

South Point Local School District
Lawrence County
Single Audit
For the Fiscal Year Ended June 30, 2015



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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the South Point Local School District, Lawrence County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature of Dave Yost in black ink.

Dave Yost
Auditor of State

February 19, 2016

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South Point Local School District
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Point Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Independent Auditor's Report
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of South Point Local School District, Lawrence County, Ohio, as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 3 to the financial statements, during 2015, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." The 2015 financial statements have been restated due to implementation of these pronouncements. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the School District's proportionate share of the net pension liability, and the schedule of the School District contributions on pages 4 through 12, 54 through 55, and 56 through 59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of federal awards expenditures, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



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

December 18, 2015

South Point Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2015

Unaudited

The discussion and analysis of the South Point Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. 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 2015 are as follows:

- Net Position of governmental activities decreased \$943,379.
- General revenues accounted for \$16,852,696 in revenue or 85.9 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$2,764,697 or 14.1 percent of total revenues of \$19,617,393.
- The School District had \$20,560,772 in expenses related to governmental activities; only \$2,764,697 of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily taxes and intergovernmental) of \$16,852,696 were not adequate to cover the remaining expenses.
- Total governmental funds had \$19,691,947 in revenues and \$21,356,818 in expenditures. Total governmental fund balances decreased \$664,871.

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.

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 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities, and deferred inflows/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.

South Point Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2015

Unaudited

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 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.

Fiduciary Funds The School District accounts for resources held for the benefit of parties outside the government as fiduciary funds. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the School District's own programs. The School District uses accrual accounting for fiduciary funds.

South Point Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2015

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 2015 compared to 2014.

Table 1
Net Position

	2015	2014*	Change
Assets			
Current and Other Assets	\$14,821,101	\$15,454,892	(\$633,791)
Capital Assets	47,607,554	47,857,702	(250,148)
Total Assets	<u>62,428,655</u>	<u>63,312,594</u>	<u>(883,939)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	826,712	878,381	(51,669)
Pension	1,459,669	1,210,764	248,905
Total Deferred Outflows	<u>2,286,381</u>	<u>2,089,145</u>	<u>197,236</u>
Liabilities			
Other Liabilities	2,380,944	2,253,900	127,044
Long-Term Liabilities:			
Due Within One Year	894,010	868,550	25,460
Due In More Than One Year:			
Net Pension Liability	20,258,792	24,070,745	(3,811,953)
Other Amounts	10,484,285	10,208,354	275,931
Total Liabilities	<u>34,018,031</u>	<u>37,401,549</u>	<u>(3,383,518)</u>
Deferred Inflows of Resources			
Property Taxes	3,152,830	3,174,448	(21,618)
Pension	3,661,812	0	3,661,812
Total Deferred Inflows of Resources	<u>6,814,642</u>	<u>3,174,448</u>	<u>3,640,194</u>
Net Position			
Net Investment in Capital Assets	39,015,398	39,759,225	(743,827)
Restricted	3,192,052	3,606,125	(414,073)
Unrestricted	<u>(18,325,087)</u>	<u>(18,539,608)</u>	<u>214,521</u>
Total Net Position	<u>\$23,882,363</u>	<u>\$24,825,742</u>	<u>(\$943,379)</u>

* As restated. See note 3 to the basic financial statements.

During fiscal year 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

South Point Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2015

Unaudited

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension 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. GASB noted that the unfunded portion of this pension 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 liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. 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 employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, 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 pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating total net position at June 30, 2014, from \$47,685,723 to \$24,825,742.

South Point Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2015

Unaudited

Total assets of governmental activities decreased \$883,939. This is primarily due to a decrease in capital assets of \$250,148, resulting largely from depreciation, and a decrease in cash of \$733,044, offset by increases in intergovernmental receivables.

In total, liabilities decreased by \$3,383,518. This was due primarily to the net pension liability decrease of \$3,811,953, offset by increases in matured compensated absences payable and capital leases payable.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2015, and comparisons to fiscal year 2014.

Changes in Net Position

Revenues	2015	2014*	Change
Program Revenues:			
Charges for Services	\$311,708	\$344,236	(\$32,528)
Operating Grants and Contributions	2,452,989	2,358,651	94,338
Total Program Revenues	<u>2,764,697</u>	<u>2,702,887</u>	<u>61,810</u>
General Revenues:			
Property Taxes	4,026,725	4,184,171	(157,446)
Grants and Entitlements	12,659,288	12,759,053	(99,765)
Investment Earnings	20,566	19,840	726
Miscellaneous	146,117	67,472	78,645
Total General Revenues	<u>16,852,696</u>	<u>17,030,536</u>	<u>(177,840)</u>
Total Revenues	<u>19,617,393</u>	<u>19,733,423</u>	<u>(116,030)</u>
Program Expenses			
Instruction:			
Regular	8,991,657	8,914,926	(76,731)
Special	3,077,168	3,112,327	35,159
Vocational	268,856	257,078	(11,778)
Student Intervention Services	114,141	33,775	(80,366)
Support Services:			
Pupils	636,674	608,508	(28,166)
Instructional Staff	495,498	499,896	4,398
Board of Education	106,823	73,855	(32,968)
Administration	1,377,156	1,359,761	(17,395)
Fiscal	456,233	469,124	12,891
Operation and Maintenance of Plant	2,423,800	2,251,634	(172,166)
Pupil Transportation	1,113,849	1,199,449	85,600
Central	16,766	19,574	2,808
Operation of Non-Instructional Services:			
Food Service Operations	746,273	760,180	13,907
Extracurricular Activities	310,505	351,380	40,875
Interest and Fiscal Charges	425,373	147,500	(277,873)
Total Expenses	<u>20,560,772</u>	<u>20,058,967</u>	<u>(501,805)</u>
Decrease in Net Position	(943,379)	(325,544)	(617,835)
Net Position at Beginning of Year - Restated	<u>24,825,742</u>	<u>N/A</u>	<u>N/A</u>
Net Position at End of Year	<u>\$23,882,363</u>	<u>\$24,825,742</u>	<u>(\$943,379)</u>

* Certain items were reclassified for consistency of reporting between years.

South Point Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2015

Unaudited

The information necessary to restate the fiscal year 2014 beginning balances and the fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, fiscal year 2014 functional expenses still include pension expense of \$1,210,764 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the fiscal year 2015 statements report pension expense of \$869,823. Consequently, in order to compare fiscal year 2015 total program expenses to fiscal year 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$20,560,772
Pension expense under GASB 68	(869,823)
2015 contractually required contribution	<u>1,268,869</u>
Adjusted 2015 program expenses	20,959,818
Total 2014 program expenses under GASB 27	<u>20,058,967</u>
Increase in program expenses not related to pension	<u><u>\$900,851</u></u>

Property taxes made up approximately 20.5 percent of revenues for governmental activities for the South Point Local School District. Of the remaining revenues, the School District receives 77 percent from state foundation, federal, and state grants; 1.6 percent from charges for services; and 0.9 percent from investment earnings and miscellaneous.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain the relatively sizable increase in the District's taxable value accompanied by the relatively small increase in tax revenue. Property taxes made up just 20.5 percent of revenues for governmental activities for South Point Local School District in 2015. Additionally, increases in property taxes would only have a nominal effect upon the School District's total revenue. This is due to the funding formula in place in Ohio, any increase in property tax revenue would be offset by a corresponding decrease in state funding the School District would receive.

Approximately 60.6 percent of the School District's expenses is comprised of instructional expenses. Support services make up 32.2 percent of expenses and 7.2 percent is used for interest and fiscal charges, extracurricular activities, food service operations, and community services.

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.

South Point Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2015

Unaudited

Table 3
Governmental Activities

	2015 Total Cost of Services	2015 Net Cost of Services	2014 Total Cost of Services*	2014 Net Cost of Services*
Program Expenses				
Instruction:				
Regular	\$8,991,657	\$8,650,674	\$8,914,926	\$8,470,823
Special	3,077,168	1,743,116	3,112,327	1,791,353
Vocational	268,856	196,240	257,078	257,078
Student Intervention Services	114,141	114,141	33,775	33,775
Support Services:				
Pupils	636,674	636,674	608,508	584,461
Instructional Staff	495,498	467,456	499,896	434,927
Board of Education	106,823	106,823	73,855	73,855
Administration	1,377,156	1,377,156	1,359,761	1,359,761
Fiscal	456,233	450,580	469,124	446,686
Operation and Maintenance of Plant	2,423,800	2,250,572	2,251,634	2,207,373
Pupil Transportation	1,113,849	1,087,525	1,199,449	1,161,584
Central	16,766	16,766	19,574	19,574
Non-Instructional Services:				
Food Service Operations	746,273	71,541	760,180	78,067
Extracurricular Activities	310,505	201,438	351,380	289,263
Interest and Fiscal Charges	425,373	425,373	147,500	147,500
Totals	<u><u>\$20,560,772</u></u>	<u><u>\$17,796,075</u></u>	<u><u>\$20,058,967</u></u>	<u><u>\$17,356,080</u></u>

*Certain items were reclassified for consistency of reporting between years.

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 86.6 percent of total expenses are supported through taxes and other general revenues.

THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$19,691,947 and expenditures of \$21,356,818.

The fund balance of the General Fund decreased \$647,332. The General Fund's unassigned fund balance of \$4,142,991 represented 24.3% of current year expenditures.

General Fund Budgeting Highlights

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

South Point Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2015

Unaudited

During the course of fiscal 2015, the School District did amend its General Fund estimated revenues. 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 \$16,268,069, which represented a 0.5 percent decrease from original estimates of \$16,355,667. The final estimated expenditures of \$17,617,348 represented a 3.1 percent increase from the original estimates of \$17,094,227.

The School District's ending unobligated General Fund balance was \$5,602,115.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the School District had \$47,607,554 invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 4 shows fiscal year 2015 balances compared to 2014.

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

	2015	2014
Land	\$1,978,553	\$1,978,553
Construction in Progress	0	225,373
Land Improvements	2,069,531	2,181,722
Buildings and Improvements	42,629,427	42,428,247
Furniture, Fixtures, and		
Equipment	568,619	604,374
Vehicles	361,424	439,433
Totals	<u>\$47,607,554</u>	<u>\$47,857,702</u>

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

Debt

The School District has two bonds and two capital leases outstanding. Table 5 shows fiscal year 2015 balances compared to 2014.

South Point Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2015

Unaudited

**Table 5
Outstanding Debt, at Fiscal Year End**

	2015	2014
2013 Refunding Bonds:		
Serial 1.75% - 2.625%	\$2,795,000	\$2,920,000
Term 3.00% - 3.25%	4,485,000	4,485,000
Capital Appreciation Bonds	184,996	184,996
CAB Premium	837,758	890,118
Accretion on Capital Appreciation Bonds	285,350	155,307
2004 School Facilities Bonds:		
Original Issue of Capital Appreciation Bonds - 21.947% - 21.861%	255,822	400,008
Accretion on Capital Appreciation Bonds	328,809	439,026
Capital Leases	<u>860,292</u>	<u>96,736</u>
Totals	<u><u>\$10,033,027</u></u>	<u><u>\$9,571,191</u></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. Due to slow economic growth, the School District does not foresee any sustainable growth in revenue from property taxes. Thus management must diligently plan expenses from the modest growth attained, staying carefully within its five-year forecast. Additional revenues from what was estimated must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the five-year forecast.

Externally, the School District is largely dependent on State funding sources (approximately 65 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. The School District does not anticipate any significant growth in student enrollment. While State revenue growth has shifted toward school districts with low property tax wealth, the District does not anticipate substantial increases in state funding due to the lack of increase in student enrollment.

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, 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 Tresa Baker, Treasurer at South Point Local School District, 302 High Street, South Point, Ohio 45680.

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South Point Local School District, Ohio

Statement of Net Position

June 30, 2015

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$10,157,891
Cash and Cash Equivalents in Segregated Accounts	10,431
Intergovernmental Receivable	492,927
Materials and Supplies Inventory	26,692
Property Taxes Receivable	4,133,160
Nondepreciable Capital Assets	1,978,553
Depreciable Capital Assets, Net	<u>45,629,001</u>
<i>Total Assets</i>	<u>62,428,655</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	826,712
Pensions	<u>1,459,669</u>
<i>Total Deferred Outflows of Resources</i>	<u>2,286,381</u>
Liabilities	
Accounts Payable	78,062
Accrued Wages and Benefits Payable	1,628,322
Accrued Interest Payable	17,034
Matured Compensated Absences Payable	228,399
Intergovernmental Payable	429,127
Long-Term Liabilities:	
Due within One Year	894,010
Due in More than One Year	
Net Pension Liability (See Note 12)	20,258,792
Other Amounts Due in More Than One Year	<u>10,484,285</u>
<i>Total Liabilities</i>	<u>34,018,031</u>
Deferred Inflows of Resources	
Property Taxes	3,152,830
Pensions	<u>3,661,812</u>
<i>Total Deferred Inflows of Resources</i>	<u>6,814,642</u>
Net Position	
Net Investment in Capital Assets	39,015,398
Restricted for:	
Debt Service	1,634,972
Capital Projects	388,391
School Bus Purchases	2,878
Other Purposes	1,165,811
Unrestricted (Deficit)	<u>(18,325,087)</u>
<i>Total Net Position</i>	<u>\$23,882,363</u>

See accompanying notes to the basic financial statements

South Point Local School District, Ohio

Statement of Activities

For the Fiscal Year Ended June, 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
Governmental Activities					
Instruction:					
Regular	\$8,991,657	\$87,288	\$253,695	(\$8,650,674)	
Special	3,077,168	0	1,334,052	(1,743,116)	
Vocational	268,856	0	72,616	(196,240)	
Student Intervention Services	114,141	0	0	(114,141)	
Support Services:					
Pupils	636,674	0	0	(636,674)	
Instructional Staff	495,498	0	28,042	(467,456)	
Board of Education	106,823	0	0	(106,823)	
Administration	1,377,156	0	0	(1,377,156)	
Fiscal	456,233	0	5,653	(450,580)	
Operation and Maintenance of Plant	2,423,800	18,000	155,228	(2,250,572)	
Pupil Transportation	1,113,849	0	26,324	(1,087,525)	
Central	16,766	0	0	(16,766)	
Operation of Non-Instructional Services:					
Food Service Operations	746,273	98,308	576,424	(71,541)	
Extracurricular Activities	310,505	108,112	955	(201,438)	
Interest and Fiscal Charges	425,373	0	0	(425,373)	
<i>Totals</i>	<i>\$20,560,772</i>	<i>\$311,708</i>	<i>\$2,452,989</i>	<i>(17,796,075)</i>	
General Revenues					
Property Taxes Levied for:					
General Purposes				3,309,460	
Debt Service				650,286	
Classroom Facilities Maintenance				66,979	
Grants and Entitlements not Restricted to Specific Programs				12,659,288	
Investment Earnings				20,566	
Miscellaneous				146,117	
<i>Total General Revenues</i>				<i>16,852,696</i>	
<i>Change in Net Position</i>				<i>(943,379)</i>	
<i>Net Position at Beginning of Year - Restated See Note 3</i>				<i>24,825,742</i>	
<i>Net Position at End of Year</i>				<i>\$23,882,363</i>	

See accompanying notes to the basic financial statements

South Point Local School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2015*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$7,253,733	\$1,483,276	\$1,410,949	\$10,147,958
Cash and Cash Equivalents in Segregated Accounts	0	10,431	0	10,431
Receivables:				
Property Taxes	3,397,287	667,301	68,572	4,133,160
Intergovernmental	101,963	0	390,964	492,927
Interfund	7,100	0	0	7,100
Materials and Supplies Inventory	14,959	0	11,733	26,692
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	9,933	0	0	9,933
<i>Total Assets</i>	<u>\$10,784,975</u>	<u>\$2,161,008</u>	<u>\$1,882,218</u>	<u>\$14,828,201</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts Payable	\$75,994	\$0	\$2,068	\$78,062
Accrued Wages and Benefits Payable	1,357,270	0	271,052	1,628,322
Interfund Payable	0	0	7,100	7,100
Matured Compensated Absences Payable	228,399	0	0	228,399
Intergovernmental Payable	374,590	0	54,537	429,127
<i>Total Liabilities</i>	<u>2,036,253</u>	<u>0</u>	<u>334,757</u>	<u>2,371,010</u>
Deferred Inflows of Resources				
Property Taxes	2,591,550	509,002	52,278	3,152,830
Unavailable Revenue	462,061	90,798	202,849	755,708
<i>Total Deferred Inflows of Resources</i>	<u>3,053,611</u>	<u>599,800</u>	<u>255,127</u>	<u>3,908,538</u>
Fund Balances				
Nonspendable				
Inventoreis	14,959	0	11,733	26,692
Unclaimed Monies	7,055	0	0	7,055
Restricted for:				
Athletics	0	0	26,280	26,280
Classroom Facilities Maintenance	0	0	943,813	943,813
Capital Improvements	0	0	388,391	388,391
Debt Service	0	1,561,208	0	1,561,208
State Grant Expenditures	0	0	49,659	49,659
School Bus Purchase	2,878	0	0	2,878
Committed to:				
Health Insurance Contingency	105,289	0	0	105,289
Severance Benefits	314,119	0	0	314,119
Assigned to:				
Purchases on Order	887,133	0	0	887,133
Subsequent Year Appropriations	167,047	0	0	167,047
School Support Services	53,640	0	0	53,640
Unassigned (Deficits)	4,142,991	0	(127,542)	4,015,449
<i>Total Fund Balances</i>	<u>5,695,111</u>	<u>1,561,208</u>	<u>1,292,334</u>	<u>8,548,653</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u><u>\$10,784,975</u></u>	<u><u>\$2,161,008</u></u>	<u><u>\$1,882,218</u></u>	<u><u>\$14,828,201</u></u>

See accompanying notes to the basic financial statements

South Point Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances
 to Net Position of Governmental Activities*
June 30, 2015

Total Governmental Fund Balances	\$8,548,653
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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.

47,607,554

Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:

Delinquent Property Taxes	561,992
Grants	193,716
	755,708

Deferred Outflows of Resources represent deferred charges on refunding which do not provide current financial resources and therefore are not reported in the funds.

826,712

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:

Deferred Outflows - Pension	1,459,669
Deferred Inflows - Pension	(3,661,812)
Net Pension Liability	(20,258,792) (22,460,935)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

School Improvement Bonds Payable	(9,172,735)
Accrued Interest Payable	(17,034)
Sick Leave Benefits Payable	(1,345,268)
Capital Leases Payable	(860,292) (11,395,329)

Net Position of Governmental Activities	\$23,882,363
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See accompanying notes to the basic financial statements

South Point Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$3,404,241	\$669,192	\$68,637	\$4,142,070
Intergovernmental	12,763,530	107,396	2,197,442	15,068,368
Investment Earnings	20,336	0	230	20,566
Tuition and Fees	86,054	0	0	86,054
Charges for Services	1,234	0	98,308	99,542
Extracurricular	34,494	0	73,618	108,112
Rent	18,000	0	0	18,000
Gifts and Donations	2,163	0	955	3,118
Miscellaneous	145,917	0	200	146,117
<i>Total Revenues</i>	<i>16,475,969</i>	<i>776,588</i>	<i>2,439,390</i>	<i>19,691,947</i>
Expenditures				
Current:				
Instruction:				
Regular	8,426,454	0	249,781	8,676,235
Special	1,716,354	0	1,327,242	3,043,596
Vocational	256,132	0	0	256,132
Student Intervention Services	105,556	0	0	105,556
Support Services:				
Pupils	605,014	0	0	605,014
Instructional Staff	467,074	0	28,373	495,447
Board of Education	106,823	0	0	106,823
Administration	1,306,718	0	0	1,306,718
Fiscal	399,758	24,142	3,353	427,253
Operation and Maintenance of Plant	1,811,715	0	32,873	1,844,588
Pupil Transportation	947,680	0	27,131	974,811
Central	12,814	0	0	12,814
Operation of Non-Instructional Services:				
Food Service Operations	1,249	0	748,216	749,465
Extracurricular Activities	233,550	0	70,465	304,015
Capital Outlay	391,490	0	1,144,785	1,536,275
Debt Service:				
Principal Retirement	236,444	269,186	0	505,630
Interest and Fiscal Charges	19,976	256,427	0	276,403
Interest on Capital Appreciation Bonds	0	130,043	0	130,043
<i>Total Expenditures</i>	<i>17,044,801</i>	<i>679,798</i>	<i>3,632,219</i>	<i>21,356,818</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(568,832)</i>	<i>96,790</i>	<i>(1,192,829)</i>	<i>(1,664,871)</i>
Other Financing Sources (Uses)				
Transfers In	0	0	78,500	78,500
Inception of Capital Lease	0	0	1,000,000	1,000,000
Transfers Out	(78,500)	0	0	(78,500)
<i>Total Other Financing Sources (Uses)</i>	<i>(78,500)</i>	<i>0</i>	<i>1,078,500</i>	<i>1,000,000</i>
<i>Net Change in Fund Balance</i>	<i>(647,332)</i>	<i>96,790</i>	<i>(114,329)</i>	<i>(664,871)</i>
<i>Fund Balances at Beginning of Year</i>	<i>6,342,443</i>	<i>1,464,418</i>	<i>1,406,663</i>	<i>9,213,524</i>
<i>Fund Balances at End of Year</i>	<i>\$5,695,111</i>	<i>\$1,561,208</i>	<i>\$1,292,334</i>	<i>\$8,548,653</i>

See accompanying notes to the basic financial statements

South Point Local School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2015*

Net Change in Fund Balances - Total Governmental Funds (\$664,871)

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

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

Capital Asset Additions	1,130,155	
Depreciation Expense	<u>(1,380,303)</u>	(250,148)

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

Grants	40,791	
Delinquent Taxes	<u>(115,345)</u>	(74,554)

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

General Obligation Bonds	269,186	
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Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums 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	208	
Amortization of Deferred Amount on Refunding	<u>(51,669)</u>	
Capital Appreciation Bond Interest	180,814	
Annual Accretion	<u>(200,640)</u>	(18,927)

The inception of a capital lease is reported as an other financing source in the governmental funds, but increases long-term liabilities on the statement of net position. (1,000,000)

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 236,444

Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,268,869

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (869,823)

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

Sick Leave Benefits Payable	<u>160,445</u>	
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Change in Net Position of Governmental Activities (\$943,379)

See accompanying notes to the basic financial statements

South Point Local School District, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$3,523,567	\$3,336,181	\$3,336,181	\$0
Intergovernmental	12,587,160	12,675,496	12,675,496	0
Investment Earnings	19,645	20,336	20,336	0
Tuition and Fees	111,855	86,054	86,054	0
Charges for Services	0	1,234	1,234	0
Rent	39,200	18,000	18,000	0
Miscellaneous	74,240	130,768	130,768	0
<i>Total Revenues</i>	<u>16,355,667</u>	<u>16,268,069</u>	<u>16,268,069</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	8,022,410	8,267,756	8,267,728	28
Special	1,707,220	1,704,151	1,704,151	0
Vocational	229,606	256,403	256,402	1
Adult/Continuing	8,521	0	0	0
Student Intervention Services	39,191	105,765	105,765	0
Support Services:				
Pupils	529,215	567,875	567,875	0
Instructional Staff	475,350	515,004	515,004	0
Board of Education	136,286	145,607	145,607	0
Administration	1,212,018	1,290,835	1,290,585	250
Fiscal	403,960	408,589	408,540	49
Operation and Maintenance of Plant	2,146,737	2,040,872	2,042,657	(1,785)
Pupil Transportation	1,163,397	1,207,227	1,207,229	(2)
Central	18,509	13,820	13,820	0
Operation of Non-Instructional Services	4,000	1,249	1,249	0
Extracurricular Activities	227,186	245,268	245,268	0
Capital Outlay	514,201	590,507	590,507	0
Debt Service:				
Principal	236,444	236,444	236,444	0
Interest	19,976	19,976	19,976	0
<i>Total Expenditures</i>	<u>17,094,227</u>	<u>17,617,348</u>	<u>17,618,807</u>	<u>(1,459)</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(738,560)</u>	<u>(1,349,279)</u>	<u>(1,350,738)</u>	<u>(1,459)</u>
Other Financing Sources (Uses)				
Advances In	2,832	108,374	108,374	0
Transfers Out	(178,000)	(178,500)	(178,500)	0
Advances Out	(108,374)	(7,100)	(7,100)	0
<i>Total Other Financing Uses</i>	<u>(283,542)</u>	<u>(77,226)</u>	<u>(77,226)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(1,022,102)</u>	<u>(1,426,505)</u>	<u>(1,427,964)</u>	<u>(1,459)</u>
<i>Fund Balance at Beginning of Year</i>	<u>6,389,083</u>	<u>6,389,083</u>	<u>6,389,083</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>634,651</u>	<u>634,651</u>	<u>634,651</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$6,001,632</u></u>	<u><u>\$5,597,229</u></u>	<u><u>\$5,595,770</u></u>	<u><u>(\$1,459)</u></u>

See accompanying notes to the basic financial statements

South Point Local School District, Ohio
Statement of Fiduciary Assets and Liabilities

Agency Funds
June 30, 2015

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$26,504</u>
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Liabilities

Due to Students	<u>\$26,504</u>
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Total Liabilities	<u>\$26,504</u>
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See accompanying notes to the basic financial statements

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's four instructional/support facilities staffed by 81 classified employees and 118 certified teaching and administrative personnel who provide services to 1,790 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 three jointly governed organizations and three insurance purchasing pools. These organizations are the South Central Ohio Computer Association, the Lawrence County Joint Vocational School District, the Educational Regional Service System (ERSS) Region 15, the Ohio School Plan, the Lawrence County Schools Council of Governments Health Benefits Program, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Note 17 and Note 18 to the basic financial statements.

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, 2015*

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements 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.

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. Fiduciary funds are reported by type.

B. Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following is 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, 2015*

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.

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

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

Fiduciary Fund Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The School District's only fiduciary funds are agency funds which account for student activities.

C. 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/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/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.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases 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

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 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, interest, tuition, grants, fees, 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. 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 are explained in Note 12.

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, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 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 grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

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.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

E. Cash and Cash Equivalents

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

The School District has a segregated bank account for bond retirement. This depository account is presented as "cash and cash equivalents in segregated accounts" since it is not deposited into the School District treasury.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is credited to the General Fund and the nonmajor Classroom Facilities Fund. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$20,336, which includes \$4,406 assigned from other School District funds. Interest revenue credited to the Classroom Facilities Fund during fiscal year 2015 amounted to \$230.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented as cash and cash equivalents.

F. Inventory

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

G. Capital Assets

All of the School District's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

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

All capital assets, except land are depreciated. Improvements are depreciated over the remaining useful life of the related capital asset. 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, 2015*

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

H. 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.

I. 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 the purchase of buses and for unclaimed monies.

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for 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 period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "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, 2015*

K. Accrued Liabilities and Long-term Obligations

All payables, matured compensated absences, 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, compensated absences, and net pension liability that are 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 and leases are recognized as a liability on the governmental fund financial statements when due.

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables". These amounts are eliminated on the Statement of Net Position.

M. 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.

N. 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.

O. 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.

Restricted: Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or 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, 2015*

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 School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or State Statute.

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.

P. Pensions

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

Q. 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.

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

Net Position restricted for other purposes includes resources restricted for food service operations and federal and state grants restricted for specific purposes.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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

S. 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 fiscal year 2015.

T. Budgetary Process

All funds, other than the agency 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 and Restatement of Net Position

For fiscal year 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27," and Statement No. 71, "Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." GASB Statement No. 68 establishes standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Net Position June 30, 2014	\$47,685,723
Adjustments:	
Net Pension Liability	(24,070,745)
Deferred Outflow - Payments Subsequent to Measurement Date	1,210,764
Restated Net Position June 30, 2014	<u><u>\$24,825,742</u></u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 4 - Fund Deficits

The following funds had deficit fund balances as of June 30, 2015:

	<u>Deficit</u>
Special Revenue Funds:	
Food Service	\$70,752
Title I	31,944
Miscellaneous Federal Grants	24,846

These deficits resulted from payables recorded in accordance with Generally Accepted Accounting Principles. 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 is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Unreported items are reported on the balance sheet (GAAP basis), but not on the cash basis.
5. Budgetary revenues and expenditures of the Public School Support Fund are reclassified to the General Fund for GAAP reporting.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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

Net Change in Fund Balance	
GAAP Basis	(\$647,332)
Revenue Accruals	(207,900)
Expenditure Accruals	543,739
Advances	101,274
To reclassify excess of revenues and other sources of financial resources over expenditures and other uses of financial resources into financial statement fund types	(259,826)
Encumbrances	<u>(957,919)</u>
Budget Basis	<u>(\$1,427,964)</u>

Note 6 - Deposits and Investments

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

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

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

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

Interim monies 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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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

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

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

As of June 30, 2015 the School District's bank balance of \$10,255,874 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above. As of June 30, 2015, the School District had no investments.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real and public utility taxes which are measurable as of June 30, 2015, 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 were levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

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 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$174,309,210	93.56%	\$176,576,630	93.43%
Public Utility Personal	12,007,940	6.44%	12,413,870	6.57%
Total	<u>\$186,317,150</u>	<u>100.00%</u>	<u>\$188,990,500</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation		\$24.90		\$24.90

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Note 8 - Receivables

Receivables at June 30, 2015, 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.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
SERS Overpayment	\$13,929
State Foundation	88,034
High Schools That Work	4,180
Early Childhood Education	17,471
Title I	270,868
Title II-A	47,816
Idea-B	<u>50,629</u>
Total	<u><u>\$492,927</u></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:

Fund	Amount
General	\$961,111
Nonmajor Governmental Funds	<u>41,767</u>
Total	<u><u>\$1,002,878</u></u>

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance at 6/30/14	Additions	Deductions	Balance at 6/30/15
Capital Assets:				
Capital Assets not being Depreciated:				
Land	\$1,978,553	\$0	\$0	\$1,978,553
Construction in Progress	225,373	1,042,712	1,268,085	0
Total Nondepreciable Capital Assets	2,203,926	1,042,712	1,268,085	1,978,553
Depreciable Capital Assets:				
Land Improvements	3,627,176	39,400	0	3,666,576
Buildings and Improvements	53,112,973	1,278,713	0	54,391,686
Furniture, Fixtures, and Equipment	1,208,911	37,415	0	1,246,326
Vehicles	1,179,676	0	0	1,179,676
Total Depreciable Capital Assets	59,128,736	1,355,528	0	60,484,264
Less Accumulated Depreciation:				
Land Improvements	(1,445,454)	(151,591)	0	(1,597,045)
Buildings and Improvements	(10,684,726)	(1,077,533)	0	(11,762,259)
Furniture, Fixtures, and Equipment	(604,537)	(73,170)	0	(677,707)
Vehicles	(740,243)	(78,009)	0	(818,252)
Total Accumulated Depreciation	(13,474,960)	(1,380,303) *	0	(14,855,263)
Total Capital Assets being Depreciated, Net	45,653,776	(24,775)	0	45,629,001
Capital Assets, Net	\$47,857,702	\$1,017,937	\$1,268,085	\$47,607,554

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$664,225
Special	135,893
Vocational	20,654
Support Services:	
Pupils	46,137
Instructional Staff	40,886
Administration	113,645
Fiscal	32,710
Operation and Maintenance of Plant	148,713
Pupil Transportation	157,506
Central	1,124
Extracurricular Activities	18,810
Total Depreciation Expense	\$1,380,303

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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 2015, 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	\$66,509,278
General Liability:		
Each Occurrence	0	4,000,000
Aggregate Limit	0	6,000,000
Products - Completed Operations Aggregate Limit	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		4,000,000
Employee Benefits Liability		
Per Claim		4,000,000
Aggregate Limit		6,000,000
Vehicles:		
Bodily Injury and Property Damage:		
Per Person	1,000	4,000,000
Medical Payments - Each Person	0	5,000
Uninsured Motorist:		
Per Person	0	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been so significant reduction in insurance coverage from fiscal year 2014.

For fiscal year 2015, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to 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, 2015*

Note 12 - Defined Benefit Pension Plans

A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions 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 is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability 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 this estimate annually.

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District 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, 2015*

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.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$291,330 for fiscal year 2015. Of this amount \$28,510 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement 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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 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, member contributions are allocated among investment choices by the member, and employer contributions 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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 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 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 ten years of qualifying service credit that 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 State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contributions to STRS was \$977,539 for fiscal year 2015. Of this amount \$158,896 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, 2015*

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$3,794,594	\$16,464,198	\$20,258,792
Proportion of the Net Pension Liability	0.074978%	0.06768855%	
Pension Expense	\$228,821	\$641,002	\$869,823

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$32,296	\$158,504	\$190,800
School District contributions subsequent to the measurement date	291,330	977,539	1,268,869
Total Deferred Outflows of Resources	<u>\$323,626</u>	<u>\$1,136,043</u>	<u>\$1,459,669</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$615,873</u>	<u>\$3,045,939</u>	<u>\$3,661,812</u>

\$1,268,869 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2016	(\$145,813)	(\$721,859)	(\$867,672)
2017	(145,813)	(721,859)	(867,672)
2018	(145,813)	(721,859)	(867,672)
2019	<u>(146,138)</u>	<u>(721,858)</u>	<u>(867,996)</u>
Total	<u>(\$583,577)</u>	<u>(\$2,887,435)</u>	<u>(\$3,471,012)</u>

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in 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 a 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. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 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 earning were calculated using the long-term assumed investment rate of return (7.75 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 School 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 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$5,413,758	\$3,794,594	\$2,432,737

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

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*Notes to the Basic Financial Statements
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Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School 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 (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$23,570,294	\$16,464,198	\$10,454,832

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System / State Teachers Retirement System. As of June 30, 2015, none of the members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Note 13 - Postemployment Benefits

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual 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. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. 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 2015, the School District's surcharge obligation was \$37,253.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013, were \$18,125, \$2,804, and \$35,930, respectively. For fiscal year 2015, 94.14 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 reimbursement of monthly Medicare Part B premiums. 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 Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013, were \$0, \$68,910, and \$67,990 respectively. The full amount has been contributed for fiscal years 2015, 2014, and 2013.

Note 14 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work on a twelve month contract, earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers, administrators, and classified employees who are contracted to work less than 260 days per year do not earn vacation time.

Teachers and administrators earn sick leave at the rate of one and one-fourth days per month. There is no limit to the amount of sick leave that may be accumulated. Upon retirement, payment is made for one-half of the total sick leave accumulation, up to a maximum payment of 112.5 days for certified and classified employees.

B. Insurance Benefits

Health insurance is provided by Anthem Inc. Premiums for this coverage are \$1,637 for family coverage and \$663 for single coverage. The School District pays 80% of both premiums for employees hired after July 1, 2002. The School District pays 100% of single premiums for employees hired before July 1, 2002.

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 \$77 for family coverage and \$21 for single coverage. Premiums for vision coverage are \$11 for family coverage and \$6 for single coverage. The School District pays 100% of single coverage. Employees are responsible for the excess cost of the family premium.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Note 15 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2015 were as follows:

	Principal Outstanding 6/30/2014*	Additions	Deductions	Principal Outstanding 6/30/15	Amounts Due in One Year
Governmental Activities:					
2013 Refunding Bonds:					
Serial Bonds - 1.75%-2.625%	\$2,920,000	\$0	\$125,000	\$2,795,000	\$125,000
Term bonds - 3.00%-3.25%	4,485,000	0	0	4,485,000	0
Capital Appreciation bonds	184,996	0	0	184,996	0
CAB Premium	890,118	0	52,360	837,758	0
Accretion on Capital Appreciation Bonds	155,307	130,043	0	285,350	0
2004 School Facilities					
Construction and Improvement Bonds:					
Original Issue of Capital Appreciation					
Bonds	400,008	0	144,186	255,822	132,990
Accretion on Capital Appreciation Bonds	439,026	70,597	180,814	328,809	192,010
	<u>9,474,455</u>	<u>200,640</u>	<u>502,360</u>	<u>9,172,735</u>	<u>450,000</u>
Net Pension Liability:					
STRS	19,612,044	0	3,147,846	16,464,198	0
SERS	4,458,701	0	664,107	3,794,594	0
Total Net Pension Liability	<u>24,070,745</u>	<u>0</u>	<u>3,811,953</u>	<u>20,258,792</u>	<u>0</u>
Capital Leases					
	<u>96,736</u>	<u>1,000,000</u>	<u>236,444</u>	<u>860,292</u>	<u>231,923</u>
Sick Leave Benefits Payable					
	<u>1,505,713</u>	<u>234,964</u>	<u>395,409</u>	<u>1,345,268</u>	<u>212,087</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$35,147,649</u>	<u>\$1,435,604</u>	<u>\$4,946,166</u>	<u>\$31,637,087</u>	<u>\$894,010</u>

* As restated. See note 3.

Compensated Absences will be paid from the General Fund. The School District pays obligations related to employee compensation from the fund benefitting from their service. For additional information related to the net pension liability, see Note 12.

2004 School Facilities Construction and Improvement Bonds – On November 12, 2004, the School District issued \$10,316,336 in voted general obligation bonds for building a new middle school/high school and two elementary buildings. The bond issue included \$1,975,000 in serial bonds, \$7,785,000 in term bonds, and \$556,336 in capital appreciation bonds. The bonds were issued for a twenty-seven year period, with the final maturity date during fiscal year 2032. The bonds are being retired through the Bond Retirement Debt Service Fund. These bonds were partially refunded in 2013 with only the capital appreciation bonds remaining.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

The 2004 capital appreciation bonds mature December 1, 2013, through December 1, 2016. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of the bonds is \$1,310,000. For fiscal year 2015, \$70,597 was accreted, leaving a total bond liability \$584,631.

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 2015 was \$51,669. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$693,397. The issuance resulted in an economic gain of \$536,139. At the date of the refunding, \$8,779,834 (including underwriter fees and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2004 bonds.

The 2013 refunding capital appreciation bonds mature December 1, 2017 through December 1, 2020. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of the bonds is \$1,415,000. For fiscal year 2015, \$130,043 was accreted, leaving a total bond liability of \$470,346.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2015, were as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion*	Principal	Accretion/ Interest
2016	\$125,000	\$203,156	\$132,990	\$192,010	\$257,990	\$395,166
2017	130,000	200,769	122,831	212,169	252,831	412,938
2018	0	199,632	81,435	383,564	81,435	583,196
2019	0	199,632	59,554	410,446	59,554	610,078
2020	0	199,631	44,008	435,995	44,008	635,626
2021-2025	2,540,000	858,273	0	0	2,540,000	858,273
2026-2030	3,065,000	476,125	0	0	3,065,000	476,125
2031-2032	<u>1,420,000</u>	<u>46,313</u>	<u>0</u>	<u>0</u>	<u>1,420,000</u>	<u>46,313</u>
Totals	<u><u>\$7,280,000</u></u>	<u><u>\$2,383,531</u></u>	<u><u>\$440,818</u></u>	<u><u>\$1,634,184</u></u>	<u><u>\$7,720,818</u></u>	<u><u>\$4,017,715</u></u>

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

The overall debt margin of the School District as of June 30, 2015, was \$10,771,595 with an unvoted debt margin of \$188,991 at June 30, 2015.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Note 16 - Interfund Activity

During fiscal year 2015, the General Fund made transfers to the Food Service Special Revenue Fund in the amount of \$78,500. The transfers were used to move unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables at June 30, 2015 consist of the following individual balances, representing monies advanced to special revenue funds to be repaid to the General Fund when grant funds are received.

	Interfund Receivable	Interfund Payable
General Fund	\$7,100	\$0
Title II-A	0	2,720
Race to the Top	0	4,380
Total All Funds	<u>\$7,100</u>	<u>\$7,100</u>

Note 17 - Jointly Governed Organizations

A. South Central Ohio Computer Association

The District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCACoG) which is a computer consortium formerly known as South Central Ohio Computer Association. SCOCACoG is a council of governments providing computer services to its members of public school districts within the boundaries of Highland, Adams, Pickaway, Gallia, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. SCOCACoG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The South Point Local School District paid \$111,560 for services provided during fiscal year 2015. To obtain financial information write to the SCOCACoG, Sandra Benson, Treasurer, P.O. Box 596, 23365 State Route 124, Piketon, Ohio 45661.

B. The Lawrence County Joint Vocational School District

The Lawrence County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from Chesapeake Union Exempted Village School District, two from 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 payments to the Joint Vocational School District in fiscal year 2015. To obtain financial information write to the Lawrence County Joint Vocational School District, 11627 State Route 243, Chesapeake, OH 45619.

C. 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

South Point Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. 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, 522 Glenwood Avenue, Room 165, New Boston, Ohio 45662.

Note 18 - Insurance Purchasing Pools

A. *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.

B. *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 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.

C. *Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP)*

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

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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. During fiscal year 2002, the Board of Education passed a resolution to maintain only the refunds from the Bureau of Workers Compensation in the budget reserve pursuant to State Statute and at June 30, 2015, this is all the continues to be set aside.

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.

	Budget Stabilization	Capital Improvements
Set-Aside Reserve Balance as of as of June 30, 2014	\$67,581	\$251,919
Current Year Set-Aside Requirement	0	292,636
Current Year Qualifying Expenditures	0	(505,769)
Current Year Offsets	0	(77,148)
Totals	<u><u>\$67,581</u></u>	<u><u>(\$38,362)</u></u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u><u>\$67,581</u></u>	<u><u>\$0</u></u>

The School District had qualifying expenditures and offsets during the fiscal year that reduced the capital set-aside amount below zero. The excess set-aside may not be carried forward to reduce the set-aside requirement in future fiscal years.

Note 20 - Contingencies

A. 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, 2015, if applicable, cannot be determined at this time.

South Point Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

B. Litigation

At June 30, 2015, the School District was not party to any legal proceedings.

C. School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

Note 21 – Capital Leases – Lessee Disclosure

In prior fiscal years, the School District entered into a capitalized lease for a football stadium and baseball/softball complex. In July 2014, the School District entered into a capitalized lease in the amount of \$1,000,000 for renovations to administrative offices. The leases meet the criteria of a capital lease which is defined as transferring benefits and risks of ownership to the lessee.

Capital lease payments have been reclassified from functional expenditures and are reflected as General Fund debt service expenditures in the financial statements. They are presented as current expenditures in the budgetary statements. Capital assets acquired by governmental activities through capitalized leases were recorded in the amount of \$340,000, acquired in 2010 and \$1,000,000 in 2015 which is equal to the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on the assets is \$66,008 leaving a book value of \$1,273,992. Principal payments in fiscal year 2015 totaled \$236,444 in the governmental funds.

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

Fiscal Year Ending June 30	Principal	Interest	Total
2016	\$36,262	\$423	\$36,685

Future minimum lease payments for the \$1,000,000 acquisition in fiscal year 2015 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	\$195,661	\$14,620	\$210,281
2017	199,590	10,691	210,281
2018	203,598	6,682	210,281
2019	207,687	2,594	210,281
2020	17,494	29	17,523
Total	<u><u>\$824,030</u></u>	<u><u>\$34,616</u></u>	<u><u>\$858,646</u></u>

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.074978%	0.074978%
School District's Proportionate Share of the Net Pension Liability	\$4,458,701	\$3,794,594
School District's Covered-Employee Payroll	\$2,231,970	\$1,984,289
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	199.77%	191.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

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

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.06768855%	0.06768855%
School District's Proportionate Share of the Net Pension Liability	\$19,612,044	\$16,464,198
School District's Covered-Employee Payroll	\$6,933,943	\$6,818,932
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	282.84%	241.45%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

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

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

	2015	2014	2013	2012
Contractually Required Contribution	\$291,330	\$309,351	\$274,626	\$280,636
Contributions in Relation to the Contractually Required Contribution	<u>(291,330)</u>	<u>(309,351)</u>	<u>(274,626)</u>	<u>(280,636)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
School District Covered-Employee Payroll	\$2,210,395	\$2,231,970	\$1,984,289	\$2,086,516
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

2011	2010	2009	2008	2007	2006
\$270,853	\$312,891	\$213,121	\$199,706	\$187,456	\$191,998
(270.853)	(312,891)	(213,121)	(199,706)	(187,456)	(191,998)
<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
\$2,154,755	\$2,310,867	\$2,165,859	\$2,033,662	\$1,755,207	\$1,814,722
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

	2015	2014	2013	2012
Contractually Required Contribution	\$977,539	\$901,413	\$886,461	\$854,913
Contributions in Relation to the Contractually Required Contribution	(977,539)	(901,413)	(886,461)	(854,913)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0
School District Covered-Employee Payroll	\$6,982,421	\$6,933,943	\$6,818,932	\$6,576,256
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$915,314	\$961,161	\$931,668	\$916,153	\$900,723	\$860,139
(915,314)	(961,161)	(931,668)	(916,153)	(900,723)	(860,139)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$7,040,877	\$7,393,543	\$7,166,675	\$7,047,328	\$6,925,175	\$6,616,457
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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South Point Local School District, Ohio
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>United States Department of Agriculture</u>						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$121,195	\$0	\$121,195	\$0
National School Lunch Program	3L60	10.555	381,791	32,414	381,791	32,414
Total Child Nutrition Cluster			502,986	32,414	502,986	32,414
Total United States Department of Agriculture			502,986	32,414	502,986	32,414
<u>United States Department of Education</u>						
<i>Passed through the Ohio Department of Education</i>						
Special Education-Grants to States	3M20	84.027	402,414	0	419,227	0
Title I Grants to Local Educational Agencies	3M00	84.010	886,451	0	903,402	0
State Fiscal Stabilization Fund (SFSP)-Race-to-the-Top Incentive Grants, Recovery Act	3FD0	84.395	5,000	0	8,332	0
Improving Teacher Quality State Grants	3Y60	84.367	133,926	0	143,349	0
Total United States Department of Education			1,427,791	0	1,474,310	0
Total Federal Financial Assistance			\$1,930,777	\$32,414	\$1,977,296	\$32,414

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

South Point Local School District, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2015

Note 1 – Significant Accounting Policies

The accompanying schedule of federal awards expenditures includes the federal grant activity of the School District and has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – Child Nutrition Cluster

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first. Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the schedule using the entitlement value of the commodities received. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Point Local School District, Lawrence County, Ohio (the School District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 18, 2015, wherein we noted the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68," and restated beginning net position as a result of the implementation.

Internal Control Over Financial Reporting

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

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

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



South Point Local School District
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



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

December 18, 2015



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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited South Point Local School District's (the School District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2015. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.



South Point Local School District
Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133
Page 2

Report on Internal Control Over Compliance

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

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

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

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



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

December 18, 2015

South Point Local School District
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>	
Type of financial statement opinion:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No
<i>Federal Awards</i>	
Internal control over major program(s):	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No
Identification of major program(s):	Child Nutrition Cluster (CFDA #10.553 and #10.555)
Dollar threshold used to distinguish between type A and type B programs:	Type A: >\$300,000 Type B: all others
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

South Point Local School District

Schedule of Prior Audit Findings

OMB Circular A-133 Section .315(b)

For the Fiscal Year Ended June 30, 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
Finding 2014-001	Noncompliance/Significant Deficiency – Suspension and Debarment	Yes	



Dave Yost • Auditor of State

SOUTH POINT LOCAL SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
MARCH 17, 2016