



OHIO AUDITOR OF STATE
KEITH FABER



**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
JUNE 30, 2022**

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LAWRENCE COUNTY
JUNE 30, 2022**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Point Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position thereof and the budgetary comparisons for the General, Elementary and Secondary School Emergency Relief, and Miscellaneous Federal Grants Funds for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 21 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding these matters.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
October 26, 2023

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South Point Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2022. 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 financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2022 are as follows:

- Net Position of governmental activities increased \$643,528.
- General revenues accounted for \$16,040,792 in revenue or 73 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,942,694 or 27 percent of total revenues of \$21,983,486.
- The School District had \$21,339,958 in expenses related to governmental activities; only \$5,942,694 of these expenses were offset by program specific charges for services and sales, grants and contributions. General revenues (primarily taxes and intergovernmental) of \$16,040,792 were adequate to cover the remaining expenses.
- Total governmental funds had \$18,546,103 in revenues and other financing sources and \$23,435,479 in expenditures and other financing uses. The total governmental fund balance decreased \$4,889,376.

USING THE BASIC FINANCIAL STATEMENTS

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

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

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Management's Discussion and Analysis
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Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2022?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities, and deferred inflows and outflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Elementary and Secondary School Emergency Relief Special Revenue Fund, the Miscellaneous Federal Grants Special Revenue Fund, and the Bond Retirement Fund.

Governmental Funds All 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 be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

South Point Local School District
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For the Fiscal Year Ended June 30, 2022
Unaudited

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's Net Position for 2022 compared to 2021.

Table 1
Net Position

	2022	2021	Change
Assets			
Current and Other Assets	\$15,462,529	\$15,192,964	\$269,565
Net OPEB Asset	1,438,142	1,219,084	219,058
Capital Assets	<u>41,087,774</u>	<u>41,104,540</u>	<u>(16,766)</u>
Total Assets	<u>57,988,445</u>	<u>57,516,588</u>	<u>471,857</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	465,029	516,698	(51,669)
Pension	4,895,818	4,161,532	734,286
OPEB	<u>626,253</u>	<u>554,713</u>	<u>71,540</u>
Total Deferred Outflows	<u>5,987,100</u>	<u>5,232,943</u>	<u>754,157</u>
Liabilities			
Other Liabilities	3,252,115	2,738,628	513,487
Long-Term Liabilities:			
Due Within One Year	633,483	521,201	112,282
Due In More Than One Year:			
Net Pension Liability	11,483,668	21,418,977	(9,935,309)
Net OPEB Liability	1,450,303	1,528,705	(78,402)
Other Amounts	<u>7,928,482</u>	<u>8,444,637</u>	<u>(516,155)</u>
Total Liabilities	<u>24,748,051</u>	<u>34,652,148</u>	<u>(9,904,097)</u>
Deferred Inflow of Resources			
Property Taxes	4,879,447	3,676,985	1,202,462
Pension	9,297,374	245,951	9,051,423
OPEB	<u>2,544,842</u>	<u>2,312,144</u>	<u>232,698</u>
Total Deferred Inflow of Resources	<u>16,721,663</u>	<u>6,235,080</u>	<u>10,486,583</u>
Net Position			
Net Investment in Capital Assets	35,028,215	34,552,640	475,575
Restricted	2,189,569	2,861,043	(671,474)
Unrestricted (Deficits)	<u>(14,711,953)</u>	<u>(15,551,380)</u>	<u>839,427</u>
Total Net Position	<u>\$22,505,831</u>	<u>\$21,862,303</u>	<u>\$643,528</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2022. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a

South Point Local School District
Management's Discussion and Analysis
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Unaudited

liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Total assets of governmental activities increased \$471,857, which was primarily due to an increase in intergovernmental receivables of \$3,331,019 and net OPEB assets of \$219,058 which was partially offset by a decrease in equity in pooled cash and cash equivalents of \$3,281,202.

In total, liabilities decreased by \$9,904,097, primarily due to a decrease in the net pension liability as well as due to principal payments on debt which was partially offset by an increase in accounts payable.

Table 2 on the following page shows the changes in Net Position for the fiscal year ended June 30, 2022, and comparisons to fiscal year 2021.

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South Point Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

Table 2
Changes in Net Position

Revenues	2022	2021	Change
Program Revenues:			
Charges for Services and Sales	\$207,693	\$475,908	(\$268,215)
Operating Grants and Contributions	5,735,001	5,464,410	270,591
Total Program Revenues	5,942,694	5,940,318	2,376
General Revenues:			
Property and Other Taxes	4,903,587	5,397,849	(494,262)
Grants and Entitlements	11,111,673	12,455,387	(1,343,714)
Investment Earnings	371	19,652	(19,281)
Gifts and Donations	11,668	0	11,668
Miscellaneous	13,493	211,345	(197,852)
Total General Revenues	16,040,792	18,084,233	(2,043,441)
Total Revenues	21,983,486	24,024,551	(2,041,065)
Program Expenses			
Instruction:			
Regular	8,384,311	11,022,879	(2,638,568)
Special	2,751,994	3,645,441	(893,447)
Vocational	263,997	304,466	(40,469)
Student Intervention Services	57,299	104,502	(47,203)
Other	182,636	0	182,636
Support Services:			
Pupils	1,319,832	1,287,980	31,852
Instructional Staff	689,423	639,341	50,082
Board of Education	242,459	166,964	75,495
Administration	1,515,799	1,706,448	(190,649)
Fiscal	562,686	508,576	54,110
Operation and Maintenance of Plant	1,976,885	1,851,974	124,911
Pupil Transportation	1,427,611	1,271,377	156,234
Central	0	43,116	(43,116)
Operation of Non-Instructional Services:			
Food Service Operations	893,936	719,379	174,557
Extracurricular Activities	889,512	759,330	130,182
Interest and Fiscal Charges	181,578	194,209	(12,631)
Total Expenses	21,339,958	24,225,982	(2,886,024)
Change in Net Position	643,528	(201,431)	844,959
Net Position at Beginning of Year	21,862,303	22,063,734	(201,431)
Net Position at End of Year	\$22,505,831	\$21,862,303	\$643,528

Property taxes made up approximately 22 percent of revenues for governmental activities for the South Point Local School District. Of the remaining revenues, the School District receives 76.5 percent from state foundation, federal, and state grants; 0.9 percent from charges for services and sales; and less than 1 percent from gifts and donations, investment earnings, and miscellaneous revenues.

South Point Local School District
Management's Discussion and Analysis
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Approximately 55 percent of the School District's budget for expenses is used to fund instructional expenses. Support services make up 36 percent of expenses and 9 percent is used for interest and fiscal charges, extracurricular activities, and food service operations.

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. In other words, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

Table 3
 Cost of Services

	2022 Total Cost of Services	2022 Net Cost of Services	2021 Total Cost of Services	2021 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$8,384,311	\$7,263,336	\$11,022,879	\$9,511,158
Special	2,751,994	662,635	3,645,441	1,438,332
Vocational	263,997	239,203	304,466	245,646
Student Intervention Services	57,299	47,983	104,502	104,502
Other	182,636	29,164	0	0
Support Services:				
Pupils	1,319,832	946,777	1,287,980	308,604
Instructional Staff	689,423	424,474	639,341	402,593
Board of Education	242,459	239,317	166,964	166,964
Administration	1,515,799	1,404,273	1,706,448	1,634,094
Fiscal	562,686	536,167	508,576	499,203
Operation and Maintenance of Plant	1,976,885	1,568,313	1,851,974	1,755,775
Pupil Transportation	1,427,611	1,253,313	1,271,377	1,190,579
Central	0	(41,449)	43,116	10,384
Operation of Non-Instructional Services:				
Food Service Operations	893,936	70,891	719,379	157,713
Extracurricular Activities	889,512	571,289	759,330	665,908
Interest and Fiscal Charges	181,578	181,578	194,209	194,209
Totals	\$21,339,958	\$15,397,264	\$24,225,982	\$18,285,664

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 73 percent of total expenses are supported through taxes and other general revenues.

THE SCHOOL DISTRICT FUNDS

The School District has four major funds: the General Fund, the Elementary and Secondary School Emergency Relief Special Revenue Fund, the Miscellaneous Federal Grants Special Revenue Fund, and the Bond Retirement Fund. All governmental funds had total revenues and other financing sources of \$18,546,103 and expenditures and other financing uses of \$23,435,479.

South Point Local School District
Management's Discussion and Analysis
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The fund balance of the General Fund decreased \$1,034,802 due to increases in overall expenses and decreases in overall revenues. The General Fund's fund balance at year end was \$4,721,566. The fund balance of the Elementary and Secondary School Emergency Relief Fund decreased \$2,260,442. The fund was created in 2021 and accounted for grant monies received regarding the COVID-19 pandemic. The Bond Retirement Fund's balance decreased \$35,338 due to expenses relating to long-term liabilities exceeding revenues from property taxes and homestead and rollback. The Miscellaneous Federal Grants Fund's balance decreased \$728,513 due to expenses exceeding revenues.

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 2022, the School District did not amend estimated revenues and budgeted expenditures for the General Fund. 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, the final estimated revenues were \$18,995,921, which was no increase from original estimates of \$18,995,921. The final estimated expenditures were \$17,347,176, which was no increase from the original estimates of \$17,347,176.

The School District's ending unobligated General Fund balance was \$3,704,337.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2022, the School District had \$41,087,774 invested in capital assets. Table 4 shows fiscal year 2022 balances compared to 2021.

Table 4
 Capital Assets at June 30
 (Net of Depreciation)

	2022	2021
Land	\$1,978,553	\$1,978,553
Construction in Progress	509,650	0
Land Improvements	2,046,053	2,173,352
Buildings and Improvements	35,098,752	36,165,100
Furniture, Fixtures, and		
Equipment	1,272,565	552,906
Vehicles	182,201	234,629
Totals	\$41,087,774	\$41,104,540

For additional information on capital assets, see Note 10 to the basic financial statements.

South Point Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

Debt

The School District has two bonds outstanding. Table 5 shows fiscal year 2022 balances compared to 2021.

	<u>2022</u>	<u>2021</u>
2013 Refunding Bonds:		
Serial 1.75% - 2.625%	\$1,570,000	\$2,060,000
Term 3.00% - 3.25%	4,485,000	4,485,000
Bond Premium	<u>471,238</u>	<u>523,598</u>
Totals	<u>\$6,526,238</u>	<u>\$7,068,598</u>

For additional information on debt, see Note 15 to the basic financial statements.

CURRENT ISSUES

The financial future of the School District is not without its challenges. These challenges are external and internal in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes.

Externally, the School District is largely dependent on State funding sources (approximately 54.4 percent of the School District's operating funds come from State foundation payments and other entitlements). State foundation revenue is fundamentally a function of student enrollment and a district's property tax wealth.

Pursuant to a March 14, 2022 resolution, the School District issued \$5,056,000 General Obligation Unlimited Tax Refunding Bonds, Series 2022 to current refund General Obligation Unlimited Tax Refunding Bonds, Series 2012 in the aggregate outstanding principal amount of \$5,545,000. The Bonds have a final maturity of December 1, 2031 and are subject to annual mandatory principal payments. The Bonds have an interest rate of 2.12% payable on June 1 and December 1 of each year beginning December 1, 2022 until all principal thereof has been paid. In addition, the School District's Bond Retirement Fund contributed an amount of \$622,814 to assist in the refunding.

The COVID-19 pandemic affected operations, revenues, and expenditures. Federal funds supplemented District revenue to offset expenses associated with necessary changes in operations to maintain the health and safety of students and staff.

As the preceding information shows, the School District continues to depend upon its taxpayers. Although South Point Local School District has attempted to keep spending in line with revenues, and carefully watched financial planning, it must improve its revenue to expense ratios if the School District hopes to remain on firm financial footing.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions or need additional information, contact Lee Elliott, Treasurer at South Point Local School District, 302 High Street, South Point, Ohio 45680.

South Point Local School District
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 5,455,981
Intergovernmental Receivable	4,431,404
Taxes Receivable	5,562,981
Prepaid Items	12,163
Noncurrent Assets:	
Net OPEB Asset	1,438,142
Nondepreciable Capital Assets	2,488,203
Depreciable Capital Assets, Net	38,599,571
<i>Total Assets</i>	57,988,445
Deferred Outflows of Resources	
Deferred Charge on Refunding	465,029
Pension	4,895,818
OPEB	626,253
<i>Total Deferred Outflows of Resources</i>	5,987,100
Liabilities	
Current Liabilities:	
Accounts Payable	580,060
Accrued Wages and Benefits Payable	2,076,557
Intergovernmental Payable	334,478
Accrued Interest Payable	14,136
Matured Compensated Absences Payable	246,884
Noncurrent Liabilities:	
Due Within One Year	633,483
Due in More Than One Year	
Net Pension Liability (See Note 12)	11,483,668
Net OPEB Liability (See Note 13)	1,450,303
Other Amounts Due in More Than One Year	7,928,482
<i>Total Liabilities</i>	24,748,051
Deferred Inflows of Resources	
Pension	9,297,374
OPEB	2,544,842
Property Taxes not Levied to Finance Current Year Operations	4,879,447
<i>Total Deferred Inflows of Resources</i>	16,721,663
Net Position	
Net Investment in Capital Assets	35,028,215
Restricted for:	
Debt Service	1,498,871
Capital Outlay	10,241
Other Purposes	680,457
Unrestricted (Deficit)	(14,711,953)
<i>Total Net Position</i>	\$ 22,505,831

The notes to the basic financial statements are an integral part of this statement.

South Point Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2022

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction:				
Regular	\$8,384,311	\$ -	\$ 1,120,975	\$ (7,263,336)
Special	2,751,994	54,489	2,034,870	(662,635)
Vocational	263,997	3,351	21,443	(239,203)
Student Intervention Services	57,299	9,316	-	(47,983)
Other	182,636	837	152,635	(29,164)
Support Services:				
Pupils	1,319,832	18,670	354,385	(946,777)
Instructional Staff	689,423	8,638	256,311	(424,474)
Board of Education	242,459	3,142	-	(239,317)
Administration	1,515,799	19,900	91,626	(1,404,273)
Fiscal	562,686	6,993	19,526	(536,167)
Operation and Maintenance of Plant	1,976,885	30,893	377,679	(1,568,313)
Pupil Transportation	1,427,611	17,371	156,927	(1,253,313)
Central	-	725	40,724	41,449
Operation of Non-Instructional Services	893,936	24,955	798,090	(70,891)
Extracurricular Activities	889,512	8,413	309,810	(571,289)
Interest and Fiscal Charges	181,578	-	-	(181,578)
<i>Total Governmental Activities</i>	<u>\$21,339,958</u>	<u>\$ 207,693</u>	<u>\$ 5,735,001</u>	<u>(15,397,264)</u>
General Revenues:				
Property Taxes Levied for:				
General Purposes				4,254,621
Classroom Facilities Maintenance				72,404
Debt Service				576,562
Income Tax				-
Grants and Entitlements not Restricted to Specific Programs				11,111,673
Gifts and Donations not Restricted to Specific Programs				11,668
Investment Earnings				371
Miscellaneous				13,493
<i>Total General Revenues</i>				<u>16,040,792</u>
Change in Net Position				643,528
<i>Net Position Beginning of Year</i>				<u>21,862,303</u>
<i>Net Position End of Year</i>				<u>\$ 22,505,831</u>

The notes to the basic financial statements are an integral part of this statement.

South Point Local School District
Balance Sheet
Governmental Funds
June 30, 2022

	General	Bond Retirement	Elementary and Secondary School Emergency Relief	Miscellaneous Federal Grants	All Other Governmental Funds	Total Governmental Funds
ASSETS:						
Equity in Pooled Cash and Cash Equivalents	\$ 2,767,523	\$ 1,434,214	\$ -	\$ -	\$ 927,531	\$ 5,129,268
Interfund Receivable	3,598,450	-	-	-	-	3,598,450
Intergovernmental Receivable	83,398	-	2,704,345	872,274	771,387	4,431,404
Prepaid Items	12,163	-	-	-	-	12,163
Taxes Receivable	4,822,898	658,027	-	-	82,056	5,562,981
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	326,713	-	-	-	-	326,713
<i>Total Assets</i>	<u>11,611,145</u>	<u>2,092,241</u>	<u>2,704,345</u>	<u>872,274</u>	<u>1,780,974</u>	<u>19,060,979</u>
LIABILITIES:						
Accounts Payable	9,380	-	239,995	330,685	-	580,060
Accrued Wages and Benefits	1,752,326	-	40,945	74,442	208,844	2,076,557
Interfund Payable	-	-	2,413,673	380,953	803,824	3,598,450
Intergovernmental Payable	265,726	-	9,732	15,877	43,143	334,478
Matured Compensated Absences Payable	246,884	-	-	-	-	246,884
<i>Total Liabilities</i>	<u>2,274,316</u>	<u>-</u>	<u>2,704,345</u>	<u>801,957</u>	<u>1,055,811</u>	<u>6,836,429</u>
DEFERRED INFLOWS OF RESOURCES:						
Property Taxes not Levied to Finance Current Year Operations	4,226,324	577,584	-	-	75,539	4,879,447
Unavailable Revenue	388,939	52,880	2,704,345	872,274	767,514	4,785,952
<i>Total Deferred Inflows of Resources</i>	<u>4,615,263</u>	<u>630,464</u>	<u>2,704,345</u>	<u>872,274</u>	<u>843,053</u>	<u>9,665,399</u>
FUND BALANCES:						
Nonspendable	12,163	-	-	-	-	12,163
Restricted	326,713	1,461,777	-	-	731,186	2,519,676
Committed	664,596	-	-	-	-	664,596
Assigned	4,433,567	-	-	-	-	4,433,567
Unassigned (Deficit)	(715,473)	-	(2,704,345)	(801,957)	(849,076)	(5,070,851)
<i>Total Fund Balances</i>	<u>4,721,566</u>	<u>1,461,777</u>	<u>(2,704,345)</u>	<u>(801,957)</u>	<u>(117,890)</u>	<u>2,559,151</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 11,611,145</u>	<u>\$ 2,092,241</u>	<u>\$ 2,704,345</u>	<u>\$ 872,274</u>	<u>\$ 1,780,974</u>	<u>\$ 19,060,979</u>

The notes to the basic financial statements are an integral part of this statement.

South Point Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2022*

Total Governmental Fund Balances		\$ 2,559,151
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		41,087,774
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds.		
Taxes	444,966	
Intergovernmental	4,340,986	
Total		4,785,952
The net pension liability and net OPEB liability (asset) are not due and payable in the current period; therefore, the liabilities (asset) and related deferred inflows/outflows are not reported in the funds.		
Deferred outflows of resources related to pensions	4,895,818	
Deferred outflows of resources related to OPEB	626,253	
Deferred inflows of resources related to pensions	(9,297,374)	
Deferred inflows of resources related to OPEB	(2,544,842)	
Net Pension Liability	(11,483,668)	
Net OPEB Asset	1,438,142	
Net OPEB Liability	(1,450,303)	
Total		(17,815,974)
Deferred Outflows of Resources represent deferred charges on refunding which do not provide current financial resources and therefore are not reported in the funds.		465,029
Long-term liabilities, including bonds, premiums, interest payable, capital lease obligations, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(2,035,727)	
Interest Payable	(14,136)	
Bonds Payable	(6,526,238)	
Total		(8,576,101)
Net Position of Governmental Activities		\$ 22,505,831

The notes to the basic financial statements are an integral part of this statement.

South Point Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2022

	General	Bond Retirement	Elementary and Secondary School Emergency Relief	Miscellaneous Federal Grants	All Other Governmental Funds	Total Governmental Funds
REVENUES:						
Property and Other Taxes	\$ 4,317,109	\$ 585,296	\$ -	\$ -	\$ 76,675	\$ 4,979,080
Intergovernmental	12,082,431	77,606	36,109	62,911	1,048,071	13,307,128
Interest	371	-	-	-	-	371
Tuition and Fees	76,970	-	-	-	-	76,970
Rent	2,200	-	-	-	-	2,200
Extracurricular Activities	6,149	-	-	-	143,185	149,334
Gifts and Donations	3,467	-	-	-	8,201	11,668
Customer Sales and Services	-	-	-	-	1,900	1,900
Miscellaneous	7,470	-	-	-	6,023	13,493
<i>Total Revenues</i>	<u>16,496,167</u>	<u>662,902</u>	<u>36,109</u>	<u>62,911</u>	<u>1,284,055</u>	<u>18,542,144</u>
EXPENDITURES:						
Current:						
Instruction:						
Regular	8,046,917	-	920,568	122,563	128,471	9,218,519
Special	1,817,730	-	-	180,113	768,043	2,765,886
Vocational	283,130	-	-	-	-	283,130
Student Intervention Services	53,449	-	-	-	-	53,449
Other	26,270	-	169,998	-	-	196,268
Support Services:						
Pupils	1,254,740	-	295,288	59,810	12,052	1,621,890
Instructional Staff	380,942	-	8,433	237,362	14,639	641,376
Board of Education	243,125	-	-	-	-	243,125
Administration	1,561,555	-	33,490	64,283	-	1,659,328
Fiscal	531,422	24,321	-	17,275	3,069	576,087
Operation and Maintenance of Plant	1,683,435	-	240,341	-	110,006	2,033,782
Pupil Transportation	1,245,202	-	5,088	61,144	100,020	1,411,454
Central	6,154	-	-	43,445	-	49,599
Operation of Non-Instructional Services	6,234	-	3,529	5,429	812,620	827,812
Extracurricular Activities	325,762	-	172,198	-	147,720	645,680
Capital Outlay	60,943	-	447,618	-	21,655	530,216
Debt Service:						
Principal	-	490,000	-	-	-	490,000
Interest	-	183,919	-	-	-	183,919
<i>Total Expenditures</i>	<u>17,527,010</u>	<u>698,240</u>	<u>2,296,551</u>	<u>791,424</u>	<u>2,118,295</u>	<u>23,431,520</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,030,843)</u>	<u>(35,338)</u>	<u>(2,260,442)</u>	<u>(728,513)</u>	<u>(834,240)</u>	<u>(4,889,376)</u>
OTHER FINANCING SOURCES AND (USES):						
Transfers In	-	-	-	-	3,959	3,959
Transfers Out	(3,959)	-	-	-	-	(3,959)
<i>Total Other Financing Sources and (Uses)</i>	<u>(3,959)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,959</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	<u>(1,034,802)</u>	<u>(35,338)</u>	<u>(2,260,442)</u>	<u>(728,513)</u>	<u>(830,281)</u>	<u>(4,889,376)</u>
<i>Fund Balances at Beginning of Year</i>	<u>5,756,368</u>	<u>1,497,115</u>	<u>(443,903)</u>	<u>(73,444)</u>	<u>712,391</u>	<u>7,448,527</u>
<i>Fund Balances at End of Year</i>	<u>\$ 4,721,566</u>	<u>\$ 1,461,777</u>	<u>\$ (2,704,345)</u>	<u>\$ (801,957)</u>	<u>\$ (117,890)</u>	<u>\$ 2,559,151</u>

The notes to the basic financial statements are an integral part of this statement.

South Point Local School District
*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, 2022*

Net Change in Fund Balances - Total Governmental Funds \$ (4,889,376)

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 asset additions in the current period.

Capital Asset Additions	1,481,330	
Current Year Depreciation	(1,498,096)	
Total	(16,766)	(16,766)

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

Taxes	(75,493)	
Intergovernmental	3,539,546	
Charges for Services	(22,711)	
Total	3,441,342	3,441,342

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net position. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Capital Appreciation Bond Premium	52,360	
Accrued Interest Payable	1,650	
Amortization of Deferred Amount on Refunding	(51,669)	
Total	2,341	2,341

Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.

490,000

Contractually required contributions related to pensions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.

1,690,923

Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities/asset are reported as pension and OPEB expense in the statement of activities:

63,511

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.

Increase in Compensated Absences	(138,447)	
Total	(138,447)	(138,447)

Net Change in Net Position of Governmental Activities \$ 643,528

The notes to the basic financial statements are an integral part of this statement.

South Point Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Revenues and Other Financing Sources	\$ 18,995,921	\$ 18,995,921	\$ 19,483,506	\$ 487,585
Total Expenditures and Other Financing Uses	17,347,176	17,347,176	21,007,410	(3,660,234)
Net Change in Fund Balance	1,648,745	1,648,745	(1,523,904)	(3,172,649)
Fund Balance at Beginning of Year	4,718,310	4,718,310	4,718,310	-
Prior Year Encumbrances Appropriated	509,931	509,931	509,931	-
Fund Balance at End of Year	\$ 6,876,986	\$ 6,876,986	\$ 3,704,337	\$ (3,172,649)

The notes to the basic financial statements are an integral part of this statement.

South Point Local School District
*Statement of Revenues, Expenditures and Changes
 In Fund Balance - Budget and Actual (Budgetary Basis)
 Elementary and Secondary School Emergency Relief Fund
 For the Fiscal Year Ended June 30, 2022*

	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Revenues and Other Financing Sources	\$ 2,036,109	\$ 8,343,254	\$ 36,109	\$ (8,307,145)
Total Expenditures and Other Financing Uses	1,011,005	8,307,145	4,839,195	3,467,950
Net Change in Fund Balance	1,025,104	36,109	(4,803,086)	(4,839,195)
Fund Balance at Beginning of Year	-	-	-	-
Prior Year Encumbrances Appropriated	300,151	300,151	300,151	-
Fund Balance at End of Year	\$ 1,325,255	\$ 336,260	\$ (4,502,935)	\$ (4,839,195)

The notes to the basic financial statements are an integral part of this statement.

South Point Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budgetary Basis)
Miscellaneous Federal Grants Fund
For the Fiscal Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Revenues and Other Financing Sources	\$ 544,817	\$ 1,043,255	\$ 480,093	\$ (563,162)
Total Expenditures and Other Financing Uses	410,390	1,040,735	814,810	225,925
Net Change in Fund Balance	134,427	2,520	(334,717)	(337,237)
Fund Balance at Beginning of Year		-	-	-
Prior Year Encumbrances Appropriated	2,488	2,488	2,488	-
Fund Balance at End of Year	\$ 136,915	\$ 5,008	\$ (332,229)	\$ (337,237)

The notes to the basic financial statements are an integral part of this statement.

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South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's four instructional/support facilities staffed by 79 classified employees and 122 certified teaching and administrative personnel who provide services to 1,322 students and other community members.

Reporting Entity

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

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

The School District participates in the Metropolitan Educational Technology Association, the Collins Career Center, and the Educational Regional Service System Region 15, which are defined as jointly governed organizations, and the Ohio School Plan, the Lawrence County Schools Council of Governments Health Benefits Program, and the Ohio School Boards Association Workers' Compensation Group Rating Program, which are defined as insurance purchasing pools. These organizations are presented in Notes 17 and 18.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation

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

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

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

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. The School District utilizes governmental funds.

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 deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

South Point Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 2 - Summary of Significant Accounting Policies (Continued)

General Fund The General Fund accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose, provided it is expended and transferred according to the general laws of Ohio.

Elementary Secondary School Emergency Relief Fund The Elementary Secondary School Emergency Relief Fund is used to account for assistance used to mitigate the impact of COVID-19 on the students and the School District.

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

Miscellaneous Federal Grants Fund The Miscellaneous Federal Grants Fund is a special revenue fund of the School District and is used to account for a variety of grant monies received from the state and federal government.

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

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets, liabilities, and deferred inflows and outflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities accounts for increases (revenues) and decreases (expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and certain deferred inflows and outflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (revenues and other financing sources) and uses (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 fund financial statements for governmental funds.

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. 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, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 2 - Summary of Significant Accounting Policies (Continued)

the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, investment earnings, grants, and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB are explained in Notes 12 and 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2022, but which were levied to finance fiscal year 2023 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, and intergovernmental revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 16. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13)

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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 2022, investments included non-negotiable certificates of deposit, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2022 amounted to \$371.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaids using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which the services are consumed.

Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

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

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

South Point Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 2 - Summary of Significant Accounting Policies (Continued)

Description	Estimated Lives
Land Improvements	20 years
Buildings and Improvements	20-50 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	8 years

Internal Activity

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

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets include unexpended revenues restricted for capital improvements.

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. Employees may carry over unused vacation balances based on years 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 employees with fifteen or more years of current service with the School District.

The entire compensated absences liability is reported on the government-wide financial statements. On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each person upon the occurrence of employee resignations and retirements. These amounts are recorded in the accounts "matured compensated absences payable" in the funds from which these payments will be made.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 2 - Summary of Significant Accounting Policies (Continued)

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 are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Bond Premiums

On government-wide financial statement, bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are recorded in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Deferred Charge on Refunding

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes prepaids for all governmental types.

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

South Point Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute. State statute authorizes the School District's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

Estimates

The preparation of the 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.

Net Position

Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 2 - Summary of Significant Accounting Policies (Continued)

on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The School District did not recognize any extraordinary or special items during the fiscal year.

Budgetary Process

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

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

The appropriation resolution is subject to amendment throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Note 3 - Changes in Accounting Principles

For fiscal year 2022, the School District has implemented GASB Statement No. 87, "Leases", GASB Implementation Guide 2019-3, "Leases", GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", GASB Implementation Guide 2020-1, "Implementation Guide Update - 2020", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 3 – Change in Accounting Principles (Continued)

liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District implemented these changes; however, the implementation did not have any impact on beginning net position of the School District.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the

economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the School District.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the School District.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the School District.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the School District.

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the School District.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the School District.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 4 - Fund Deficits

The following funds had a deficit fund balance as of June 30, 2022:

	<u>Deficit</u>
Special Revenue Funds:	
Elementary Secondary School Emergency Relief	\$2,704,345
Title I	839,296
Broadband Connectivity	9,780
Miscellaneous Federal Grants	801,957

This deficit is the result of the recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the General Fund needed for operations until the receipt of grant monies. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than committed or assigned fund balance (GAAP basis).
4. Prepaid items and unreported cash are reported on the balance sheet (GAAP basis), but not on the cash basis.
5. Advances are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
6. Certain funds are accounted for as separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund, the Elementary Secondary School Emergency Relief Special Revenue Fund, and the Miscellaneous Federal Grants Fund.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 5 - Budgetary Basis of Accounting (Continued)

	General	Elementary Secondary School Emergency Relief	Miscellaneous Federal Grants
GAAP Basis	(\$1,034,802)	(\$2,260,442)	(\$728,513)
Revenue Accruals	2,998,526	0	417,182
Expenditure Accruals	(3,145,175)	106,709	308,843
Mapped Funds	176,441	0	0
Encumbrances	(518,894)	(2,649,353)	(332,229)
Budget Basis	(\$1,523,904)	(\$4,803,086)	(\$334,717)

Note 6 - Deposits and Investments

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 6 - Deposits and Investments (Continued)

4. at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
5. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
7. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
8. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

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

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

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2022 represents collections of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed value listed as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 7 - Property Taxes (Continued)

Public utility property tax revenue received in calendar year 2022 represents collections of calendar year 2021 taxes. Public utility real personal property taxes received in calendar year 2022 became a lien December 31, 2020, were levied after April 1, 2021, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2022, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2022, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

The amount available as an advance for June 30, 2022, was \$203,117 in the General Fund, \$27,563 in the Bond Retirement Debt Service Fund, and \$3,370 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance for June 30, 2021, was \$829,237 in the General Fund, \$113,103 in the Bond Retirement Debt Service Fund, and \$13,673 in the Classroom Facilities Maintenance 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 reported as deferred inflows of resources – unavailable revenues.

The assessed values upon which the fiscal year 2022 taxes were collected are:

	2021 Second Half Collections		2022 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$224,874,900	90.42%	\$224,028,750	84.50%
Public Utility Personal	23,827,760	9.58%	41,092,340	15.50%
Total	\$248,702,660	100.00%	\$265,121,090	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$23.65		\$23.65	

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

Note 8 - Receivables

Receivables at June 30, 2022, consisted of property taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except delinquent property taxes, are expected to be collected in one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. The delinquent property taxes amounted to \$448,336.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Elementary and Secondary School Emergency Relief	\$2,704,345
Food Service	7,020
Title I Grants to Local Educational Agencies	764,367
Medicaid Reimbursements	75,405
State Foundation	7,993
Miscellaneous Federal Grants	872,274
Total	<u>\$4,431,404</u>

Note 9 - Significant Commitments

Encumbrances

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at fiscal year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At fiscal year end, the School District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Amount</u>
General	\$518,894
Elementary Secondary School Emergency Relief	2,649,353
Miscellaneous Federal Grants	332,229
Nonmajor Governmental Funds	79,699
Total	<u>\$3,580,175</u>

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance at 6/30/21	Additions	Deductions	Balance at 6/30/22
Capital Assets:				
Capital Assets not being Depreciated:				
Land	\$1,978,553	\$0	\$0	\$1,978,553
Construction in Progress	0	509,650	0	509,650
Total Nondepreciable Capital Assets	1,978,553	509,650	0	2,488,203
Depreciable Capital Assets:				
Land Improvements	5,160,327	152,081	0	5,312,408
Buildings and Improvements	54,442,404	21,655	0	54,464,059
Furniture, Fixtures, and Equipment	1,696,247	789,385	0	2,485,632
Vehicles	1,591,696	8,559	0	1,600,255
Total Depreciable Capital Assets	62,890,674	971,680	0	63,862,354
Less Accumulated Depreciation:				
Land Improvements	(2,986,975)	(279,380)	0	(3,266,355)
Buildings and Improvements	(18,277,304)	(1,088,003)	0	(19,365,307)
Furniture, Fixtures, and Equipment	(1,143,341)	(69,726)	0	(1,213,067)
Vehicles	(1,357,067)	(60,987)	0	(1,418,054)
Total Accumulated Depreciation	(23,764,687)	(1,498,096) *	0	(25,262,783)
Total Capital Assets being Depreciated, Net	39,125,987	(526,416)	0	38,599,571
Capital Assets, Net	\$41,104,540	(\$16,766)	\$0	\$41,087,774

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$400,352
Special	184,779
Vocational	11,549
Student Intervention Services	3,850
Support Services:	
Pupils	84,690
Instructional Staff	19,248
Administration	61,593
Fiscal	11,549
Operation and Maintenance of Plant	120,844
Pupil Transportation	212,784
Central	3,850
Food Service Operations	99,250
Extracurricular Activities	283,758
Total Depreciation Expense	\$1,498,096

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2022, the School District contracted with Hylant Administrative Services Selective Insurance for the following coverage:

Property	Deductible	Limits of Coverage
Building and Contents - Replacement Cost	\$1,000	\$68,570,618
General Liability:		
Each Occurrence	0	4,000,000
Aggregate Limit	0	6,000,000
Products - Completed Operations Aggregate Limit	0	4,000,000
Personal and Advertising Injury Limit - Each Offense	0	4,000,000
Fire Legal Liability	0	500,000
Medical Expense Limit - Per Person/Accident	0	10,000
Employers' Liability - Stop Gap:		
Each Occurrence	0	4,000,000
Per Disease Each Employee	0	4,000,000
Per Disease Policy Limit	0	4,000,000
Employee Benefits Liability:		
Per Claim	2,500	4,000,000
Aggregate Limit	0	6,000,000
Vehicles:		
Bodily Injury and Property Damage:		
Per Person	0	4,000,000
Medical Payments - Each Person	0	5,000
Uninsured Motorist:		
Each Accident	0	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The School District reviewed its insurance coverage and made adjustments as deemed appropriate.

For fiscal year 2022, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 12 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

GASB Statements No. 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

South Point Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 12 – Defined Benefit Pension (Continued)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, 14.0% was designated to pension, death benefits, and Medicare B. There was no amount allocated to the Health Care Fund for fiscal year 2020.

The School District's contractually required contribution to SERS was \$391,854 for fiscal year 2022. Of this amount \$44,561 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 12 Defined Benefit Pension Plans (Continued)

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

reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until Aug. 1, 2026 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2022 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$1,276,961 for fiscal year 2022. Of this amount \$212,490 is reported as an intergovernmental payable.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 12 – Defined Benefit Pension Plans (Continued)

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

The net pension liability reported as of June 30, 2022 was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability - Current Year	0.0748694%	0.068209548%	
Proportionate Share of the Net Pension Liability - Prior Year	<u>0.0700790%</u>	<u>0.069364760%</u>	
Change in Proportionate Share Proportion of the Net Pension Liability	<u>0.0047904%</u>	<u>-0.001155212%</u>	
Pension Expense (Gain)	\$2,762,464	\$8,721,204	\$11,483,668
	\$44,977	(\$22,721)	\$22,256

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	SERS	STRS	Total
Differences between expected and actual economic experience	\$267	\$269,443	\$269,710
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	156,524	378,709	535,233
Changes of assumptions	58,169	2,419,418	2,477,587
School District contributions subsequent to the measurement date	<u>355,208</u>	<u>1,258,080</u>	<u>1,613,288</u>
Total	<u>\$570,168</u>	<u>\$4,325,650</u>	<u>\$4,895,818</u>

Deferred Inflows of Resources	SERS	STRS	Total
Differences between expected and actual economic experience	\$71,642	\$54,664	\$126,306
Differences between projected and actual investment earnings	1,422,749	7,516,008	8,938,757
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	<u>15,541</u>	<u>216,770</u>	<u>232,311</u>
Total	<u>\$1,509,932</u>	<u>\$7,787,442</u>	<u>\$9,297,374</u>

\$1,613,288 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

South Point Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 12 – Defined Benefit Pension Plans (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2023	(\$267,411)	(\$1,097,402)	(\$1,364,813)
2024	(252,586)	(957,737)	(1,210,323)
2025	(338,278)	(1,120,661)	(1,458,939)
2026	<u>(436,697)</u>	<u>(1,544,072)</u>	<u>(1,980,769)</u>
Total	<u>(\$1,294,972)</u>	<u>(\$4,719,872)</u>	<u>(\$6,014,844)</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, compared with June 30, 2020, are presented below:

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 12 – Defined Benefit Pension Plans (Continued)

Actuarial Assumptions – SERS (Continued)

	June 30, 2021	June 30, 2020
Inflation	2.4 percent	3.00 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 percent to 13.58 percent 2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	3.50 percent to 18.20 percent 2.5 percent
Investment Rate of Return	7.00 percent net of System expenses	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

Mortality rates for 2021 were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Mortality rates for 2020 were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2020.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in the SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	100.00 %	

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 12 – Defined Benefit Pension Plans (Continued)

Actuarial Assumptions – SERS (Continued)

Discount Rate The total pension liability for 2021 was calculated using the discount rate of 7.00 percent. The discount rate for 2020 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$4,596,061	\$2,762,464	\$1,216,111

Assumptions and Benefit Changes Since the Prior Measurement Date – There were no changes in assumptions or benefits since the prior measurement date.

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2021, actuarial valuation compared to those used in the June 30, 2020, actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.50 percent	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent	7.45 percent
Payroll Increases	3.00 percent	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent	0.0 percent,

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP- 2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 12 – Defined Benefit Pension Plans (Continued)

Actuarial Assumptions – STRS (Continued)

Actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio’s investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55 %
Alternatives	17.00	7.09 %
Fixed Income	21.00	3.00 %
Real Estate	10.00	6.00 %
Liquidity Reserves	1.00	2.25 %
Total	100.00 %	

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, but does not include investment expenses. Over a 30-year period, STRS Ohio’s investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021, and 7.45% as of June 30, 2020.. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$16,331,551	\$8,721,204	\$2,290,477

Changes Between the Measurement Date and the Reporting date In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. These demographic measures include

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 12 – Defined Benefit Pension Plans (Continued)

Actuarial Assumptions – STRS (Continued)

retirement, salary increase, disability/termination and mortality assumptions. In March 2022, the STRS Board approved benefit plan changes to take effect on July 1, 2022. These changes include a one-time three percent cost-of-living increase (COLA) to be paid to eligible benefit recipients and the elimination of the age 60 requirement for retirement age and service eligibility that was set to take effect in 2026. The effect on the net pension liability is unknown.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2022, two of the District's members of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

Note 13 – Postemployment Benefits

Net Other Postemployment Benefits (OPEB) Liability (Asset)

See Note 12 for a description of the net OPEB liability (asset).

School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 13 – Postemployment Benefits (Continued)

the funding policy. For fiscal year 2022, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the District’s surcharge obligation was \$50,535.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. No portion of covered payroll was allocated to the Health Care Fund in 2022. The District’s contractually required contribution to SERS was \$50,535 for fiscal year 2022. Of this amount, \$50,535 is reported as an intergovernmental payable.

State Teachers Retirement System of Ohio

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

Net Other Post Employment Benefit (OPEB) Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Asset)

The net OPEB (asset) liability was measured as of June 30, 2021, and the total OPEB (asset) liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB (asset) liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense (gain):

	SERS	STRS	Total
Proportionate Share of the Net OPEB (Asset) Liability - Current Year	0.0766309%	0.068209548%	
Proportionate Share of the Net OPEB (Asset) Liability - Prior Year	0.0703394%	0.069364760%	
Change in Proportionate Share	0.0062915%	-0.001155212%	
Proportion of the Net OPEB Liability	\$1,450,303	\$0	\$1,450,303
Proportion of the Net OPEB (Asset)	\$0	(\$1,438,142)	(\$1,438,142)
OPEB Expense (Gain)	\$16,292	(\$102,059)	(\$85,767)

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 13 – Postemployment Benefits (Continued)

Net Other Post Employment Benefit (OPEB) Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Asset) (Continued)

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	SERS	STRS	Total
Differences between expected and actual economic experience	\$15,459	\$51,208	\$66,667
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	151,882	37,789	189,671
Changes of assumptions	227,518	91,862	319,380
School District contributions subsequent to the measurement date	50,535	-	50,535
Total	\$445,394	\$180,859	\$626,253
Deferred Inflows of Resources	SERS	STRS	Total
Differences between expected and actual economic experience	\$722,317	\$263,494	\$985,811
Differences between projected and actual investment earnings	31,508	398,628	430,136
Changes of assumptions	198,607	857,957	1,056,564
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	46,774	25,557	72,331
Total	\$999,206	\$1,545,636	\$2,544,842

\$50,535 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	(\$142,674)	(\$394,426)	(\$537,100)
2024	(142,896)	(384,452)	(527,348)
2025	(144,511)	(365,801)	(510,312)
2026	(119,482)	(164,960)	(284,442)
2027	(47,498)	(56,352)	(103,850)
Thereafter	(7,286)	1,214	(6,072)
Total	(\$604,347)	(\$1,364,777)	(\$1,969,124)

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 13 – Postemployment Benefits (Continued)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021, compared with June 30, 2020 are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:		
Measurement Date	1.92 percent	2.45 percent
Prior Measurement Date	2.45 percent	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation		
Measurement Date	2.27 percent	2.63 percent
Prior Measurement Date	2.63 percent	3.22 percent
Medical Trend Assumption		
Medicare	5.125 to 4.40 percent	5.25 to 4.75 percent
Pre-Medicare	6.75 to 4.40 percent	7.00 to 4.75 percent

For 2021, mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

South Point Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 13 – Postemployment Benefits (Continued)

Actuarial Assumptions – SERS (Continued)

For 2020, mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2015 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 13 – Postemployment Benefits (Continued)

Actuarial Assumptions – SERS (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%).

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
District's proportionate share of the net OPEB liability	\$1,797,100	\$1,450,303	\$1,173,256

The following table presents the OPEB liability of SERS, what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate (6.75% decreasing to 4.40%).

	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
District's proportionate share of the net OPEB liability	\$1,116,614	\$1,450,303	\$1,896,008

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2021, actuarial valuation and the June 30, 2020 actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.45 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	5.00 percent initial, 4 percent ultimate	5.00 percent initial, 4 percent ultimate
Medicare	-16.18 percent initial, 4 percent ultimate	-6.69 percent initial, 4 percent ultimate
Prescription Drug		
Pre-Medicare	6.50 percent initial, 4 percent ultimate	6.50 percent initial, 4 percent ultimate
Medicare	29.98 initial, 4 percent ultimate	11.87 initial, 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 13 – Postemployment Benefits (Continued)

Actuarial Assumptions – STRS (Continued)

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

Investment Return Assumptions —STRS Ohio’s investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55 %
Alternatives	17.00	7.09 %
Fixed Income	21.00	3.00 %
Real Estate	10.00	6.00 %
Liquidity Reserves	1.00	2.25 %
Total	100.00 %	

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, but does not include investment expenses. Over a 30-year period, STRS Ohio’s investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate — The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2021 and was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2021.

Sensitivity of the District’s Proportionate Share of the Net OPEB (Asset) Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The following table represents the net OPEB liability (asset) as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB (asset) liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 13 – Postemployment Benefits (Continued)

Actuarial Assumptions – STRS (Continued)

	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net OPEB (asset) liability	(\$1,213,570)	(\$1,438,142)	(\$1,625,739)
	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
District's proportionate share of the net OPEB (asset) liability	(\$1,618,138)	(\$1,438,142)	(\$1,215,562)

Changes Between the Measurement Date and the Reporting date In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. The effect on the net OPEB liability is unknown.

Note 14 - Employee Benefits

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 230 days per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit to the amount of sick leave that may be accumulated by classified employees. Teachers and administrators can accumulate up to a maximum of 375 days. 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.

Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Insurance Benefits

Health insurance is provided by Anthem Inc. Premiums for this coverage are \$2,402 for family coverage and \$972 for single coverage. The School District pays 80 percent of both premiums for employees hired after July 1, 2002. The School District pays 100 percent of single premiums for employees hired before July 1, 2002.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 14 - Employee Benefits (Continued)

The School District provides life insurance and accidental death and dismemberment insurance to certified, classified, and administrative employees through Guardian Insurance Company. The coverage amount is \$30,000 for certified and classified employees and \$50,000 for administrators.

Dental and vision insurance is provided by Guardian. Premiums for dental coverage are \$80 for family coverage and \$21 for single coverage. Premiums for vision coverage are \$11 for family coverage and \$5 for single coverage. The School District pays 100 percent of single coverage. Employees are responsible for the excess cost of the family premium.

Note 15 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2022 were as follows:

	Principal Outstanding 6/30/21	Additions	Deductions	Principal Outstanding 6/30/22	Amounts Due in One Year
Governmental Activities:					
2013 Refunding Bonds					
Serial Bonds - 1.75%-2.625%	\$2,060,000	\$0	\$490,000	\$1,570,000	\$510,000
Term bonds - 3.00%-3.25%	4,485,000	0	0	4,485,000	0
Premium on Bonds	523,598	0	52,360	471,238	0
	<u>7,068,598</u>	<u>0</u>	<u>542,360</u>	<u>6,526,238</u>	<u>510,000</u>
Net Pension Liability:					
STRS	16,783,804	0	8,062,600	8,721,204	0
SERS	4,635,173	0	1,872,709	2,762,464	0
Total Net Pension Liability	<u>21,418,977</u>	<u>0</u>	<u>9,935,309</u>	<u>11,483,668</u>	<u>0</u>
Net OPEB Liability:					
SERS	1,528,705	0	78,402	1,450,303	0
Compensated Absences	<u>1,897,240</u>	<u>1,312,730</u>	<u>1,174,243</u>	<u>2,035,727</u>	<u>123,483</u>
Total Governmental Activities Long-Term Liabilities	<u>\$31,913,520</u>	<u>\$1,312,730</u>	<u>\$11,730,314</u>	<u>\$21,495,936</u>	<u>\$633,483</u>

Compensated absences will be paid from the General Fund. There are no repayment schedules for the net pension and net OPEB liabilities. However, employer pension/OPEB contributions are made from the following funds: General Fund, and the Food Service, Title I, IDEA-B, and Title II-A Special Revenue Funds. See Notes 12 and 13 for additional information related to net pension and net OPEB liabilities.

2013 Refunding Bonds - On July 13, 2012, the School District issued refunding bonds of \$7,784,996 consisting of \$3,115,000 in serial bonds, \$184,996 in capital appreciation bonds, and \$4,485,000 in term bonds. The refunding bonds will mature on December 1, 2031. These bonds were issued to advance refund part of the 2004 School Building Construction Bonds. The advance refunded portion of the bonds, as well as the unamortized premium and discount of these advance refunded bonds, were removed from the financial statements of the School District. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$994,838. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the refunded bonds using the straight-line method. The amortization of this difference for 2021 was \$51,669. At the date of the refunding, \$8,779,834 (including underwriter fees and other issuance costs)

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 15 - Long-Term Obligations (Continued)

was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2004 bonds. The refunded bonds were called and paid on December 1, 2016.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2022, were as follows:

Fiscal Year	Serial/Term Bonds	
	Principal	Interest
2023	\$510,000	\$172,669
2024	525,000	160,369
2025	535,000	146,784
2026	560,000	131,363
2027	580,000	114,262
2028-2032	3,345,000	276,813
Totals	\$6,055,000	\$1,002,260

On March 14, 2022 the Board of Education approved a resolution authorizing the issuance of not to exceed \$5,545,000 General Obligation Unlimited Tax Refunding Bonds, Series 2022 to current refund the 2012 General Obligation Unlimited Tax Refunding Bonds, Series 2012 maturing in 2023 through 2031 in the aggregate outstanding principal amount of \$5,545,000. The Bonds will be dated September 6, 2022 and will mature on December 1, 2031 and be subject to annual principal installment payments with an interest rate of 2.12%.

The overall debt margin of the School District was \$17,805,898, with an unvoted debt margin of \$265,121 at June 30, 2022.

Note 16 - Interfund Activity

Transfers

During fiscal year 2022, the General Fund made a transfer out in the amount of \$959 and \$3,000 to the Student Activity and Athletic Funds, respectively. The transfers were used to move unrestricted revenue collected in the General Fund to finance food service programs and district managed activities in accordance with budgetary authorizations.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 16 - Interfund Activity (Continued)

Interfund Balances

As of June 30, 2022, receivables and payables that resulted from various interfund transactions were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$3,598,450	\$0
Elementary Secondary School Emergency Relief	0	2,413,673
Miscellaneous Federal Grants	0	380,953
Other Governmental Funds:		
Miscellaneous State Grants	0	0
High Schools That Work	0	0
Broadband Connectivity	0	9,780
Miscellaneous State Grants	0	120,000
Title I	0	674,044
Total Other Governmental Funds	<u>0</u>	<u>803,824</u>
Total All Funds	<u>\$3,598,450</u>	<u>\$3,598,450</u>

Note 17 - Jointly Governed Organizations

Metropolitan Educational Technology Association (META)

The School District participates in the Metropolitan Educational Technology Association (META), formed from the merger of the Metropolitan Educational Council (MEC) and the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG) during fiscal year 2016, which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During 2022, the School District paid \$6,954 for services with META. Financial information can be obtained from META at 100 Executive Drive, Marion, Ohio 43302.

Collins Career Center

Collins Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from Chesapeake Union Exempted Village School District, two from the Ironton City School District, and two from the Lawrence County Educational Service Center, which possesses its own budgeting and taxing authority. South Point Local School District made no

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 17 - Jointly Governed Organizations (Continued)

payments to the Career Center in fiscal year 2022. To obtain financial information write to the Collins Career Center, 11627 State Route 243, Chesapeake, OH 45619.

The Educational Regional Service System (ERSS) Region 15

The Educational Regional Service System (ERSS) Region 15 is a jointly governed organization consisting of educational entities within Lawrence, Pike, Scioto, and Ross counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the South Central Educational Service Center, 411 Court Street, Portsmouth, Ohio 45662.

Note 18 - Insurance Purchasing Pools

Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Lawrence County Schools Council of Governments Health Benefits Program

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

South Point Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 18 - Insurance Purchasing Pools (Continued)

contributions will be made and the school district's net pooled share will be distributed and all claims submitted by covered members of the school district after the distribution will be exclusively the liability of the school district.

Ohio School Boards Association Workers' Compensation Group Rating Program (GRP)

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 plan.

Note 19 - Set-Aside Calculations

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirements 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 of education be returned to the school 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 fiscal years. The bill placed special conditions on any Bureau or Workers' Compensation monies remaining in the budget reserve.

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

	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of as of June 30, 2021	\$231,809
Current Year Set-Aside Requirement	260,030
Current Year Qualifying Expenditures	(68,792)
Current Year Offsets	<u>(96,334)</u>
Totals	<u>\$326,713</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$326,713</u>

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 20 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2022, if applicable, cannot be determined at this time.

Litigation

At June 30, 2022, the School District was not party to any legal proceedings.

State Foundation

In fiscal year 2022, School District foundation funding was based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2022 are finalized. An additional receivable in the amount of \$7,993 has been recorded by the School District.

Note 21 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2022, the School District received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. In addition, the impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020, and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 22 – Fund Balances

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

Fund Balances	General	Bond Retirement	ESSER	Miscellaneous Federal Grants	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Prepaid Items	\$ 12,163	\$ -	\$ -	\$ -	\$ -	\$ 12,163
Restricted for						
Food Service Operations	-	-	-	-	117,913	117,913
Other Purposes	326,713	-	-	-	84,590	411,303
Debt Services Payments	-	1,461,777	-	-	-	1,461,777
Facilities Maintenance	-	-	-	-	528,683	528,683
Total Restricted	<u>326,713</u>	<u>1,461,777</u>	<u>-</u>	<u>-</u>	<u>731,186</u>	<u>2,519,676</u>
Committed to						
Capital Improvements	<u>664,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>664,596</u>
Assigned to						
Other Purposes	<u>4,433,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,433,567</u>
Total Assigned	<u>4,433,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,433,567</u>
Unassigned (Deficit)	<u>(715,473)</u>	<u>-</u>	<u>(2,704,345)</u>	<u>(801,957)</u>	<u>(849,076)</u>	<u>(5,070,851)</u>
Total Fund Balances	<u>\$ 4,721,566</u>	<u>\$ 1,461,777</u>	<u>\$ (2,704,345)</u>	<u>\$ (801,957)</u>	<u>\$ (117,890)</u>	<u>\$ 2,559,151</u>

Note 23 - Subsequent Events

Pursuant to a March 14, 2022 resolution, the School District issued \$5,056,000 General Obligation Unlimited Tax Refunding Bonds, Series 2022 to current refund General Obligation Unlimited Tax Refunding Bonds, Series 2012 in the aggregate outstanding principal amount of \$5,545,000. The Bonds have a final maturity of December 1, 2031 and are subject to annual mandatory principal payments. The Bonds have an interest rate of 2.12% payable on June 1 and December 1 of each year beginning December 1, 2022 until all principal thereof has been paid. In addition, the School District's Bond Retirement Fund contributed an amount of \$622,814 to assist in the refunding.

Note 24 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$4,515,910; Food Service Fund by \$239,704; and Bond Retirement Fund by \$4,460 for the year ended June 30, 2022.

South Point Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Nine Years (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability	0.0748694%	0.0700790%	0.0712440%	0.0708914%	0.0687981%	0.0712851%	0.0735470%	0.0749780%	0.0749780%
School District's proportionate share of the net pension liability	\$ 2,762,464	\$ 4,635,173	\$ 4,262,653	\$ 4,060,082	\$ 4,110,534	\$ 5,217,412	\$ 4,196,663	\$ 3,794,594	\$ 4,458,701
School District's covered payroll	\$ 2,551,086	\$ 2,464,886	\$ 2,468,326	\$ 2,301,481	\$ 2,264,357	\$ 2,243,571	\$ 2,210,395	\$ 2,231,970	\$ 1,984,289
School District's proportionate share of the net pension liability as a percentage of its covered payroll	108.29%	188.05%	172.69%	176.41%	181.53%	232.55%	189.86%	170.01%	224.70%
Plan fiduciary net position as a percentage of the total pension liability	82.86%	68.55%	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year.

See accompanying notes to the required supplementary information.

South Point Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Nine Years (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability	0.068209548%	0.06936476%	0.06779820%	0.06570720%	0.06413937%	0.06577384%	0.06673954%	0.06768855%	0.06768855%
School District's proportionate share of the net pension liability	\$ 8,721,204	\$ 16,783,804	\$ 14,993,164	\$ 14,447,538	\$ 15,236,445	\$ 22,016,487	\$ 18,444,857	\$ 16,464,198	\$ 19,612,044
School District's covered payroll	\$ 8,400,414	\$ 8,461,100	\$ 8,021,829	\$ 7,544,979	\$ 7,077,121	\$ 6,932,721	\$ 6,982,421	\$ 6,933,943	\$ 6,818,932
School District's proportionate share of the net pension liability as a percentage of its covered payroll	103.82%	198.36%	186.90%	191.49%	215.29%	317.57%	264.16%	237.44%	287.61%
Plan fiduciary net position as a percentage of the total pension liability	87.78%	75.50%	77.40%	77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year.

See accompanying notes to the required supplementary information.

South Point Local School District
Required Supplementary Information
Schedule of School District Pension Contributions
School Employees Retirement System of Ohio
Last Ten Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 391,854	\$ 357,152	\$ 345,084	\$ 333,224	\$ 310,700	\$ 317,010	\$ 314,100	\$ 291,330	\$ 309,351	\$ 274,626
Contributions in relation to the contractually required contribution	<u>(391,854)</u>	<u>(357,152)</u>	<u>(345,084)</u>	<u>(333,224)</u>	<u>(310,700)</u>	<u>(317,010)</u>	<u>(314,100)</u>	<u>(291,330)</u>	<u>(309,351)</u>	<u>(274,626)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 2,798,957	\$ 2,551,086	\$ 2,464,886	\$ 2,468,326	\$ 2,301,481	\$ 2,264,357	\$ 2,243,571	\$ 2,210,395	\$ 2,231,970	\$ 1,984,289
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%

See accompanying notes to the required supplementary information

South Point Local School District
Required Supplementary Information
Schedule of School District Pension Contributions
State Teachers Retirement System of Ohio
Last Ten Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,276,961	\$ 1,176,058	\$ 1,184,554	\$ 1,123,056	\$ 1,056,297	\$ 990,797	\$ 970,581	\$ 977,539	\$ 901,413	\$ 886,461
Contributions in relation to the contractually required contribution	<u>(1,276,961)</u>	<u>(1,176,058)</u>	<u>(1,184,554)</u>	<u>(1,123,056)</u>	<u>(1,056,297)</u>	<u>(990,797)</u>	<u>(970,581)</u>	<u>(977,539)</u>	<u>(901,413)</u>	<u>(886,461)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 9,121,150	\$ 8,400,414	\$ 8,461,100	\$ 8,021,829	\$ 7,544,979	\$ 7,077,121	\$ 6,932,721	\$ 6,982,421	\$ 6,933,943	\$ 6,818,932
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

South Point Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Six Years (1)

	2022	2021	2020	2019	2018	2017
School District's proportion of the net OPEB liability	0.0766309%	0.0703394%	0.0712446%	0.0716529%	0.0696164%	0.0719499%
School District's proportionate share of the net OPEB liability	\$ 1,450,303	\$ 1,528,705	\$ 1,791,652	\$ 1,987,845	\$ 1,868,321	\$ 2,050,838
School District's covered payroll	\$ 2,551,086	\$ 2,464,886	\$ 2,468,326	\$ 2,301,481	\$ 2,264,357	\$ 2,243,571
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	56.85%	62.02%	72.59%	86.37%	82.51%	91.41%
Plan fiduciary net position as a percentage of the total OPEB liability	24.08%	18.17%	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

See accompanying notes to the required supplementary information.

South Point Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio
Last Six Years (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability (asset)	0.068209548%	0.06936476%	0.06779820%	0.06570720%	0.06413937%	0.06577384%
School District's proportionate share of the net OPEB liability (asset)	\$ (1,438,142)	\$ (1,219,084)	\$ (1,122,901)	\$ (1,055,848)	\$ 2,502,482	\$ 3,517,602
School District's covered payroll	\$ 8,400,414	\$ 8,461,100	\$ 8,021,829	\$ 7,544,979	\$ 7,077,121	\$ 6,932,721
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-17.12%	-14.41%	-14.00%	-13.99%	35.36%	50.74%
Plan fiduciary net position as a percentage of the total OPEB liability	174.73%	182.13%	174.74%	176.00%	47.11%	37.33%

(1) Information prior to 2017 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

See accompanying notes to the required supplementary information.

South Point Local School District
Required Supplementary Information
Schedule of School District OPEB Contributions
School Employees Retirement System of Ohio
Last Seven Years (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 50,534	\$ 46,600	\$ 33,924	\$ 47,549	\$ 49,034	\$ 37,028	\$ 35,164
Contributions in relation to the contractually required contribution	<u>(50,534)</u>	<u>(46,600)</u>	<u>(33,924)</u>	<u>(47,549)</u>	<u>(49,034)</u>	<u>(37,028)</u>	<u>(35,164)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 2,798,957	\$ 2,551,086	\$ 2,464,886	\$ 2,468,326	\$ 2,301,481	\$ 2,264,357	\$ 2,243,571
Contributions as a percentage of covered payroll	1.81%	1.83%	1.38%	1.93%	2.13%	1.64%	1.57%

(1) Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

South Point Local School District
Required Supplementary Information
Schedule of School District OPEB Contributions
State Teachers Retirement System of Ohio
Last Seven Years (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 9,121,150	\$ 8,400,414	\$ 8,461,100	\$ 8,021,829	\$ 7,544,979	\$ 7,077,121	\$ 6,932,721
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

(1) Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

South Point Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

Pension

School Employees Retirement System (SERS)

Changes in benefit terms

2020-2022: There were no changes in benefit terms from the amounts reported for this fiscal year.

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three-year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in assumptions

2022: The assumed rate of inflation was reduced from 3.00% to 2.40%, the assumed real wage growth was increased from 0.50% to 0.85%, the cost-of-living adjustments were reduced from 2.50% to 2.00%, the discount rate was reduced from 7.50% to 7.00%, the rates of withdrawal, compensation, participation, spouse coverage assumption, retirement, and disability were updated to reflect recent experience, and mortality among active members, service retirees and beneficiaries and disabled members were updated.

2018-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2017: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, and
- (8) The discount rate was reduced from 7.75% to 7.50%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

State Teachers Retirement System (STRS)

Changes in benefit terms

2019-2022: There were no changes in benefit terms from the amounts reported for these fiscal years.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

South Point Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

Pension (continued)

State Teachers Retirement System (STRS) (continued)

Changes in assumptions

2022: The discount rate and Investment Rate of Return changed from 7.45 to 7%.

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

OPEB

School Employees Retirement System (SERS)

Changes in benefit terms

2017-2022: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in assumptions

2022 Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) The discount rate was changed from 2.63% to 2.27%
- (2) Municipal Bond Index Rate:

Prior Measurement Date	2.45%
Measurement Date	1.92%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date	2.63%
Measurement Date	2.27%
- (4) The investment rate of return was reduced from 7.50% to 7.00%.
- (5) Assumed rate of inflation was reduced from 3.00% to 2.40%
- (6) Payroll Growth Assumption was reduced from 3.50% to 1.75%
- (7) Assumed real wage growth was increased from 0.50% to 0.85%
- (8) Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- (9) Rate of health care participation for future retirees and spouses was updated to reflect recent experience.
- (10) Mortality among active members was updated to the following:
 - a. PUB-2010 General Amount Weighted Below Median Employee mortality table.

South Point Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

OPEB (continued)

School Employees Retirement System (SERS) (continued)

Changes in assumptions (continued)

- (11) Mortality among service retired members was updated to the following:
 - a. PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females.
- (12) Mortality among beneficiaries was updated to the following:
 - a. PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females.
- (13) Mortality among disabled member was updated to the following:
 - a. PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females.
- (14) Mortality rates are projected using a fully generational projection with Scale MP-2020.

2021: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) The discount rate was changed from 3.22% to 2.63%
- (2) Municipal Bond Index Rate:
 - Prior Measurement Date 3.13%
 - Measurement Date 2.45%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation
 - Prior Measurement Date 3.22%
 - Measurement Date 2.63%

2020: The discount rate was changed from 3.70% to 3.22%

- (1) Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- Municipal Bond Index Rate
 - Prior Measurement Date 3.62%
 - Measurement Date 3.13%

- Single Equivalent Interest Rate, net of plan investment expense, including price inflation
 - Prior Measurement Date 3.70%
 - Measurement Date 3.22%

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) The discount rate was changed from 3.63% to 3.70%
- (2) Municipal Bond Index Rate:
 - Prior Measurement Date 3.56%
 - Measurement Date 3.62%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.63%
 - Measurement Date 3.70%

South Point Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

OPEB (continued)

School Employees Retirement System (SERS) (continued)

Changes in assumptions (continued)

2018: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
 - Fiscal Year 2018 3.63%
 - Fiscal Year 2017 2.98%
- (2) Municipal Bond Index Rate:
 - Fiscal Year 2018 3.56%
 - Fiscal Year 2017 2.92%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Fiscal Year 2018 3.63%
 - Fiscal Year 2017 2.98%

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP- 2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, and
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

State Teachers Retirement System (STRS)

Changes in benefit terms

2022: There was no change to the claims costs process. The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

2021: There was no change to the claims costs process. Claim curves were updated to reflect the projected FYE 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

2020: There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

South Point Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

OPEB (continued)

State Teachers Retirement System (STRS) (Continued)

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in assumptions

2022: The discount rate was reduced from 7.45% in the prior year to 7.00% in the current year.

2020-2021: There were no changes in assumptions since the prior measurement date of June 30, 2019.

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

2018: The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

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**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal AL Number	Pass Through Grant Year	Provided Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	2021-2022	\$ 0	\$ 59,212
Cash Assistance:				
School Breakfast Program	10.553	2021-2022	0	193,065
National School Lunch Program	10.555	2021-2022	0	556,063
National School Lunch Program - COVID 19		2021-2022	0	34,915
Total Child Nutrition Cluster			0	843,255
Pandemic EBT Administrative Costs - COVID-19	10.649	2021-2022	0	2,361
Total U.S. Department of Agriculture			0	845,616
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010A	2021 2022	0 0	91,567 674,045
Total Title I Grants to Local Educational Agencies			0	765,612
Special Education Cluster:				
Special Education Grants to States	84.027A	2021 2022	0 0	53,804 218,137
Total Special Education Grants to States			0	271,941
Special Education Preschool Grants	84.173A	2021 2022	0 0	988 8,612
Total Special Education Preschool Grants			0	9,600
Total Special Education Cluster			0	281,541
Twenty-First Century Community Learning Centers	84.287A	2022	0	195,842
Student Support and Academic Enrichment Program	84.424A	2022 2021	0 0	7,048 29,976
Total Student Support and Academic Enrichment Program			0	37,024
COVID-19 Education Stabilization Fund				
ESSER	84.425D	2021	0	464
ESSER II		2022	0	724,868
ARP ESSER	84.425U	2022	0	1,428,401
Total COVID-19 Education Stabilization Fund			0	2,153,733
Total U.S. Department of Education			0	3,433,752
U.S. DEPARTMENT OF THE TREASURY				
<i>Passed Through Ohio Department of Education</i>				
COVID-19 Coronavirus Relief Fund	21.019	2021	0	1,918
Total U.S. Department of the Treasury			0	1,918
Total Expenditures of Federal Awards			\$ 0	\$ 4,281,286

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**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the South Point Local School District (the School District's) under programs of the federal government for the year ended June 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2022, the School District made allowable transfers of \$84,767 from the Title II-A Supporting Effective Instruction (84.367A) program to the Title I-A Improving Basic Programs (84.010A) program. The amount transferred to the Title I-A Improving Basic Programs program is included as Title I-A Improving Basic Programs expenditures when disbursed. The following table shows the gross amount drawn for the Title II-A Supporting Effective Instruction program during fiscal year 2022 and the amount transferred to the Title I-A Improving Basic Programs program.

Title II-A Supporting Effective Instruction	\$84,767
Transfer to Title I-A Improving Basic Programs	<u>(84,767)</u>
Total Title II-A Supporting Effective Instruction	<u><u>\$ 0</u></u>

NOTE G – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE’s consent, schools can transfer unobligated amounts to the subsequent fiscal year’s program. The School District transferred the following amounts from 2022 to 2023 programs:

<u>Program Title</u>	<u>AL Number</u>	<u>Amt. Transferred</u>
COVID-19 Education Stabilization Fund – ARP ESSER	84.425U	\$2,253,922
COVID-19 Education Stabilization Fund – ESSER II	84.425D	1,691,104
Title I Grants to Local Educational Agencies	84.010A	29,639
Student Support and Academic Enrichment Program	84.424A	10,587
Rural Education	84.358A	37,680
Special Education Grants to States	84.027A	73,187
Special Education Preschool Grants	84.173A	169



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

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

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Point Local School District, Scioto County, Ohio (the School District), which collectively comprise the School District's basic financial statements, as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2023, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as item 2022-004 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as item 2022-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2022-001 and 2022-002.

School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's responses to the findings identified in our audit and described in the accompanying schedule of findings and corrective action plan. The School District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio
October 26, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited South Point Local School District's, Lawrence County, (the School District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of South Point Local School District's major federal programs for the year ended June 30, 2022. South Point Local School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

Qualified Opinion on COVID-19 Education Stabilization Fund Program

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, South Point Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19 Education Stabilization Fund Program for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, South Point Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on COVID-19 Education Stabilization Fund Program

As described in findings 2022-005 through 2022-007 in the accompanying schedule of findings, the School District did not comply with requirements regarding the following:

Finding #	Assistance Listing #	Program Name	Compliance Requirement
2022-005	84.425	COVID-19 Education Stabilization Fund	Equipment and Real Property Management
2022-006	84.425	COVID-19 Education Stabilization Fund	Prevailing Wage (Special Tests and Provisions)
2022-007	84.425	COVID-19 Education Stabilization Fund	Reporting

Compliance with such requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

The School District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the School District 's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in *the Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2022-005, 2022-006, and 2022-007, to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the School District's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and corrective action plan. The School District's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

October 26, 2023

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**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Child Nutrition Cluster: Unmodified Title I Grants: Unmodified COVID-19 Education Stabilization Fund: Qualified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: Federal AL #10.553 and 10.555 Title I Grants to Local Educational Agencies – Federal AL #84.010 COVID-19 Education Stabilization Fund – Federal AL # 84.425
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

FINDING NUMBER 2022-001

Noncompliance

Ohio Rev. Code § 3315.20 provides a school district may have a deficit in any special fund of the school district only if all of the following conditions are satisfied:

**FINDING NUMBER 2022-001
(Continued)**

- The school district has a request for payment pending with the state sufficient to cover the amount of the deficit and there is a reasonable likelihood that the payment will be made.
- The unspent and unencumbered balance in the school district's general fund is greater than the aggregate of deficit amounts in all of the school district's special funds.

The District had the following negative fund balance after taking into consideration the conditions above:

- The Elementary and Secondary School Emergency Relief Fund (Fund 507) had a total deficit balance of (\$1,853,581) for the month ending June 30, 2022.

One or more of the conditions in Ohio Rev. Code § 3315.20 has not been met. The School District did not have a request for payment pending with the state sufficient to cover the amount of the deficit. Negative fund balances could result in the use of restricted receipts for unallowable purposes. Procedures and controls, such as the Management and/or Board's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance.

Advances or transfers from the General Fund could be made to these funds or appropriations modified to prevent the negative cash balances. The District should refer to Ohio Compliance Supplement (OCS) Chapter 1 and/or Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

Officials' Response:

The School District Treasurer will ensure timely Project Cash Requests, transfers, and/or advances are made to avoid fund deficits.

FINDING NUMBER 2022-002

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the School District had expenditures in excess of appropriations as of June 30, 2022 as follows: General Fund in the amount of \$4,515,910, Food Service Fund in the amount of \$239,704, and Bond Retirement Fund in the amount of \$4,460.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The School District Board of Education should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Treasurer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Officials' Response:

The School District Treasurer will monitor expenditures and appropriations to avoid expenditures in excess of appropriations. Amended appropriations will be filed with the County Auditor when necessary.

FINDING NUMBER 2022-003

Significant Deficiency

In our audit engagement letter, as required by AU-C § 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C § 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

In addition, the School District's Capital Assets policy indicates the District shall maintain a fixed asset accounting system.

We noted the following conditions while testing Capital assets:

- 100% of the District's asset additions during the audit period were not properly tagged for identification and tracking purposes.
- The District did not record Depreciation expense on 2022 fiscal year asset additions which resulted in the depreciation expense being understated. Also during depreciation expense testing, we noted differences in depreciation expense and accumulated depreciation amounts as a result of not properly implementing and updating a system to track and report Capital assets. We were able to perform alternative audit procedures to gain the necessary audit assurances.
- For two assets out of four assets tested, the School District's actual depreciation schedules used assets lives that, although were reasonable, were not always in line with the approved capital asset policy.
- We identified a bus which was classified as furniture, fixtures, and equipment instead of being classified as a vehicle.

In previous years the school district used the Equipment Inventory System (EIS) through the Metropolitan Educational Technology Association (META) for recording Capital Asset amounts in the financial statements. The system has not been properly updated since fiscal year 2020. For recording capital asset amounts on the financial statements, a spreadsheet was prepared for fiscal year 2021. Amounts for additions and deletions (if any) were added to those amounts to determine amounts reported on the financial statements for fiscal year 2022. Over time, this could result in errors and omissions in the Capital asset listing supporting amounts recorded on the financial statements.

Lack or failure of controls over Capital Asset reporting can result in errors and irregularities that could go undetected for an extended period of time and decrease the reliability of financial data.

The District should implement the following with regards to Capital assets:

- Create and implement a system to properly track and report Capital assets.
- Properly attach tag numbers on all its capital assets for better maintenance and tracking of physical assets and also to discourage fraud within the District.
- Review the asset lives in their current policy and determine if they are accurate based on the District's intentions.

**FINDING NUMBER 2022-003
(Continued)**

- Restate depreciation based on the current and/or revised policy.
- Review the Capital Asset records to identify all components of Capital Assets (additions, deletions and depreciation) are appropriately disclosed and recorded.

Officials' Response:

The District has contracted with a 3rd party to complete a full inventory of the District's assets. The Board Policy governing Capital Assets will be updated after the completion of the inventory.

FINDING NUMBER 2022-004

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

In order to achieve proper financial reporting, all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statement.

Sound financial reporting is the responsibility of the District Treasurer and District Board and is essential to ensure the information provided to the readers of the financial statement is complete and accurate.

Due to deficiencies in internal control related to financial reporting, the District misclassified and misposted various receipts, disbursements, and fund balances in the annual financial report submitted to the Auditor of State for fiscal year 2022. These misstatements had the following effect on the District's financial statements as of June 30, 2022:

- Unrecorded accounts payable were identified which resulted in Elementary and Secondary School Emergency Relief (ESSER) Fund accounts payable being understated by an amount of \$239,995 and Miscellaneous Federal Grants Fund accounts payable being understated by an amount of \$330,685.
- Intergovernmental receivables were determined to be understated in the ESSER Fund by an amount of \$239,995 and in the Miscellaneous Federal Grants Fund by an amount of \$330,685.
- Intergovernmental receivables were determined to be overstated in the Title I Fund by an amount of \$272,264.
- Half Mil Equalization payment in the amount of \$53,907 was posted to the General Fund instead of the School District's School Facilities Maintenance Fund which resulted in General Fund revenues being overstated and School Facilities Maintenance Fund revenues being understated.

FINDING NUMBER 2022-004
(Continued)

- Title I Fund expenditures were posted in excess of the related Grant by an amount of \$197,333 which resulted in an interfund payable to the General Fund in the amount of \$197,333 which would not be repaid. As a result, General Fund expenditures were understated by \$197,333 and included an interfund receivable which would not be repaid.
- Miscellaneous Federal Grants Fund expenditures were posted in excess of the related Grants by an amount of \$66,329 which resulted in an interfund payable to the General Fund in the amount of \$66,329 which would not be repaid. As a result, General Fund expenditures were understated by \$66,329 and included an interfund receivable which would not be repaid.
- Classroom Facilities Maintenance Fund Deferred Inflows of Resources property taxes not levied to finance current year operations in the amount of \$73,287 were improperly classified as unavailable revenues.
- Student Wellness and Success revenues and expenditures in the amount of \$268,990 were improperly posted to the Wellness Special Revenue Fund instead of the General Fund resulting in the General Fund revenues and expenditures being understated and Wellness Special Revenue Fund revenues and expenditures being overstated.
- As a result of improperly posting state foundation revenues and expenditures, Regular instruction expenditures were overstated in the amount of \$855,676 and Intergovernmental Revenues and Tuition and Fees Revenues were overstated \$708,824 and \$146,852 accordingly.
- Program revenue Operating Grants and Contributions in the amount of \$613,024 were classified as instructional staff which should have been classified as pupils.
- General Fund final budgeted expenditures were overstated by \$3,900,161 as a result of not using the correct appropriation measure for final budgeted expenditures and not accounting for prior year encumbrances.
- General Fund original budgeted expenditures were understated by \$508,960 as a result of not accounting for prior year encumbrances.
- General Fund actual budgetary basis expenditures were understated by \$518,895 as a result of not including outstanding encumbrances as an expenditure.
- ESSER Fund original budgeted expenditures were overstated by \$6,995,989 as a result of not accounting for prior year encumbrances and utilizing an incorrect appropriation measure.
- ESSER Fund original budgeted revenues were overstated by \$6,306,682 as a result of utilizing an incorrect amended official certificate of estimated resources.
- ESSER Fund final budgeted expenditures were understated by \$3,763,160 as a result of not accounting for prior year encumbrances and utilizing an incorrect appropriation measure.
- ESSER Fund actual budgetary basis expenditures were understated by \$2,649,353 as a result of not including outstanding encumbrances as an expenditure.

This resulted in audit adjustments and reclassifications to the financial statements. Any fund balance adjustments have been posted to the District's accounting system.

**FINDING NUMBER 2022-004
(Continued)**

As a result of the adjustments above being posted to the School District's financial statements, the Miscellaneous Federal Grants Fund met the requirements for being reported as a major fund however was not originally reported as a major fund on the School District's Financial statements. Further, the Title I Fund was originally reported as a major fund as a result of originally meeting the requirements for being reported as a major fund however no longer met the requirements for major fund reporting. The Financial statements were adjusted to report the Miscellaneous Federal Grants Fund as a major fund and to no longer report the Title I Fund as a major fund.

To ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and footnotes by the School District Treasurer and Board of Education to identify and correct errors and omissions.

Officials' Response:

The School District Treasurer will review postings made to the accounting system and review the annual financial report submitted to Auditor of State to ensure accuracy.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Material Weakness/Noncompliance

Finding Number: 2022-005

Assistance Listing Number and Title: AL #84.425D and 84.425U COVID-19 – Education Stabilization Fund

Federal Award Identification Number / Year: 2022

Federal Agency: US Department of Education

Compliance Requirement: Equipment and Real Property Management

Pass-Through Entity: Ohio Department of Education

Repeat Finding from Prior Audit? No

2 CFR § 3474.1 gives regulatory effect to the Department of Education for **2 CFR § 200.313(c) through (d)** which require that:

- (c) Equipment must be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award or, when appropriate, under other Federal awards; however, the non-Federal entity must not encumber the equipment without prior approval of the Federal awarding agency.
- (d) Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:
 - 1. Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property.
 - 2. A physical inventory of the property must be taken and the results reconciled with the property records at least once every 2 years.
 - 3. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.

**FINDING NUMBER 2022-005
(Continued)**

4. Adequate maintenance procedures must be developed to keep the property in good condition.
5. If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

The School District failed to properly track assets purchased or improvements completed with ESF (specifically Elementary and Secondary School Emergency Relief (ESSER)) funds in their Equipment Inventory System. In addition, support was not provided that the required physical inventory of equipment was being performed.

The School District Treasurer should review the Equipment Inventory System and adjust it to include all assets purchased with ESSER Funds. The School District should establish procedures to ensure the required physical inventories are being performed and reconciled with the Equipment Inventory System at least every two years.

Officials' Response:

The District has contracted with a 3rd party to complete a full inventory of the District's assets. Regular updates to this inventory will now be completed on an annual basis.

Material Weakness/Noncompliance

Finding Number: 2022-006

Assistance Listing Number and Title: AL #84.425D and 84.425U COVID-19 – Education Stabilization Fund

Federal Award Identification Number / Year: 2022

Federal Agency: US Department of Education

Compliance Requirement: Prevailing Wage (Special Tests and Provisions)

Pass-Through Entity: Ohio Department of Education

Repeat Finding from Prior Audit? No

2 CFR § 3474.1 provides the Department of Education (DOE) adopts the Office of Management and Budget (OMB) Guidance in 2 CFR part 200. Thus, this section gives regulatory effect to the OMB guidance and supplements the guidance as needed for the DOE, except as otherwise noted in that section. 2 CFR part 200, Appendix II(D), states that all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following. The "Davis-Bacon Act, as amended (40 U.S.C. 3141-3148). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144 and 3146-3148) as supplemented by Department of Labor regulations (29 CFR § 5, "Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction"). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. The non-Federal entity must place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation. The decision to award a contract or subcontract must be conditioned upon the acceptance of the wage determination. The non-Federal entity must report all suspected or reported violations to the Federal awarding agency."

29 CFR § 5.5(A)(3)(ii) requires the contractor to submit weekly payroll reports certifying, among other requirements, "that each laborer or mechanic employed on the contract has been paid the full weekly wages earned."

**FINDING NUMBER 2022-006
(Continued)**

During fiscal year 2022, the School District incurred expenses with contractors for work done which was paid out of the Elementary and Secondary School Emergency Relief Fund as follows:

- Dixon Electrical for the high school baseball / softball fields lighting project in the amount of \$331,293
- Tierney for the Interactive Smart Panel Project in the amount of \$418,066
- Tribute Contracting and Consultants, LLC for Construction of Outdoor Classrooms in the amount of \$116,325
- GLS Electric Inc for electrical work for smartboard installation in the amount of \$43,800

Although the required clauses concerning prevailing wages were included in the contracts for these services, as a result of a lack of proper internal controls, certified payrolls were not provided by the School District to support that for each week in which work was performed under the contract or subcontract, the contractor or subcontractor was submitting the required certified payrolls.

Failure to have effective controls in place over wage-rate requirements may result in the School District and its contractors or subcontractors failing to pay prevailing wages when required by Federal law and could result in reduction of future Federal funding or other sanctions imposed by Federal grantors.

When required by Federal grant legislation, the School District should ensure prime construction contracts in excess of \$2,000 paid with Federal grant monies contain provisions that require the contractor to comply with wage rate requirements. Further, the School District should ensure certified payroll reports are provided weekly by the contractor.

Officials' Response:

The School District Treasurer will monitor jobs that require prevailing wages and ensure proper payroll records are obtained from the vendor.

Material Weakness/Noncompliance

Finding Number: 2022-007

Assistance Listing Number and Title: AL #84.425D and 84.425U COVID-19 – Education Stabilization Fund

Federal Award Identification Number / Year: 2022

Federal Agency: US Department of Education

Compliance Requirement: Reporting

Pass-Through Entity: Ohio Department of Education

Repeat Finding from Prior Audit? No

2 CFR § 3474.1 gives regulatory effect to the Department of Education for **2 CFR § 200.328** which provides the Federal awarding agency must solicit only the standard, OMB-approved governmentwide data elements for collection of financial information. This information must be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes, and preferably in coordination with performance reporting.

FINDING NUMBER 2022-007
(Continued)

The Ohio Department of Education Grants Manual requires, at the end of the grant period, that entities submit a final expenditure report (FER). A FER must be submitted to show how grant funds were expended during the grant period.

The amounts submitted by the School District in the Final Expenditure Report for the Education Stabilization Fund Elementary and Secondary School Emergency Relief Grant (ESSER II) (grant year 2022) understated when compared to the underlying system data. This was due to the Treasurer not including expenditures in the amount of \$260,404 which were expended during Fiscal Year 2021.

In addition, the amounts by object code submitted by the School District in the Final Expenditure Report for the Education Stabilization Fund American Rescue Plan Elementary and Secondary School Emergency Relief Grant (grant year 2022) varied from the underlying system data due to the Treasurer incorrectly posting Purchased Services of \$11,733 as Supplies and not including Capital Outlay expenditures in the amount of \$158,486. Total expenditures on the Final Expenditure Report were understated by \$158,486 when compared to the underlying School District records.

These error postings were the result of a lack of proper internal controls and due care when preparing the reports. The Treasurer should properly compile and review the annual Final Expenditure Reports, verifying the correct information is provided to the grantor.

Officials' Response:

The School District Treasurer will review all Final Expenditure Report data to ensure its accuracy prior to submission to the Ohio Department of Education.

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South Point Local Schools

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CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) June 30, 2022

Finding Number: 2022-001
Planned Corrective Action: The School District Treasurer will ensure timely Project Cash Requests, transfers, and/or advances are made to avoid fund deficits.

Anticipated Completion Date: June 30, 2024
Responsible Contact Person: Lee Elliott, Treasurer

Finding Number: 2022-002
Planned Corrective Action: The School District Treasurer will monitor expenditures and appropriations to avoid expenditures in excess of appropriations. Amended appropriations will be filed with the County Auditor when necessary.

Anticipated Completion Date: June 30, 2024
Responsible Contact Person: Lee Elliott, Treasurer

Finding Number: 2022-003
Planned Corrective Action: The District has contracted with a 3rd party to complete a full inventory of the District's assets. The Board Policy governing Capital Assets will be updated after the completion of the inventory.

Anticipated Completion Date: June 30, 2024
Responsible Contact Person: Lee Elliott, Treasurer

Finding Number: 2022-004
Planned Corrective Action: The School District Treasurer will review postings made to the accounting system and review the annual financial report submitted to Auditor of State to ensure accuracy.

Anticipated Completion Date: June 30, 2024
Responsible Contact Person: Lee Elliott, Treasurer

Finding Number: 2022-005
Planned Corrective Action: The District has contracted with a 3rd party to complete a full inventory of the District's assets. Regular updates to this inventory will now be completed on an annual basis.
Anticipated Completion Date: June 30, 2024
Responsible Contact Person: Lee Elliott, Treasurer

Finding Number: 2022-006
Planned Corrective Action: The School District Treasurer will monitor jobs that require prevailing wages and ensure proper payroll records are obtained from the vendor.
Anticipated Completion Date: June 30, 2024
Responsible Contact Person: Lee Elliott, Treasurer

Finding Number: 2022-007
Planned Corrective Action: The School District Treasurer will review all Final Expenditure Report data to ensure its accuracy prior to submission to the Ohio Department of Education.
Anticipated Completion Date: June 30, 2024
Responsible Contact Person: Lee Elliott, Treasurer

OHIO AUDITOR OF STATE KEITH FABER



SOUTH POINT LOCAL SCHOOL DISTRICT

LAWRENCE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/14/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov