District
*Statement of Cash Receipts, Disbursements and Changes
 In Fund Balance - Budget (Budgetary Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original Budget	Final Budget		
Total Receipts and Other Sources	\$ 15,117,473	\$ 14,151,501	\$ 14,249,505	\$ 98,004
Total Disbursements and Other Uses	<u>16,818,312</u>	<u>19,122,487</u>	<u>18,855,475</u>	<u>267,012</u>
Net Change in Fund Balance	(1,700,839)	(4,970,986)	(4,605,970)	365,016
Fund Balance, July 1, 2007 - Restated, See Note 17	8,239,591	8,239,591	8,239,591	-
Prior Year Encumbrances Appropriated	<u>368,048</u>	<u>368,048</u>	<u>368,048</u>	<u>-</u>
Fund Balance, June 30, 2008	<u>\$ 6,906,800</u>	<u>\$ 3,636,653</u>	<u>\$ 4,001,669</u>	<u>\$ 365,016</u>

See accompanying notes to the basic financial statements.

South Point Local School District
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
As of June 30, 2008

Assets	<u>Agency Fund</u>
Equity in Pooled Cash and Cash Equivalents	<u>\$ 13,240</u>
Net Assets	
Unrestricted	<u>\$ 13,240</u>
Total Net Assets	<u>\$ 13,240</u>

See accompanying notes to the basic financial statements.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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 authorized by State statute and federal guidelines. This Board of Education controls the School District's five instructional/support facilities staffed by 86 classified employees, 129 certified teaching personnel, and 11 administrators, who provide services to 1,803 students and other community members.

Reporting Entity

The reporting entity is composed 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 South Point Local 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. The School District has no component units.

The School District participates in four organizations, two jointly governed organizations and two insurance purchasing pools. These organizations are the South Central Ohio Computer Association, Lawrence County Joint Vocational School, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Lawrence County School Insurance Purchasing Consortium. These organizations are presented in Notes 11 and 12 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The School District uses the provisions of GASB 34 for financial reporting on the cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America, and GASB 38, for certain financial statement disclosures. The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information. The more significant of the School District's accounting policies are described below.

Government-wide Financial Statements - The statement of net assets-cash basis presents the cash basis financial condition of the governmental activities of the School District at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the School District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the School District. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general cash receipts of the School District.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

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 fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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. Cash basis assets are assigned to the various governmental funds according to the purpose for which they may or must be used. On the cash basis governmental fund assets equal 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. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

Classroom Facilities Fund - The Classroom Facilities Capital Projects Fund is a fund provided to account for monies received and expended in connection with contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

Capital Projects Local Initiative Fund – The Capital Projects Local Initiative Fund is a fund provided to account for School District monies to be used to pay for the School District's share of the building and equipping of classroom facilities as well as other projects the School District determines are necessary.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The School District's only fiduciary fund is an agency fund which is used to account for student managed activities. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, the fiduciary fund is not included in the government-wide statements.

Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid), and accrued expenses and liabilities are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Cash Receipts – Exchange and Non-exchange Transactions

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On the cash basis, receipts are recorded in the fiscal year in which the resources are received.

Cash Disbursements

On the cash basis of accounting, disbursements are recognized at the time payments are made.

Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets 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 Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amount 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 years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

Encumbrances

Encumbrance accounting is utilized by the School District for all funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. On the basic financial statements encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on the government-wide financial statements. Encumbrances are reported as part of expenditures on a budgetary basis in the Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget (Budgetary Basis) and Actual.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents, and Investments

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. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "Cash and Cash Equivalents with Fiscal Agents".

During fiscal year 2008, investments were limited to certificates of deposit and repurchase agreements, which 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 receipts credited to the General Fund during fiscal year 2008 amounted to \$376,934. Interest receipts credited to the Classroom Facilities Fund during fiscal year 2008 amounted to \$334,485.

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 considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

Capital Assets

Capital assets acquired or constructed for the School District are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting, capital assets and the related depreciation are not reported on the basic financial statements.

Interfund Activity

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

Compensated Absences

Vacation and sick leave benefits are not accrued under the cash basis of accounting as previously described. All leave will either be absorbed by time off from work or, within certain limitations, be paid to employees.

Long-term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

Net Assets

Net cash assets represents the cash basis assets held by the School District at year end. Net assets consist of cash receipts reduced by cash disbursements for the current year. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The restrictions for other purposes is comprised of net assets restricted for grants.

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

At June 30, 2008, of the School District's \$17,284,019 of restricted net assets, none was restricted by enabling legislation.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required to be set-aside by the School District for the purchase of textbooks and instructional materials, budget stabilization, and bus purchases. See Note 13 for additional information regarding set-asides.

Fund Balance Reserves

Reserved fund balances indicate that portion of fund balance, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, textbooks and materials, bus purchases, and budget stabilization. The unreserved, undesignated portions of fund balance reflected for governmental funds are available for use within the specific purpose of those funds.

Note 3 - Budgetary Basis of Accounting

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances, which are considered to be disbursements on the budgetary basis. The table below represents those differences for the School District's major fund:

	<u>General Fund</u>
Budgetary Basis Fund Balance	\$ 4,001,669
Encumbrances	<u>909,463</u>
Fund Cash Balance	<u><u>\$ 4,911,132</u></u>

Note 4 - Deposits and Investments

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

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

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

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 4 - Deposits and Investments (Continued)

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 monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
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, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the School District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the School District's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the School District's total average portfolio.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 4 - Deposits and Investments (Continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash with Fiscal Agents At year end the School District’s bond and coupon account has \$10,431 in cash with fiscal agents which is included on the financial statements as “Cash and Cash Equivalents with Fiscal Agents.”

Deposits Custodial credit risk is the risk that in the event of a 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 percent 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 collateralization of public funds.

As of June 30, 2008, the School District’s bank balance of \$10,567,103 is either covered by FDIC or collateralized by the financial institutions’ public entity deposit pools in the manner described above.

Investments At June 30, 2008, the School District’s investment balance was as follows:

	Fair Value	Weighted Average Maturity (Yrs.)
Repurchase Agreements	\$ 11,253,459	Less than 1 year

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District limits their investments to repurchase agreements. The repurchase agreements are not rated.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The School District does not have an investment policy which limits its investments in a single user. The District has 100 percent invested in repurchase agreements.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District’s repurchase agreements are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the School District’s name.

Note 5 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Property tax revenue received during calendar year 2008 for real and public utility property taxes represents collections of calendar year 2007 taxes. Property tax payments received during calendar year 2008 for tangible personal property (other than public utility property) are for calendar year 2008 taxes.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 5 - Property Taxes (Continued)

2008 real property taxes are levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2008 real property taxes are collected in and intended to finance fiscal year 2009.

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

2008 tangible personal property taxes are levied after April 1, 2007, on the value as of December 31, 2006. Collections are made in 2008. Tangible personal property assessments are twelve and one-half percent of true value.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$139,724,000	88%	\$156,553,580	90%
Public Utility Personal	9,772,690	6%	9,677,450	6%
Tangible Personal Property	9,756,708	6%	7,023,380	4%
Total	\$159,253,398	100%	\$173,254,410	100%
Tax Rate per \$1,000 of assessed valuation	\$25.81		\$25.81	

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Ohio House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces revenue lost by the School District due to the phasing out of the tax. In calendar years 2006 through 2010, the School District will be fully reimbursed at the level of calendar year 2004 assessed values for the lost revenue. In calendar years 2011 through 2017, the reimbursements will be phased out.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 6 - Risk Management

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. For fiscal year 2008, the School District contracted with Indiana Insurance, a Member of Liberty Mutual Group, for property insurance and the Ohio School Plan for general liability insurance.

Professional liability is protected by the Ohio School Plan with a \$1,000,000 single occurrence limit and a \$2,000,000 aggregate and a \$2,500 deductible. Vehicles are covered by Indiana Insurance and hold a \$250 deductible for comprehensive and \$500 for collision. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded commercial coverage in any of the past three years. There has been no significant reduction in insurance coverage from last year.

Workers' Compensation

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Employee Medical Benefits

The School District participates in the Lawrence County Schools Insurance Purchasing Consortium, an insurance purchasing pool (Note 12). The intent of the consortium is to achieve the benefit of a reduced health insurance premium for the School District by virtue of its grouping and representation with other participants in the consortium. Each participant pays its health insurance premium to the insurance provider. Participation in the consortium is limited to school districts that can meet the criteria outlined in the consortium's operating articles. The firm of Cross and Associates provides administrative services to the consortium.

Note 7 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn eleven to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators, who are not on a twelve month contract, do not earn vacation time.

Teachers, administrators, and classified employees 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 of 225 days, or 25 percent of the total unused sick leave days, whichever is greater.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 7 - Employee Benefits (Continued)

B. Insurance

The School District provides life insurance to most employees through Coresource.

The School District has contracted with United Healthcare for medical benefits and Medical Benefits for dental and vision benefits. The employees share the cost of the monthly premium with the Board. For fiscal year 2008, the School District's and the employees' premiums are listed below:

United Healthcare Health		Medical Benefits Dental		Medical Benefits Vision	
Family	Single	Family	Single	Family	Single
\$1,698.22	\$687.55	\$82.58	\$22.56	\$16.38	\$6.33

Note 8 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$233,513, \$295,764, and \$289,164, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

B. State Teachers Retirement System

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

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 8 - Defined Benefit Pension Plans (Continued)

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

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,001,292, \$1,079,292, and \$948,936, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

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, 2008, three members of the Board of Education elected Social Security. The contribution rate is 6.2 percent of wages.

Note 9 - Postemployment Benefits

A. State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Active employee members do not contribute to the Plan.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 9 - Postemployment Benefits (Continued)

A. State Teachers Retirement System (Continued)

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$77,022, \$66,461, and \$66,117 for fiscal years 2008, 2007, and 2006, respectively and 100% has been contributed for each year.

B. School Employees Retirement System

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2008 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2008, 2007, and 2006 the actuarially required allocations were 0.66 percent, 0.68 percent, and 0.78 percent, respectively. The School District's contributions for the fiscal years ended June 30, 2008, 2007, and 2006 were \$15,694, \$15,502, and \$17,354, which equaled the required contribution for those years.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401h. Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2008, 2007, and 2006, the health care allocations were 4.18 percent, 3.32 percent, and 3.42 percent, respectively. The actuarially required contribution (ARC), as of the June 30, 2008 annual valuation, was 13.41 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. For the School District, the amounts contributed to fund health care benefits, including the surcharge, during the 2008, 2007, and 2006 fiscal years equaled \$125,159, \$100,758, and \$105,196, respectively which equaled the required amount for those years.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 9 - Postemployment Benefits (Continued)

B. School Employees Retirement System (Continued)

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS website at www.ohsers.org under *Forms and Publications*.

Note 10 - Long Term Obligations

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

	Principal Outstanding 6/30/07	Additions	Reductions	Principal Outstanding 6/30/08	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
Current Interest School Improvement Bonds	\$ 9,375,000	\$ -	\$ 225,000	\$ 9,150,000	\$ 240,000
Capital Appreciation Bonds	556,336	-	-	556,336	-
Capital Lease Obligations	2,252,543	-	281,427	1,971,116	293,916
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 12,183,879</u>	<u>\$ -</u>	<u>\$ 506,427</u>	<u>\$ 11,677,452</u>	<u>\$ 533,916</u>

South Point School Improvement Unlimited Tax General Obligation Bonds - On November 12, 2004, the School District issued \$10,316,336 in voted general obligation bonds for the purpose of constructing a new school building and to renovate existing structures. \$1,975,000 were issued as current interest serial bonds with interest rates ranging from 2.50 percent to 3.25 percent, and maturity dates of December 1 in the years 2006 through 2013. \$7,785,000 are current interest term bonds with interest rates ranging from 4.50 percent to 5.00 percent, and maturity dates of December 1, 2024 and 2031. \$556,336 are capital appreciation bonds with maturity dates of December 1, 2013, 2014, 2015, and 2016, with maturity amounts of \$325,000, \$325,000, \$325,000 and \$335,000 respectively. The total capital appreciation bond amount outstanding at June 30, 2008 including accretion is \$742,838; however, under the cash basis of accounting no accretion is reflected in the above schedule. The bonds were issued for a twenty-five year period. The bond value at final maturity will be \$10,316,336. The bonds will be retired from the debt service fund.

The School District's overall legal debt margin was \$5,886,561, with an unvoted debt margin of \$173,254 at June 30, 2008.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 10 - Long Term Obligations (Continued)

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 240,000	\$ 404,120	\$ 644,120
2010	255,000	397,798	652,798
2011	270,000	390,305	660,305
2012	290,000	381,615	671,615
2013	310,000	371,938	681,938
2014-2018	1,645,000	1,826,126	3,471,126
2019-2023	2,005,000	1,511,625	3,516,625
2024-2028	2,655,000	943,975	3,598,975
2029-2032	2,790,000	257,625	3,047,625
Total	<u>\$ 10,460,000</u>	<u>\$ 6,485,127</u>	<u>\$ 16,945,127</u>

The amortization schedule does not match the outstanding debt amounts listed above due to capital appreciation bonds which are reported at their matured accreted value above.

In a previous fiscal year, the School District entered into a capital lease agreement with U.S. Bank where the School District received \$2,500,000 in monies in the General Fund. The School District then transferred \$2,500,000 from the General Fund to the Athletic Facilities Capital Projects Fund (non-major capital projects fund) so these monies could be used to construct athletic facilities for the School District. This capital lease agreement will be repaid from the General Fund.

The School District does not record capital lease obligations as liabilities under the cash basis of accounting. However, for purposes of additional disclosure, the following is a schedule of the future minimum lease payments under capital lease obligations as of December 31, 2008.

Year Ended	Capital Lease Obligations
2009	\$ 374,966
2010	374,785
2011	374,597
2012	374,500
2013	374,194
2014	<u>373,979</u>
Total minimum lease payments	2,247,021
Less: amount representing interest	<u>(275,905)</u>
Present value of minimum lease payments	<u>\$ 1,971,116</u>

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 11 - Jointly Governed Organizations

The Lawrence County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from Chesapeake-Union Exempted Village School District, two from South Point Local School District and two from the Lawrence County Educational Service Center, which possesses its own budgeting and taxing authority. To obtain financial information write to the Lawrence County Joint Vocational School District, 11627 State Route 243, Chesapeake, Ohio 45619.

South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Pickaway, Jackson, Gallia, Vinton, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. All revenues are generated from an annual fee of \$2.00 per student to participating districts and State funding. South Point Local School District paid \$85,283 for all services provided during fiscal year 2008. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

Note 12 - Insurance Purchasing Pools

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, participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The School District participates in the Lawrence County Schools Insurance Purchasing Consortium, an insurance purchasing pool. The consortium's business and affairs are conducted by a nine member Board of Directors consisting of the superintendents of member school districts and educational service center. Participants pay \$5 per month per participating employee to the consortium to cover the costs of administering the program.

Note 13 – Set-Asides

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

As of fiscal year ended June 30, 2002, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of monies received from the Bureau of Workers' Compensation, which must be retained for budget stabilization or spent for specified purposes.

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

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 13 – Set-Asides (Continued)

	Textbooks and Instructional Materials	Capital Acquisition	Budget Stabilization	Bus Purchases
Set-aside Reserve Balance, June 30, 2007	\$ 400,569	\$ -	\$ 67,581	\$ 65,954
Current Year Set-aside Requirement	229,892	229,892	-	-
Current Year Offsets	-	(80,330)	-	-
Qualifying Disbursements	(326,355)	(442,092)	-	(23,523)
Set-aside Reserve Balance June 30, 2008	304,106	(292,530)	67,581	42,431
Total Set-aside Balance Carried Forward to Future Fiscal Years	\$ 304,106	\$ -	\$ 67,581	\$ 42,431

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero in the Capital Acquisition Reserves, however these amounts may not be carried forward and used to reduce the set-aside requirements of future years.

Note 14 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

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

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 15 – Accountability

Accountability - Fund Equity Deficits

At June 30, 2008, the following funds had fund balance deficits:

Fund	Deficit Balance
Non-major Capital Projects Fund:	
Video Distance Learning	\$ (7,950)
Non-major Special Revenue Funds:	
Martha Holden Jennings Foundation	(1,316)
Teacher Development	(30)
Gifted Education	(3,419)
High School That Works	(1,231)
Title I Grants to Local Educational Agencies	(28,274)
State Grants for Innovative Programs	(1,228)
Total Non-major Special Revenue	(35,498)
Total All Funds	\$ (43,448)

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when deficits occur.

Note 16 – Interfund Activity

Transfers made during the year ended June 30, 2008, were as follows:

Fund	Transfer From	Transfer To
Major Funds:		
General	\$ 3,429,851	\$ -
Classroom Facilities	-	1,115,652
Capital Projects Local Initiative	-	1,554,337
Total Major Funds	3,429,851	2,669,989
Other governmental funds		
Severance Benefit	-	583,275
Food Service	-	176,587
Total Other governmental funds	-	759,862
Total	\$ 3,429,851	\$ 3,429,851

The transfers were made from the General Fund (a major fund) to the other governmental funds to provide support for operating activities of those funds. The transfer from the General Fund to the Capital Projects Local Initiative Fund is for the School District's local share to fund the athletic complex. The transfer from the General Fund to the Classroom Facilities Fund is for the School District's local share of the Ohio School Facilities project.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 17 – Change In Accounting Principles/Restatement of Balances

For the fiscal year 2008, the School District implemented GASB Statement No. 50, “Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27”, GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, and GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.” GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in the notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. GASB Statement No. 48 establishes criteria that governments use to ascertain whether certain transactions should be regarded as sales or collateralized borrowings, and disclosure requirements for future revenues that are pledged or sold. The application of these new standards had no effect on the basic financial statements, nor did their implementation require a restatement of prior year balances.

The School District restated its beginning fund balances and net assets due to errors in reporting cash balances which have been corrected. The effect on fund balances and net assets as of July 1, 2007 is as follows:

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>Capital Projects Local Initiative Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances as of					
June 30, 2007	\$ 8,922,453	\$ 16,361,558	\$ -	\$ 2,232,118	\$ 27,516,129
Reclass as Major Fund	-	-	2,383,559	(2,383,559)	-
Correction of Cash Balances	(314,814)	67,505	50,000	314,814	117,505
Restated Fund Balances					
as of July 1, 2007	<u>\$ 8,607,639</u>	<u>\$ 16,429,063</u>	<u>\$ 2,433,559</u>	<u>\$ 163,373</u>	<u>\$ 27,633,634</u>
		<u>Governmental Activities</u>			
Net Assets as of					
June 30, 2007	\$ 27,516,129				
Correction of Cash Balances	117,505				
Restated Net Assets as of					
June 30, 2007	<u>\$ 27,633,634</u>				

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 18 – Contractual Commitments

The School District had the following significant contractual commitments at June 30, 2008:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
A. J. Stockmeister	Plumbing (6-12 Building)	\$ 19,350
A.J. Stockmeister	Plumbing (Athletic Complex)	7,481
Accurate Electric	Electric (6-12 Building)	5,769
Boggs Roofing	Roofing (Elementary Building)	924,627
Breckinridge Kitchen Equipment	Kitchen Equipment (Elementary Building)	364,720
Brewer & Company	Fire Protection (Elementary Building)	229,750
Cabell Sheet Metal	Roofing (6-12 Building)	29,656
Cincinnati Floor Company	Wood Flooring (6-12 Building)	3,158
Commercial Appliance	Kitchen Equipment (6-12 Building)	896
Continental Office Furniture	Loose Furnishings	685
Conley Painting	Painting	200,000
Data Serve Inc.	Tech Equipment (6-12 Building)	2,262
Dixon Electric	Electric (Elementary Building)	1,631,497
Early Construction	Site Work & General Trade (Burlington)	2,976,320
Early Construction	Site Work & General Trade (Elem. #2)	2,868,410
Edwin Davis & Son	School Bus	83,975
J & H Reinforcing	General Trades (6-12 Building)	272,676
J & H Reinforcing	Site Work (6-12 Building)	23,669
J & H Reinforcing	General Trade (Athletic Complex)	127,885
JMK Electric	Sound/Security (all schools)	281,989
JMK Electric	Data/Voice/Video (all schools)	164,445
JMK Electric	Electric (Athletic Complex)	8,843
Johnson Controls	ATC (all schools)	207,665
Kenny Huston	Masonry (6-12 Building)	191,260
Kenny Huston	Masonry (Elementary Building)	2,605,000
McDonald, Cassell & Bassett	Architectural Design (Elementary Building)	266,676
Mechanical Construction	HVAC (6-12 Building)	39,967
Mechanical Construction	HVAC (Elementary Building)	2,579,000
Mechanical Construction	HVAC (Athletic Complex)	6,991
Peterman Plumbing	Plumbing (Elementary Building)	1,150,000
Service Supply Company	Bleachers/Playground Equipment	8,840
Smart Solutions	AV Equipment (6-12 Building)	4,635
Smart Solutions	AV Equipment (Elementary Building)	92,837
Solid Rock Construction	Site Work (Elementary Building)	15,780
Total Environmental Services	Services (Elementary Building)	6,136
TP Mechanical Contractors	Fire Protection (6-12 Building)	8,674
Total		<u>\$ 17,411,524</u>

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 19 – Subsequent Events

During the fiscal year ended June 30, 2008 the School District incurred turnover in the Treasurer's position by first hiring an interim Treasurer and subsequently hiring another Treasurer. The current Treasurer is addressing the issues which were reported in prior year audits. During fiscal year 2009, the Treasurer continues to reconcile older grant funds and OSFC projects which could result in changes to cash balances among funds.

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Grant Year	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Food Donation	N/A	10.550		\$54,612		\$54,612
Nutrition Cluster:						
School Breakfast Program	2007	10.553	\$15,590		\$15,590	
	2008		133,696		133,696	
Total School Breakfast Program			149,286	0	149,286	0
National School Lunch Program	2007	10.555	33,482		33,482	
	2008		325,310		325,310	
Total National School Lunch Program			358,792	0	358,792	0
Total Nutrition Cluster			508,078	0	508,078	0
Total U.S. Department of Agriculture			508,078	54,612	508,078	54,612
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	2004	84.010	198,104			
	2005		(198,104)			
	2006		(109,161)			
	2007		360,622		71,481	
	2008		459,855		464,315	
Total Title I Grants to Local Educational Agencies			711,316	0	535,796	0
Special Education - Grants to States	2003	84.027	4,728			
	2005				1,541	
	2005 Access		50,000			
	2006		47,154			
	2006 Access		37,500			
	2007		408,566		74,445	
	2008		614,772		521,984	
Total Special Education - Grants to States			1,162,720	0	597,970	0
Safe and Drug-Free Schools and Communities - State Grants	2004	84.186	(2,223)			
	2005		2,223			
	2006		(11,381)			
	2007		5,081		2,500	
	2008		19,889		19,236	
Total Safe and Drug-Free Schools and Communities - State Grants			13,589	0	21,736	0
State Grants for Innovative Programs	2006	84.298	(376)			
	2007		2,560		2,845	
	2008		2,211		3,488	
Total State Grants for Innovative Programs			4,395	0	6,333	0
Education Technology State Grants	2004	84.318	10,884			
	2005		(18,548)			
	2006		7,036			
	2007		2,591		648	
	2008		11,251		4,977	
Total Education Technology State Grants			13,214	0	5,625	0
Improving Teacher Quality State Grants	2004	84.367	177,921			
	2005		(177,921)			
	2006		(1,459)			
	2007		106,939			
	2008		162,512		159,552	
Total Improving Teacher Quality State Grants			267,992	0	159,552	0
Total U.S. Department of Education			2,173,226	0	1,327,012	0
Total Federal Awards Receipts and Expenditures			\$2,681,304	\$54,612	\$1,835,090	\$54,612

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

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS
RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - FOOD DONATION PROGRAM

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 at the fair value of the commodities received.

NOTE D - TRANSFER BETWEEN GRANT YEARS

During fiscal year 2008, there were transfers between grant years to account for carryover of grant monies. These transfers were reflected as negative receipts in the old grant year and positive receipts under the new grant year. The transfer was made between the 2007 and 2008 grant years as follows:

<u>Program:</u>	<u>Amount:</u>	<u>From Grant Year:</u>	<u>To Grant Year:</u>
CFDA 84.186	\$ 6,300	2007	2008
CFDA 84.318	11,716	2007	2008

Also during fiscal year 2008, the School District Treasurer posted receipt entries to account for transfers between grant years for carryover of grant monies relating to previous fiscal years. These transfers were reflected as a negative receipt in the old grant years and a positive receipt under the new grant years. The transfers were made between grant years as follows:

<u>Program:</u>	<u>Amount:</u>	<u>From Grant Year:</u>	<u>To Grant Year:</u>
CFDA 84.010	\$ 109,161	2006	2007
CFDA 84.186	2,223	2004	2005
CFDA 84.186	11,381	2006	2007
CFDA 84.298	376	2006	2007
CFDA 84.367	1,459	2006	2007
CFDA 84.318	8,650	2005	2006
CFDA 84.318	12,727	2006	2007

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS
RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE E - REFUNDS

During fiscal year 2008, there were refunds of grant monies to the Ohio Department of Education. These refunds are reflected as a negative receipt on the Schedule and are not included as expenditures on the Schedule. The refund amounts are as follows:

Program:	Amount:	Grant Year:
CFDA 84.318	\$ 4,660	2008

NOTE F – POSTING OF GRANT RECEIPTS

During fiscal year 2008, the School District posted entries to properly reflect grant receipts in the School District's accounting system. As a result, receipt activity occurred for several old grant funds. The following is a summary of this activity:

Program:	Amount:	Grant Year:	Description:
CFDA 84.367	\$ 177,921	2004	2004 Receipt Posted to 2005 Fund
CFDA 84.367	(177,921)	2005	2004 Receipt Posted to 2005 Fund
CFDA 84.318	10,884	2004	2004 Receipt Posted to 2005 Fund
CFDA 84.318	(10,884)	2005	2004 Receipt Posted to 2005 Fund
CFDA 84.318	986	2005	2005 Receipt Posted to Incorrect Fund
CFDA 84.318	11,114	2006	2006 Receipt Posted to Incorrect Fund
CFDA 84.318	565	2007	2007 Receipt Posted to Incorrect Fund
CFDA 84.318	1,015	2007	2007 Receipt Posted to Incorrect Fund
CFDA 84.027	4,728	2003	2003 Receipt Posted to Incorrect Fund
CFDA 84.027	50,000	2005 Access	2005 Receipts Posted to Incorrect Funds
CFDA 84.027	37,500	2006 Access	2006 Receipts Posted to Incorrect Funds
CFDA 84.010	198,104	2004	2004 Receipt Posted to 2005 Fund
CFDA 84.010	(198,104)	2005	2004 Receipt Posted to 2005 Fund

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Mary Taylor, CPA

Auditor of State

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

South Point Local School District
Lawrence County
302 High Street
South Point, Ohio 45680

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Point Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated June 26, 2009, wherein we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

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

South Point Local School District
Lawrence County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*

We noted certain matters that we reported to the School District's management in a separate letter dated June 26, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2008-001 through 2008-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated June 26, 2009.

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the School District's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

June 26, 2009



Mary Taylor, CPA

Auditor of State

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

South Point Local School District
Lawrence County
302 High Street
South Point, Ohio 45680

To the Board of Education:

Compliance

We have audited the compliance of the South Point Local School District, Lawrence County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008. In a separate letter to the School District's management dated June 26, 2009, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 26, 2009

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

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

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008
(Continued)**

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

FINDING NUMBER 2008-001

Noncompliance Citation

Ohio Rev. Code Section 117.38 provides, in part, that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. The School District filed financial statements with the Auditor of State, but those statements followed a cash and investments accounting basis rather than generally accepted accounting principles. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures. The School District is subject to fines and various other administrative remedies.

We recommend the School District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

Officials' Response:

Generally accepted accounting principles (GAAP) basis financial statements will be filed for Fiscal Year 2009.

FINDING NUMBER 2008-002

Noncompliance Citation

Ohio Rev. Code Section 5705.10(H) states money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. However, Ohio Rev. Code Section 3315.20 provides an allowable exception for school districts. Effective March 30, 2007, a school district may have a deficit in any special fund (see step 1-18 for a listing of possible "special" funds) of the school district, but only if all of the following conditions are satisfied:

- The school district has a request for payment pending with the state sufficient to cover the amount of the deficit [Ohio Rev. Code Section 3315.20(A)].
- There is a reasonable likelihood that the payment will be made [Ohio Rev. Code Section 3315.20(A)].
- The unspent and unencumbered balance in the school district's general fund is greater than the aggregate of deficit amounts in all of the school district's special funds. [Ohio Rev. Code Section 3315.20(B)].

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008
(Continued)**

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

FINDING NUMBER 2008-002 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.10(H) (Continued)

The following negative fund balances were noted at June 30, 2008:

Fund	Amount
Martha Holden Jennings (019)	\$ (1,315)
Teacher Development (416)	(30)
Gifted Education (431)	(3,419)
Video Learning (458)	(7,950)
Summer Intervention (460)	(26,124)
High School That Works (461)	(1,232)
Title I Grants to Local Educational Agencies (572)	(357,136)
State Grants for Innovative Programs (573)	(4,388)
Safe and Drug Free Schools and Communities State Grants (584)	(5,300)
Improving Teacher Quality State Grants (590)	(91,515)
Miscellaneous Federal Grants (599)	(9,704)
Total:	\$ (508,113)

The School District did have sufficient unspent and unencumbered general fund balances to cover these; however, there were no pending requests for payments, and thus, the School District did not meet the exceptions noted above.

We recommend the School District monitor negative fund balances and ensure adequate balances are maintained.

Officials' Response:

Most of these negative balances are related to coding errors of the prior School District Treasurer. The General Fund was responsible for the majority of the negative balance.

FINDING NUMBER 2008-003

Noncompliance Citation

Ohio Rev. Code Section 5705.38(B) provides that a board of education shall pass its annual appropriation measure by the first day of October. If a school district's annual appropriation measure is delayed as permitted by law (see below), the board may pass a temporary measure for meeting the ordinary expense of the school district until it passes an annual appropriation measure.

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008
(Continued)**

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

FINDING NUMBER 2008-003 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.38(B) (Continued)

As discussed in Auditor of State Bulletin 98-012 there are two circumstances when school district certificates/certifications would be issued after October 1:

- A certificate/certification would be issued after October 1 when a school district has borrowed against its spending reserve. This certificate/certification would not be issued until second half personal property taxes are settled.
- A certificate/certification would be issued after October 1 when the delivery of a tax duplicate is delayed under Ohio Rev. Code Section 323.17 because a subdivision in the county has placed a levy on the November ballot which, if approved, will go on the current tax list and duplicate.

If a school district is in either of these two situations, passage of the annual appropriation measure should be delayed until the necessary certificates/certifications are received.

The School District did not approve its annual appropriation measure until March 2008. It is the responsibility of the Treasurer to provide this to the Board of Education for approval and this was not done until a new treasurer was hired in March 2008. Without approved appropriations on file, the School District would be unable to monitor budgeted and actual expenditures. Also, failure to properly monitor financial activity results in the loss of the ability to control the budgetary cycle.

We recommend the Treasurer and Board of Education ensure appropriations are approved on or about the first day of the fiscal year.

Officials' Response:

An appropriation measure is passed by the Board of Education on or about the first day of the fiscal year and amended as necessary.

FINDING NUMBER 2008-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

The School District did not approve any type of appropriations until March 2008. Thus, all expenditures prior to this date were in excess of appropriations. Expenditures in excess of appropriations could result in overspending and negative fund balances.

We recommend the School District Board of Education approve permanent appropriations at the beginning of the fiscal year and any amendments needed thereafter.

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008
(Continued)**

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

FINDING NUMBER 2008-004 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.41(B) (Continued)

Officials' Response:

Appropriation resolution is approved by the Board of Education on or about the first day of the fiscal year and amended as necessary.

FINDING NUMBER 2008-005

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the School District can authorize the drawing of a warrant for the payment of the amount due. The School District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the School District.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008
(Continued)**

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

FINDING NUMBER 2008-005 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)(1) (Continued)

3. Super Blanket Certificate – The School District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The School District did not always encumber the School District's disbursements prior to purchases being made. Of the purchases tested, 24% of the purchases were not properly encumbered.

Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

Unless the School District uses the exceptions noted above, prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the School District's funds exceeding budgetary spending limitations, we recommend the Treasurer certify that funds are or will be available prior to obligation by the School District. When prior certification is not possible, "then and now" certification should be used.

We recommend the School District officials and employees obtain the Treasurer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Section 5705.41(D) requires to authorize disbursements. The Treasurer should sign the certification at the time the School District incurs the commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Treasurer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response:

Certification of funds is now done prior to purchases being made. In instances when materials are purchased without certification of funds, a "then and now" stamp is used.

3. FINDINGS FOR FEDERAL AWARDS

None.

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.315(b)
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	A material noncompliance citation was issued under Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B) for not preparing the annual financial report pursuant to generally accepted accounting principles.	No	Not Corrected: This item is repeated in the accompanying Schedule of Findings as Finding Number 2008-001.
2007-002	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.10 as a result of several instances of negative fund balances.	No	Not Corrected: This item is repeated in the accompanying Schedule of Findings as Finding Number 2008-002.
2007-003	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.36 for not certifying to the County Auditor the total amount from all sources available for expenditure.	No	Partially Corrected: This item is reported in a separate letter to the School District's management.
2007-004	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.39 for appropriations in excess of estimated available resources throughout the audit period.	No	Partially Corrected: This item is reported in a separate letter to the School District's management.
2007-005	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(B) for several instances of expenditures exceeding appropriations as of June 30, 2007.	No	Not Corrected: This item is repeated in the accompanying Schedule of Findings as Finding Number 2008-004.
2007-006	A material noncompliance citation was issued under Ohio Rev. Code Section 3313.25 for the School District not providing proof that the School District Treasurer was bonded.	Yes	
2007-007	A material weakness was issued for intergovernmental receipts and tax settlements posted to the wrong fund.	Yes	
2007-008	A material weakness was issued for the Board of Education to take a more active role in monitoring the financial activity and results of audits of the School District.	No	Partially Corrected: This item is reported in a separate letter to the School District's management.

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.315(b)
JUNE 30, 2008
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2007-009	A material weakness was issued for a lack of controls over the financial accounting process.	Yes	
2007-010	A material weakness was issued for bank reconciliations not being timely performed and the Board of Education not properly monitoring reconciliations on a monthly basis.	No	Partially Corrected: This item is reported in a separate letter to the School District's management.
2007-011	A material noncompliance citation was issued based on state regulations for Bureau of Workers Compensation (BWC) for failing to report payroll by the required filing deadline.	Yes	
2007-012	A material noncompliance citation was issued based on Federal regulations for not filing a 2006 quarterly return until June, 2008.	Yes	
2007-013	A significant deficiency was issued regarding student activities for not properly using sales potential forms, not preparing budgets, and financial statements not being provided to advisors.	No	Partially Corrected: This item is reported in a separate letter to the School District's management.
2007-014	A significant deficiency was issued regarding student athletics for not utilizing tally sheets to document ticket sales for many of the athletic events.	No	Partially Corrected: This item is reported in a separate letter to the School District's management.
2007-015	A significant deficiency was issued for former School District Treasurer's personnel file being missing and employment contracts and salary notices not being on file for certain employees and administrative personnel.	No	Partially Corrected: This item is reported in a separate letter to the School District's management.
2007-016	A significant deficiency was issued for not following an employee agreement article regarding the withholding of insurance premiums which resulted in a Finding for Recovery.	No	Lawrence County Prosecutor asked by the Attorney General to begin collection proceedings. A settlement was offered. Attorney General encouraged County Prosecutor to explore other options.

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.315(b)
JUNE 30, 2008
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2007-017	A Federal noncompliance citation was issued for improper reporting of expenditures regarding the 2007 Final Expenditure Report.	Yes	
2007-018	A Federal questioned cost was issued under 34 C.F.R. Sections 76.704 through 76.707 relating to cash management for not properly utilizing cost centers and cash balances accumulating in old cost centers.	No	Partially Corrected: This item is reported in a separate letter to the School District's management.
2007-019	A Federal questioned cost was issued under 34 C.F.R. 80.21 relating to period of availability for expenditures charged to cost centers in October 2007 for 2007 grant.	No	Partially Corrected: This item is reported in a separate letter to the School District's management.
2007-020	A Federal material weakness was issued for the School District not having the proper accounting and reporting controls in place over its federal funds.	Yes	



Mary Taylor, CPA
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
JULY 16, 2009