

South Point Local School District

Lawrence County

Single Audit

July 1, 2009 through June 30, 2010

Fiscal Year Audited Under GAGAS: 2010



Balestra, Harr & Scherer, CPAs, Inc.

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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the South Point Local School District, Lawrence County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

April 18, 2011

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South Point Local School District
Lawrence County, Ohio

Table of Contents

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet–Governmental Funds.....	12
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds To the Statement of Activities.....	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual – General Fund.....	16
Statement of Fiduciary Net Assets - Fiduciary Fund	17
Notes to the Basic Financial Statements	18
Schedule of Federal Awards Receipts and Expenditures	44
Notes to Schedule of Federal Awards Receipts and Expenditures.....	45
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	46
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance With OMB Circular A-133.....	48
Schedule of Findings OMB Circular A-133 §.505.....	50
Schedule of Prior Audit Findings.....	52



Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Point Local School District, Lawrence County, Ohio, (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

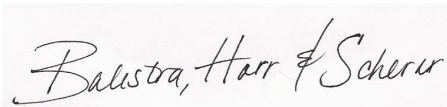
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South Point Local School District, Lawrence County, Ohio, as of June 30, 2010, and the respective changes in financial position and thereof and the budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2011 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Members of the Board
South Point Local School District
Independent Auditor's Report
Page 2

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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 "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

March 4, 2011

South Point Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
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, 2010. 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 2010 are as follows:

- Net assets of governmental activities decreased \$94,230.
- General revenues accounted for \$16,369,215 in revenue or 79% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,332,088 or 21% total revenues of \$20,701,303.
- Total assets of governmental activities decreased \$2,699,905. Cash and cash equivalents decreased \$2,611,448 due mainly to payment of final construction expenses and capital assets increased \$1,817,352 due to capital asset additions. Total governmental activities liabilities decreased \$2,605,675. This decrease is attributed mainly to a decrease in contracts payable and deferred revenue.
- The School District had \$20,795,533 in expenses related to governmental activities; only \$4,332,088 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$16,369,215 were inadequate to provide for these programs.
- The School District's major funds were the General Fund, the Bond Retirement Debt Service Fund, and the Classroom Facilities Capital Projects Fund. The General Fund had \$14,800,150 in revenues and \$15,529,774 in expenditures and other financing uses. The General Fund's balance decreased \$729,624. The Bond Retirement Fund had \$829,636 in revenues and \$679,341 in expenditures. The Bond Retirement Fund's balance increased \$150,295. The Classroom Facilities Capital Projects Fund had \$1,279,039 in revenues and other financing sources and \$3,044,091 in expenditures. The Classroom Facilities Capital Projects Fund's balance decreased \$1,765,052.

Using this Annual Financial Report

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

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

South Point Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited*

spending. The fund financial statements also look as the School District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Bond Retirement Debt Service Fund.

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

South Point Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited*

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

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 2010 compared to 2009.

	Governmental Activities		
	2010	2009*	Change
Assets			
Current and Other Assets	\$13,556,700	\$18,073,957	(\$4,517,257)
Capital Assets	52,315,591	50,498,239	1,817,352
Total Assets	65,872,291	68,572,196	(2,699,905)
Liabilities			
Long-term Liabilities	13,068,441	13,375,470	(307,029)
Other Liabilities	5,560,755	7,859,401	(2,298,646)
Total Liabilities	18,629,196	21,234,871	(2,605,675)
Net Assets			
Invested in Capital Assets, Net of Debt	41,567,290	39,513,060	2,054,230
Restricted	3,791,766	5,458,443	(1,666,677)
Unrestricted (Deficit)	1,884,039	2,365,822	(481,783)
Total Net Assets	\$47,243,095	\$47,337,325	(\$94,230)

*As Restated, See Note 19

Total assets decreased \$2,699,905. This decrease was mainly due to a decrease in cash as final construction expenses were paid in fiscal year 2010 for new buildings that were completed at the end of fiscal year 2009 and depreciation charges against new construction completed in fiscal years 2008 and 2009. Total governmental activities liabilities decreased \$2,605,675. This decrease is attributed mainly to a decrease in contracts payable and deferred revenue.

South Point Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

Table 2 shows the changes in net assets for the fiscal year 2010 compared to 2009.

Table 2
Changes in Net Assets

	Governmental Activities		
	2010	2009*	Variance
Revenues			
Program Revenues			
Charges for Services	\$422,650	\$423,395	(\$745)
Operating Grants, Contributions and Interest	3,909,438	2,838,470	1,070,968
Capital Grants and Contributions	0	21,333	(21,333)
Total Program Revenues	4,332,088	3,283,198	1,048,890
General Revenues			
Property Taxes	3,662,574	3,990,888	(328,314)
Grants and Entitlements	12,575,578	18,223,498	(5,647,920)
Investment Earnings	27,606	216,843	(189,237)
Miscellaneous	103,457	243,094	(139,637)
Total General Revenues	16,369,215	22,674,323	(6,305,108)
Total Revenues	20,701,303	25,957,521	(5,256,218)
Program Expenses			
Instruction:			
Regular	8,842,806	8,706,788	136,018
Special	2,360,715	2,362,942	(2,227)
Vocational	265,765	311,915	(46,150)
Student Intervention Services	119,046	177,412	(58,366)
Other	18,345	13,197	5,148
Support Services:			
Pupil	748,030	687,607	60,423
Instructional Staff	1,122,507	1,154,692	(32,185)
Board of Education	111,941	63,713	48,228
Administration	1,432,370	1,718,917	(286,547)
Fiscal	422,320	284,765	137,555
Operation and Maintenance of Plant	2,434,860	1,909,240	525,620
Pupil Transportation	986,741	1,324,475	(337,734)
Central	71,415	68,960	2,455
Operation of Non-Instructional Services:			
Food Service Operations	866,221	804,467	61,754
Extracurricular Activities	462,978	698,746	(235,768)
Capital Outlay	0	0	0
Interest and Fiscal Charges	529,473	539,317	(9,844)
Total Expenses	20,795,533	20,827,153	(31,620)
Increase in Net Assets	(94,230)	5,130,368	(5,224,598)
Net Assets Beginning of Year	47,337,325	42,206,957	5,130,368
Net Assets End of Year	\$47,243,095	\$47,337,325	(\$94,230)

*As Restated, See Note 19

South Point Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for 2010 compared to 2009. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
Program Expenses				
Instruction:				
Regular	\$8,842,806	\$7,922,111	\$8,706,788	\$8,353,426
Special	2,360,715	1,265,634	2,362,942	721,966
Vocational	265,765	104,598	311,915	246,867
Student Intervention Services	119,046	119,046	177,412	177,412
Other	18,345	18,345	13,197	13,197
Support Services:				
Pupil	748,030	658,654	687,607	618,673
Instructional Staff	1,122,507	666,435	1,154,692	980,702
Board of Education	111,941	103,426	63,713	63,713
Administration	1,432,370	1,384,187	1,718,917	1,680,432
Fiscal	422,320	396,377	284,765	281,148
Operation and Maintenance of Plant	2,434,860	1,802,165	1,909,240	1,855,906
Pupil Transportation	986,741	942,285	1,324,475	1,271,759
Central	71,415	71,415	68,960	68,960
Operation of Non-Instructional Services:				
Food Service Operations	866,221	83,142	804,467	44,459
Extracurricular Activities	462,978	396,152	698,746	626,018
Capital Outlay	0	0	0	0
Interest and Fiscal Charges	529,473	529,473	539,317	539,317
Total	<u>\$20,795,533</u>	<u>\$16,463,445</u>	<u>\$20,827,153</u>	<u>\$17,543,955</u>

The School District Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,659,306 and expenditures of \$22,283,487. The School District is focusing its efforts to reduce expenditures, first through cuts to its discretionary budgets such as supplies and capital outlay, and also through the reduction of personnel. The economic condition within the School District would indicate the passage of an operating levy is highly unlikely.

South Point Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited*

General Fund Budgeting Highlights

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

During the course of fiscal 2010, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$14,825,834; equal to final estimates. Original estimated revenues were increased \$453,943. Actual expenditures were \$15,093,104; equal to final budget estimates. Original expenditure estimates were increased \$1,150,494 due mainly to higher than estimated expenditures in regular instruction.

The School District's ending unobligated general fund balance was \$4,157,952.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the School District had \$52,315,591 invested in land and land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2010 balances compared to 2009.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2010	2009*
Land	\$2,001,887	\$2,001,887
Land Improvements	2,253,827	2,226,956
Buildings and Improvements	46,911,157	45,158,986
Furniture and Equipment	904,733	827,072
Vehicles	243,987	283,338
Totals	<u>\$52,315,591</u>	<u>\$50,498,239</u>

*As Restated, See Note 19

See note 8 to the basic financial statements for more information on capital assets.

South Point Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
 Unaudited

Debt

At June 30, 2010, the School District had \$11,480,038 in long term debt. Total outstanding capital leases totaled \$1,688,858 and outstanding school construction bonds totaled \$9,791,180.

Table 5
 Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2010	2009
2004 School Facilities		
Construction and Improvement:		
Serial Bonds - 2.00%-3.25%	\$870,000	\$1,125,000
Term Bonds - 4.50%-5.00%	7,785,000	7,785,000
Original Issue of Capital Appreciation		
Bonds - 21.947%-21.861%	556,336	556,336
Accretion on Capital Appreciation Bonds	284,778	219,083
Premium on Capital Appreciation Bonds	295,066	307,622
Capital Leases	1,688,858	1,677,200
	\$11,480,038	\$11,670,241

See note 13 to the basic financial statements for more information on debt.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Tresa Baker, Treasurer, at South Point Local School District, 302 High Street, South Point OH 45680. Or e-mail at tbaker@southpoint.k12.oh.us.

South Point Local School District
Statement of Net Assets
June 30, 2010

	<u>Governmental</u> <u>Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 9,261,705
Cash and Cash Equivalents with Fiscal Agents	10,431
Materials and Supplies Inventory	30,634
Interfund Receivable	28,000
Intergovernmental Receivable	151,923
Property and Other Local Taxes Receivable	3,922,114
Deferred Charges	151,893
Non-Depreciable Capital Assets	2,001,887
Depreciable Capital Assets, net	50,313,704
<i>Total Assets</i>	<u>65,872,291</u>
LIABILITIES:	
Accounts Payable	112,160
Accrued Wages and Benefits	1,708,080
Contracts Payable	220,600
Interfund Payable	28,000
Intergovernmental Payable	543,488
Accrued Interest Payable	32,863
Matured Compensated Absences Payable	135,763
Deferred Revenue	2,779,801
Long-Term Liabilities:	
Due Within One Year	778,950
Due in More Than One Year	12,289,491
<i>Total Liabilities</i>	<u>18,629,196</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	41,567,290
Restricted for Debt Service	918,850
Restricted for Capital Outlay	1,893,883
Restricted for Other Purposes	621,544
Restricted for Set Asides	67,581
Restricted for Textbooks	240,644
Restricted for Bus Purchases	49,264
Unrestricted	1,884,039
<i>Total Net Assets</i>	<u>\$ 47,243,095</u>

See accompanying notes to the basic financial statements

South Point Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	<u>Program Revenues</u>			<u>Net(Expense)Revenue and Changes in Net Assets</u>
<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	
Governmental Activities:				
Instruction:				
Regular	\$ 8,842,806	\$ 200,265	\$ 720,430	\$ (7,922,111)
Special	2,360,715	-	1,095,081	(1,265,634)
Vocational	265,765	-	161,167	(104,598)
Student Intervention Services	119,046	-	-	(119,046)
Other	18,345	-	-	(18,345)
Support Services:				
Pupils	748,030	-	89,376	(658,654)
Instructional Staff	1,122,507	-	456,072	(666,435)
Board of Education	111,941	-	8,515	(103,426)
Administration	1,432,370	17,313	30,870	(1,384,187)
Fiscal	422,320	-	25,943	(396,377)
Operation and Maintenance of Plant	2,434,860	-	632,695	(1,802,165)
Pupil Transportation	986,741	-	44,456	(942,285)
Central	71,415	-	-	(71,415)
Operation of Non-Instructional Services:				
Food Service Operations	866,221	141,397	641,682	(83,142)
Extracurricular Activities	462,978	63,675	3,151	(396,152)
Interest and Fiscal Charges	529,473	-	-	(529,473)
<i>Total Governmental Activities</i>	<u>\$ 20,795,533</u>	<u>\$ 422,650</u>	<u>\$ 3,909,438</u>	<u>(16,463,445)</u>
General Revenues:				
Property and Other Local Taxes				3,662,574
Grants and Entitlements not Restricted to Specific Program				12,575,578
Investment Earnings				27,606
Miscellaneous				103,457
<i>Total General Revenues and Transfers</i>				16,369,215
<i>Change in Net Assets</i>				(94,230)
<i>Net Assets Beginning of Year As Restated, See Note 19</i>				47,337,325
<i>Net Assets End of Year</i>				\$ 47,243,095

See accompanying notes to the basic financial statements

South Point Local School District
 Balance Sheet
 Governmental Funds
 June 30, 2010

	<u>GENERAL</u>	<u>BOND RETIREMENT</u>	<u>CLASSROOM FACILITIES</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	\$ 4,156,413	\$ 1,020,094	\$ 1,772,812	\$ 1,954,897	\$ 8,904,216
Cash and Cash Equivalents with Fiscal Agents	-	10,431	-	-	10,431
Materials and Supplies Inventory	21,803	-	-	8,831	30,634
Interfund Receivable	28,000	-	-	-	28,000
Intergovernmental Receivable	-	-	-	151,923	151,923
Property and Other Local Taxes Receivable	3,100,273	755,779	-	66,062	3,922,114
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	357,489	-	-	-	357,489
<i>Total Assets</i>	<u>\$ 7,663,978</u>	<u>\$ 1,786,304</u>	<u>\$ 1,772,812</u>	<u>\$ 2,181,713</u>	<u>\$ 13,404,807</u>
LIABILITIES:					
Accounts Payable	95,874	-	10,907	5,379	112,160
Accrued Wages and Benefits	1,448,426	-	-	259,654	1,708,080
Contracts Payable	-	-	220,600	-	220,600
Interfund Payable	-	-	-	28,000	28,000
Intergovernmental Payable	456,506	-	-	86,982	543,488
Matured Compensated Absences Payable	-	-	-	135,763	135,763
Deferred Revenue	2,682,119	653,703	-	187,205	3,523,027
<i>Total Liabilities</i>	<u>4,682,925</u>	<u>653,703</u>	<u>231,507</u>	<u>702,983</u>	<u>6,271,118</u>
FUND BALANCES:					
Reserved:					
Reserved for Encumbrances	307,859	-	780,947	291,321	1,380,127
Reserved for Property Taxes	418,154	102,076	-	8,765	528,995
Reserved for Textbooks and Instructional Materials	240,644	-	-	-	240,644
Reserved for Budget Stabilization	67,581	-	-	-	67,581
Reserved for Bus Purchases	49,264	-	-	-	49,264
Unreserved, Undesignated, Reported in:					
General Fund	1,897,551	-	-	-	1,897,551
Special Revenue Funds	-	-	-	1,066,475	1,066,475
Debt Service Funds	-	1,030,525	-	-	1,030,525
Capital Projects Funds	-	-	760,358	112,169	872,527
<i>Total Fund Balances</i>	<u>2,981,053</u>	<u>1,132,601</u>	<u>1,541,305</u>	<u>1,478,730</u>	<u>7,133,689</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 7,663,978</u>	<u>\$ 1,786,304</u>	<u>\$ 1,772,812</u>	<u>\$ 2,181,713</u>	<u>\$ 13,404,807</u>

See accompanying notes to the basic financial statements

South Point Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2010*

Total Governmental Fund Balances		\$7,133,689
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		52,315,591
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	591,303	
Grants	151,923	743,226
Unamortized issuance costs represent deferred charges which do not provide current financial resources and therefore are not reported in the funds.		151,893
Interest Payable is accrued for outstanding long-term liabilities while interest is not reported until due on the balance sheet.		(32,863)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Improvement Bonds Payable	(9,791,180)	
Capital Lease Payable	(1,688,858)	
Sick Leave Benefits Payable	(1,588,403)	(13,068,441)
Net Assets of Governmental Activities		\$47,243,095

See accompanying notes to the basic financial statements

South Point Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	<u>GENERAL</u>	<u>BOND RETIREMENT</u>	<u>CLASSROOM FACILITIES</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Property and Other Local Taxes	\$ 2,917,236	\$ 711,276	-	\$ 62,302	\$ 3,690,814
Intergovernmental	11,595,682	118,360	1,057,621	3,637,448	16,409,111
Interest	26,187	-	1,419	-	27,606
Tuition and Fees	172,403	-	-	-	172,403
Rent	3,657	-	-	-	3,657
Extracurricular Activities	-	-	-	105,193	105,193
Gifts and Donations	-	-	-	5,668	5,668
Customer Sales and Services	-	-	-	141,397	141,397
Miscellaneous	84,985	-	-	18,472	103,457
<i>Total Revenues</i>	<u>14,800,150</u>	<u>829,636</u>	<u>1,059,040</u>	<u>3,970,480</u>	<u>20,659,306</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	7,809,685	-	-	674,827	8,484,512
Special	1,138,531	-	-	1,136,887	2,275,418
Vocational	249,379	-	-	-	249,379
Student Intervention Services	110,392	-	-	8,654	119,046
Other	11,331	-	-	-	11,331
Support Services:					
Pupils	602,952	-	-	91,941	694,893
Instructional Staff	614,144	-	-	468,015	1,082,159
Board of Education	103,426	-	-	8,515	111,941
Administration	1,297,369	-	-	42,827	1,340,196
Fiscal	346,698	26,543	-	25,069	398,310
Operation and Maintenance of Plant	1,067,117	-	12,689	627,048	1,706,854
Pupil Transportation	884,169	-	-	9,779	893,948
Central	71,415	-	-	-	71,415
Operation of Non-Instructional Services:					
Food Service Operations	7,318	-	-	851,666	858,984
Extracurricular Activities	239,094	-	-	77,325	316,419
Capital Outlay	39,767	-	3,031,402	514,264	3,585,433
Debt Service:					
Principal	328,342	255,000	-	-	583,342
Interest	72,646	397,798	-	-	470,444
<i>Total Expenditures</i>	<u>14,993,775</u>	<u>679,341</u>	<u>3,044,091</u>	<u>4,536,817</u>	<u>23,254,024</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(193,625)</u>	<u>150,295</u>	<u>(1,985,051)</u>	<u>(566,337)</u>	<u>(2,594,718)</u>
OTHER FINANCING SOURCES AND USES:					
Transfers In	-	-	219,999	316,000	535,999
Inception of Capital Lease	-	-	-	340,000	340,000
Transfers Out	(535,999)	-	-	-	(535,999)
<i>Total Other Financing Sources and Uses</i>	<u>(535,999)</u>	<u>-</u>	<u>219,999</u>	<u>656,000</u>	<u>340,000</u>
<i>Net Change in Fund Balances</i>	(729,624)	150,295	(1,765,052)	89,663	(2,254,718)
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>3,710,677</u>	<u>982,306</u>	<u>3,306,357</u>	<u>1,389,067</u>	<u>9,388,407</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 2,981,053</u>	<u>\$ 1,132,601</u>	<u>\$ 1,541,305</u>	<u>\$ 1,478,730</u>	<u>\$ 7,133,689</u>

See accompanying notes to the basic financial statements

South Point Local School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010*

Net Change in Fund Balances - Total Governmental Funds (\$2,254,718)

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

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

Capital Asset Additions	2,954,312	
Depreciation Expense	<u>(1,136,960)</u>	1,817,352

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

Grants	70,237	
Delinquent Taxes	<u>(28,240)</u>	41,997

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

255,000

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

Accrued Interest Payable	574	
Annual Accretion	<u>(65,695)</u>	(65,121)

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

12,556

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

(6,464)

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

Capital Lease Payable		(11,658)
Compensated Absences Payable		<u>116,826</u>

Change in Net Assets of Governmental Activities

(\$94,230)

See accompanying notes to the basic financial statements

South Point Local School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL
For the Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 3,070,456	\$ 2,970,968	\$ 2,970,968	-
Intergovernmental	11,122,453	11,595,682	11,595,682	-
Interest	15,853	26,187	26,187	-
Tuition and Fees	148,438	172,403	172,403	-
Rent	-	3,657	3,657	-
Miscellaneous	14,691	56,937	56,937	-
Total Revenues	<u>14,371,891</u>	<u>14,825,834</u>	<u>14,825,834</u>	<u>-</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,287,910	7,731,675	7,731,675	-
Special	1,234,856	1,136,266	1,136,266	-
Vocational	248,325	252,300	252,300	-
Student Intervention Services	1,272	95,354	95,354	-
Other	15,111	14,331	14,331	-
Support Services:				
Pupils	477,690	606,336	606,336	-
Instructional Staff	704,496	684,642	684,642	-
Board of Education	70,858	121,850	121,850	-
Administration	1,281,221	1,284,486	1,284,486	-
Fiscal	399,168	369,057	369,057	-
Operation and Maintenance of Plant	1,541,517	1,138,583	1,138,583	-
Pupil Transportation	996,574	898,411	898,411	-
Central	67,376	71,634	71,634	-
Operation of Non-Instructional Services:				
Food Service Operations	-	7,318	7,318	-
Extracurricular Activities:				
Academic Oriented Activities	31,577	34,750	34,750	-
Sport Oriented Activities	193,889	198,193	198,193	-
Capital Outlay:				
Site Improvement Services	8,305	16,882	16,882	-
Architecture and Engineering Services	-	5,296	5,296	-
Building Acquisition and Construction Services	382,465	24,752	24,752	-
Debt Service:				
Principal	-	328,342	328,342	-
Interest	-	72,646	72,646	-
Total Expenditures	<u>13,942,610</u>	<u>15,093,104</u>	<u>15,093,104</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>429,281</u>	<u>(267,270)</u>	<u>(267,270)</u>	<u>-</u>
OTHER FINANCING SOURCES AND USES:				
Advances In	18,893	20,117	20,117	-
Refund of Prior Year Expenditures	25,000	28,048	28,048	-
Transfers Out	(556,810)	(535,999)	(535,999)	-
Advances Out	(39,790)	(28,000)	(28,000)	-
Total Other Financing Sources and Uses	<u>(552,707)</u>	<u>(515,834)</u>	<u>(515,834)</u>	<u>-</u>
Net Change in Fund Balances	(123,426)	(783,104)	(783,104)	-
Fund Balance (Deficit) at Beginning of Year	4,809,978	4,809,978	4,809,978	-
Prior Year Encumbrances Appropriated	131,078	131,078	131,078	-
Fund Balance (Deficit) at End of Year	<u>\$ 4,817,630</u>	<u>\$ 4,157,952</u>	<u>\$ 4,157,952</u>	<u>-</u>

See accompanying notes to the basic financial statements

South Point Local School District
Statement of Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2010

Agency Fund

ASSETS:

Equity in Pooled Cash and Cash Equivalents

\$ 33,707

LIABILITIES:

Due to Students

\$ 33,707

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, 2010

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's four instructional/support facilities staffed by 94 classified, 123 certificated full time teaching personnel and 11 administrators who provide services to 1,895 students.

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

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

The School District participates in four organizations, one of which are defined as jointly governed organizations and three as insurance purchasing pools. The jointly governed organization is the South Central Ohio Computer Association, and the insurance purchasing pools are the Ohio School Plan, The Lawrence County Schools' Insurance Purchasing Consortium, and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Note 15 and 16 to the basic financial statements

Note 2 - Summary of Significant Accounting Policies

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

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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.

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.

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

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

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

C. Measurement Focus

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

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

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

D. Basis of Accounting

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

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

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

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

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

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

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

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2010, investments were limited to overnight repurchase agreements. These nonparticipating investment contracts are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$26,187 which includes \$7,547 assigned from other School District funds.

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

F. Inventory

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

G. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization and unexpended revenues restricted for the purchase of buses. See Note 17 for additional information regarding set-asides.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

H. Capital Assets

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

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

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

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

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. A liability is recorded for vacation eligible employees after one year of service with the School District.

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

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

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

J. Accrued Liabilities and Long-term Obligations

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

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

K. Interfund Activity

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

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

L. Interfund Balances

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

M. Fund Balance Reserves

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

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations and federal and state grants restricted to expenditure for specified purposes. The government wide statement of net assets reports \$3,791,766 restricted net assets, none of which has resulted from enabling legislation.

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

O. Extraordinary and Special Items

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

P. Estimates

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

Q. Budgetary Process

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

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue equaled actual revenue for most line items.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year plus encumbrances outstanding at year end for most line items.

Note 3 – Accountability

The following funds had deficit fund balances at June 30, 2010:

	Deficit Fund Balances
Special Revenue Funds:	
Lunchroom	\$78,717
IDEA-B	48,694
Title I	44,780
Miscellaneous Federal Grants	42

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

Note 4 - Budgetary Basis of Accounting

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

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

Net Change in Fund Balance

GAAP Basis	(\$729,624)
Revenue Accruals	53,727
Expenditure Accruals	256,624
Advances In	20,117
Advances Out	(28,000)
Encumbrances	<u>(355,948)</u>
Budget Basis	<u>(\$783,104)</u>

Note 5 - Deposits and Investments

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

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

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

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

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2010, the School District's bank balance of \$9,566,076 by the FDIC of collateralized by the financial institutions' public entity deposit pools in the manner described above.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2009, were levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property) represents the collection of 2010 taxes. Tangible personal property taxes received in calendar year 2010 were levied after April 1, 2009, on the value as of December 31, 2008. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory was phased out in 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The amount available as an advance at June 30, 2010, was \$418,154 in the General Fund, \$102,076 in the Bond Retirement Fund and \$8,765 in the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 2009 was \$471,886 in the General Fund, \$115,469 in the Bond Retirement Fund and \$9,770 in the Classroom Facilities Special Revenue Fund.

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

The assessed values upon which the fiscal year 2010 taxes were collected from Lawrence County are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$157,386,440	92%	\$157,760,510	94%
Public Utility Personal	9,804,700	6%	9,912,540	6%
General Business Personal	3,330,030	2%	262,530	0%
Total	<u>\$170,521,170</u>	<u>100%</u>	<u>\$167,935,580</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$25.81		\$25.81	

Note 7 - Receivables

Receivables at June 30, 2010, consisted of property taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Other than delinquent property taxes, all receivables are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Special Revenue Funds:	
Title I	\$83,643
Title II-A	22,015
IDEA-B	46,265
Total Intergovernmental Receivables	<u>\$151,923</u>

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Audit Balance 6/30/2009	Prior Period Adjustment	Adjusted Balance 6/30/2009	Additions	Deductions	Balance 6/30/2010
Capital Assets:						
Capital Assets not being depreciated:						
Land	\$2,001,887	\$0	\$2,001,887	\$0	\$0	\$2,001,887
Total Capital Assets not being Depreciated	<u>2,001,887</u>	<u>0</u>	<u>2,001,887</u>	<u>0</u>	<u>0</u>	<u>2,001,887</u>
Depreciable Capital Assets:						
Land Improvements	1,780,177	1,312,524	3,092,701	145,570	0	3,238,271
Buildings and Improvements	45,279,042	6,670,182	51,949,224	2,627,011	0	54,576,235
Furniture and Equipment	2,620,812	(1,575,552)	1,045,260	181,731	0	1,226,991
Vehicles	1,184,238	(46,334)	1,137,904	0	0	1,137,904
Total Capital Assets being Depreciated	<u>50,864,269</u>	<u>6,360,820</u>	<u>57,225,089</u>	<u>2,954,312</u>	<u>0</u>	<u>60,179,401</u>
Less Accumulated Depreciation						
Land Improvements	(595,405)	(270,340)	(865,745)	(118,699)		(984,444)
Buildings and Improvements	(5,784,519)	(1,005,719)	(6,790,238)	(874,840)	0	(7,665,078)
Furniture and Equipment	(644,593)	426,405	(218,188)	(104,070)	0	(322,258)
Vehicles	(872,198)	17,632	(854,566)	(39,351)	0	(893,917)
Total Accumulated Depreciation	<u>(7,896,715)</u>	<u>(832,022)</u>	<u>(8,728,737)</u>	<u>(1,136,960)</u>	<u>0</u>	<u>(9,865,697)</u>
Total Capital Assets being Depreciated, Net	<u>42,967,554</u>	<u>5,528,798</u>	<u>48,496,352</u>	<u>1,817,352</u>	<u>0</u>	<u>50,313,704</u>
Capital Assets, Net	<u>\$44,969,441</u>	<u>\$5,528,798</u>	<u>\$50,498,239</u>	<u>\$1,817,352</u>	<u>\$0</u>	<u>\$52,315,591</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$505,678
Special	74,506
Vocational	16,588
Other	7,014
Support Services:	
Pupils	39,846
Instructional Staff	45,289
Administration	90,063
Fiscal	23,345
Operation of Plant	97,060
Pupil Transportation	91,012
Extracurricular Activities	146,559
Total Depreciation Expense	<u>\$1,136,960</u>

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the School District contracted with Hylant Administrative Services Selective Insurance for property and fleet insurance.

The type and amount of coverage provided follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$47,448,602
Automobile Liability (\$1,000 deductible):	
Bodily Injury and Property Damage – combined single limit	4,000,000
Medical Payments – each person	5,000
Uninsured Motorists	1,000,000

The School District has joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 16).

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

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

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

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

For fiscal year 2010, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakly/Unicomp, Inc. provides administrative, cost control, and actuarial services to the GRP.

Note 10 - Employee Benefits

A. Compensated Absences

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

B. Life Insurance and Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to certified, classified, and administrative employees through Coresource Insurance Company. The coverage amount is \$20,000 for certified and classified employees and \$50,000 for administrators. During fiscal year 2010, health insurance was provided by Medical Mutual of Ohio through April 30, 2010. Effective May 1, 2010, Health insurance was provided by Anthem BC/BS. Premiums for this coverage are \$1,682 for family coverage and \$681 for single coverage. The School District pays 75% of both premiums for employees hired after July 1, 2002. The School District pays 100% of single premiums for employees hired before July 1, 2002. Dental insurance is provided by MedBen. Premiums for this coverage are \$92 for family coverage and \$25 for single coverage. The School District pays 100% of single coverage. Employees are responsible for the excess cost of the family premium.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008, were \$371,793, \$334,548, and \$302,616 respectively; 50.83 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009, and 2008.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090 or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 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, 2010, 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 2009, 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, 2010, 2009, and 2008 were \$1,058,678, \$968,566, and \$1,001,292 respectively; 82.62 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

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, 2010 none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 12 - Postemployment Benefits

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 1.22 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,719.

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

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$0, \$114,405, and \$125,159, respectively. 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.46 percent of covered payroll. The School District's contributions for Medicare Part B for fiscal years ended June 30, 2010, 2009, and 2008 were \$8,258, \$16,300, and \$15,694 respectively; 26.76 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888)227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$72,831, \$74,275, and 77,022 respectively; 82.62 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 13 - Long Term Obligations

The changes in the School District’s long-term obligations during fiscal year 2010 were as follows:

	Principal Outstanding 6/30/09	Additions	Reductions	Principal Outstanding 6/30/10	Amounts Due in One Year
Governmental Activities					
2004 School Facilities					
Construction and Improvement:					
Serial Bonds - 2.00% - 3.25%	1,125,000	-	255,000	870,000	270,000
Term Bonds - 4.50% - 5.00%	7,785,000	-	-	7,785,000	-
Original Issue of Capital Appreciation					
Bonds	556,336	-	-	556,336	-
Accretion on Capital Appreciation Bonds	219,083	65,695	-	284,778	-
Premium on Capital Appreciation Bonds	307,622	-	12,556	295,066	-
Capital Leases	1,677,200	340,000	328,342	1,688,858	373,187
Sick Leave Benefits	1,705,229	21,981	138,807	1,588,403	135,763
Total Governmental Activities					
Long-Term Liabilities	<u>\$13,375,470</u>	<u>\$427,676</u>	<u>\$734,705</u>	<u>\$13,068,441</u>	<u>\$778,950</u>

Compensated Absences will be paid from the Severance Benefit Special Revenue Fund.

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

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The term bond maturing on December 1, 2024 is subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

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

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

The term bond maturing on December 1, 2031 is subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

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

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

The capital appreciation bonds mature December 1, 2013 through December 1, 2016. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of the bonds is \$1,310,000. For fiscal year 2010, \$65,695 was accreted, leaving a total bond liability of \$841,114.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2010, were as follows:

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

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2011	\$270,000	\$390,305	\$0	\$71,262	\$270,000	\$461,567
2012	290,000	381,615	0	77,300	290,000	458,915
2013	310,000	371,938	0	84,085	310,000	456,023
2014	0	366,900	156,328	90,273	156,328	457,173
2015	0	366,900	144,186	70,597	144,186	437,497
2016-2020	1,070,000	1,756,500	255,822	75,371	1,325,822	1,831,871
2021-2025	2,245,000	1,299,125	0	0	2,245,000	1,299,125
2026-2030	3,010,000	683,775	0	0	3,010,000	683,775
2031-2032	1,460,000	66,150	0	0	1,460,000	66,150
Totals	\$8,655,000	\$5,683,208	\$556,336	\$468,888	\$9,211,336	\$6,152,096

The overall debt margin of the School District as of June 30, 2010, was \$6,922,955, with an unvoted debt margin of \$167,936 at June 30, 2010

Note 14 – Transfers

During fiscal year 2010, the General Fund made transfers to the Foodservice Special Revenue Fund in the amount of \$48,000 to subsidize food service operations, to the Severance Benefit Special Revenue Fund in the amount of \$150,000 to fund future employee severance benefits, to the OSFC Construction Capital Projects Fund to fund the District’s 20% share of the 2nd Amendment to the Project, and to the Locally Funded Initiatives Capital Projects Fund in the amount of \$118,000 to fund construction projects in the District.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 15 - Jointly Governed Organizations

The **South Central Ohio Computer Association (SCOCA)** is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. The District paid \$108,686 for services provided during fiscal year 2010. 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 16 - Insurance Purchasing Pools

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

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

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

Note 17 - 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.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the District's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any bureau of Workers' Compensation monies remaining in the budget reserve. During fiscal year 2002, the Board of Education passed a resolution to maintain only the refunds from the Bureau of Workers Compensation in the budget reserve pursuant to State Statute and at June 30, 2010, this is all the continues to be set aside.

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

	<u>Budget Stabilization</u>	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2009	\$67,581	\$306,929	\$0
Current Year Set-aside Requirement	0	237,474	237,474
Offsets	0	0	(78,635)
Qualifying Disbursements	0	(303,759)	(158,857)
Totals	<u>\$67,581</u>	<u>\$240,644</u>	<u>(\$18)</u>
Set-Aside Balance Carried Forward to Future Years	<u>\$67,581</u>	<u>\$240,644</u>	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2010	<u>\$67,581</u>	<u>\$240,644</u>	<u>\$0</u>

Note 18 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

B. Litigation

As of June 30, 2010, the School District is party to legal proceedings. The School District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 19 – Restatements

During the fiscal year ended June 30, 2010, the School District contracted with Valuation Engineers (VEI) to perform a physical inventory, after the recent completion of its school facilities projects. The resulting net capital assets balances reported by VEI are \$52,315,591, which was greater than the \$44,969,441 reported in the previous audit report. Therefore an adjustment to Net assets in the amount of \$5,528,798 was required for capital assets.

Note 20 – Capital Leases – Lessee Disclosure

In prior fiscal years, the School District entered into a capitalized lease for a football stadium. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital lease payments have been reclassified from functional expenditures and are reflected as General Fund debt service expenditures in the financial statements. They are presented as current expenditures in the budgetary statements. Capital assets for equipment acquired by governmental activities through capitalized leases were recorded in the amount of \$2,500,000, acquired in 2006 and \$340,000, acquired in 2010 which is equal to the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on the assets is \$89,530, leaving a book value of \$2,750,470. Principal payments in fiscal year 2010 totaled \$328,342 in the governmental funds.

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

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$320,582	\$54,015	\$374,597
2012	334,808	39,691	374,499
2013	349,667	24,526	374,193
2014	365,184	8,795	373,979
Totals	<u>\$1,370,241</u>	<u>\$127,027</u>	<u>\$1,497,268</u>

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2010

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

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$52,605	\$10,284	\$62,889
2012	54,471	8,418	62,889
2013	56,402	6,486	62,888
2014	58,403	4,486	62,889
2015	60,474	2,415	62,889
2016	36,262	423	36,685
Totals	<u>\$318,617</u>	<u>\$32,512</u>	<u>\$351,129</u>

Note 21 – Interfund Balances

Interfund Balances at June 30, 2010, arise from the provision of cash flow resources from the General Fund until the receipt of other governmental funds.

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 28,000	\$ -
Other Governmental Funds	\$ -	\$ 28,000

South Point Local School District
Lawrence County

Schedule of Federal Awards Receipts and Expenditures.
For the Year Ended June 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 144,656	\$ -	\$ 144,656	\$ -
National School Lunch Program	3L60	10.555	\$ 388,580	\$ 83,970	\$ 388,580	\$ 83,970
Total Nutrition Cluster			533,236	83,970	533,236	83,970
Child Nutrition Discretionary Grants Limited Availability	3DC0	10.579	9,208	-	9,208	-
Total United States Department of Agriculture			542,444	83,970	542,444	83,970
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education - Grants to States	3M20	84.027	456,121	-	429,615	-
ARRA - Special Education Grants to States	3DJ0	84.391	316,248	-	282,614	-
Total Special Education Cluster			772,369	-	712,229	-
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	757,220	-	744,657	-
ARRA - Title I Grants to Local Educational Agencies	3DK0	84.389	446,167	-	400,167	-
Total Title I, Part A Cluster			1,203,387	-	1,144,824	-
Safe and Drug - Free Schools and Communities - State Grants	3D10	84.186	8,600	-	8,600	-
Education Technology State Grants	3S20	84.318	7,705	-	7,705	-
Improving Teacher Quality State Grants	3Y60	84.367	153,689	-	141,506	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	GRF	84.394	743,603	-	743,603	-
Total United States Department of Education			2,889,353	-	2,758,467	-
Total Federal Financial Assistance			\$ 3,431,797	\$ 83,970	\$ 3,300,911	\$ 83,970

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

SOUTH POINT LOCAL SCHOOL DISTRICT
Notes to Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2010

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B –FOOD DISTRIBUTIONS

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

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



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Point School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 4, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

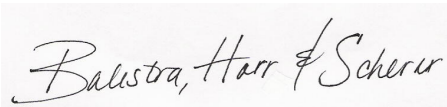
As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination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

Members of the Board
South Point School District
Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards*
Page 2

Compliance and Other Matters

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

We intend this report solely for the information and use of management, the Members of the Board, federal awarding agencies, pass-through entities and others within the School District. We intend it for not one other than these specified parties.

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

Balestra, Harr & Scherer, CPAs, Inc.
March 4, 2011



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of South Point Local School District (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 could directly and materially affect each of South Point Local School District's major federal programs for the year ended June 30, 2010. 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 included in *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the 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 of the School District's compliance with those requirements.

In our opinion, South Point Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

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

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

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

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

Balestra, Harr & Scherer, CPAs, Inc.
March 4, 2011

South Point Local School District
Schedule of Findings
OMB Circular A-133 Section .505
June 30, 2010

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)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any 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 Section .510?	No
<i>(d)(1)(vii)</i>	Major Program(s) (list):	Title I Cluster: Title I - CFDA #84.010 Title I (ARRA) – CFDA #84.389 Special Education Cluster: Title VI-B - CFDA #84.027 Title VI-B (ARRA) - CFDA #84.391 State Fiscal Stabilization Fund, Education State Grants (ARRA) - CFDA #84.394
<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
Schedule of Findings
OMB Circular A-133 Section .505
(Continued)
June 30, 2010

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

Finding 2010-001

Material Weakness

Material misstatements were identified during the course of the audit which should have been prevented or detected by the District's internal controls over financial reporting. Material misstatements were identified in the following areas:

- Capital Assets

The accompanying financial statements were adjusted to reflect correction of material misstatements. The District should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

Client's Response:

A valuation company completed a valuation of the District's capital assets in October of 2009. The new facilities were included in this valuation since the facilities were substantially complete at June 30, 2009. The adjustment was made to the prior period. However, the cash expenditure were made during fiscal year 2010 and the auditors feel the increase should be made as fiscal year 2010 additions rather than prior period adjustments. The treasurer accepts this decision and will posts assets as additions during the fiscal year the expenditures were made.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

SOUTH POINT LOCAL SCHOOL DISTRICT

Schedule of Prior Audit Findings

OMB Circular A-133 §315(b)

For the Fiscal Year Ended June 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-001	Material Weakness - Financial Reporting	No	Reissued as Finding 2010-001

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Dave Yost • Auditor of State

SOUTH POINT LOCAL SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 5, 2011**