



**SOUTH POINT LOCAL SCHOOL DISTRICT  
LAWRENCE COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountant .....	1
Combined Balance Sheet - All Fund Types and Account Groups As of June 30, 1999 .....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types For the Fiscal Year Ended June 30, 1999 .....	9
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types For the Fiscal Year Ended June 30, 1999 .....	10
Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Type For the Fiscal Year Ended June 30, 1999 .....	13
Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type For the Fiscal Year Ended June 30, 1999 .....	14
Statement of Cash Flows - Proprietary Fund Type For the Fiscal Year Ended June 30, 1999 .....	17
Notes to the General Purpose Financial Statements .....	19
Schedule of Federal Awards Receipts and Expenditures .....	43
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	44
Report of Independent Accountants on Compliance and Internal Control Required by <i>Government Auditing Standards</i> .....	45
Report of Independent Accountants on Compliance with Requirements Applicable to the Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	47
Schedule of Findings <i>OMB Circular A-133 § 505</i> .....	49

**This Page Intentionally Left Blank**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street  
Athens Mall, Suite B  
Athens, Ohio 45701

Telephone 740-594-3300  
800-441-1389

Facsimile 740-594-2110

## REPORT OF INDEPENDENT ACCOUNTANTS

South Point Local School District  
Lawrence County  
203 Park Avenue  
South Point, Ohio 45680

To the Board of Education:

We have audited the accompanying general purpose financial statements of South Point Local School District, Lawrence County, (the School District), as of and for the year ended June 30, 1999. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as described in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Due to a lack of reconcilable information from the third-party administrator, the general purpose financial statements referred to above do not include results of operations or cash flows for the Self-Insurance Fund (the School District's only Internal Service Fund Type), which should be included in order to conform with generally accepted accounting principles. It is impractical to determine the amount of omitted assets, liabilities, revenues, expenses, equity, and cash flows.

In our opinion, except for the Internal Service Fund financial statements, which in our opinion are not fairly presented, the general purpose financial statements referred to above present fairly in all material respects, the financial position of South Point Local School District, Lawrence County, as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 11, 2000 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the School District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

**JIM PETRO**  
Auditor of State

January 11, 2000

**This Page Intentionally Left Blank**

**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$613,634	\$301,299	\$1,285,847	\$231,924
Cash and Cash Equivalents:				
In Segregated Accounts	1,000	0	0	0
With Fiscal and Escrow Agents	0	0	10,560	0
Receivables:				
Property Taxes	2,576,368	0	64,009	0
Accounts	10	0	0	0
Intergovernmental	4,999	0	0	0
Accrued Interest	27,598	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	27,562	0	0	0
Prepaid Items	10,971	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	218,752	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$3,480,894</u>	<u>\$301,299</u>	<u>\$1,360,416</u>	<u>\$231,924</u>



Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$105,607	\$138,885	\$31,760	\$0	\$0	\$2,708,956
0	0	0	0	0	1,000
0	0	0	0	0	10,560
0	0	0	0	0	2,640,377
0	0	0	0	0	10
32,481	0	0	0	0	37,480
0	0	0	0	0	27,598
17,996	0	0	0	0	17,996
1,923	0	0	0	0	29,485
0	0	0	0	0	10,971
0	0	0	0	0	218,752
19,359	0	0	16,067,423	0	16,086,782
0	0	0	0	1,291,318	1,291,318
0	0	0	0	2,151,126	2,151,126
<u>\$177,366</u>	<u>\$138,885</u>	<u>\$31,760</u>	<u>\$16,067,423</u>	<u>\$3,442,444</u>	<u>\$25,232,411</u>

(Continued)

**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 1999**  
**(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$58,059	\$8,728	\$0	\$14,700
Accrued Wages and Benefits Payable	1,139,800	232,944	0	0
Compensated Absences Payable	8,460	0	0	0
Intergovernmental Payable	203,391	36,744	0	12
Deferred Revenue	2,357,391	0	58,538	0
Due to Students	0	0	0	0
Matured Bonds Payable	0	0	10,000	0
Matured Interest Payable	0	0	560	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>3,767,101</u>	<u>278,416</u>	<u>69,098</u>	<u>14,712</u>
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	274,235	96,236	0	181,741
Reserved for Inventory	27,562	0	0	0
Reserved for Property Taxes	218,977	0	5,471	0
Reserved for Budget Stabilization	133,722	0	0	0
Reserved for Textbooks & Instructional Materials	85,030	0	0	0
Unreserved, Undesignated (Deficits)	<u>(1,025,733)</u>	<u>(73,353)</u>	<u>1,285,847</u>	<u>35,471</u>
Total Fund Equity (Deficits) and Other Credits	<u>(286,207)</u>	<u>22,883</u>	<u>1,291,318</u>	<u>217,212</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$3,480,894</u>	<u>\$301,299</u>	<u>\$1,360,416</u>	<u>\$231,924</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$3,296	\$0	\$0	\$0	\$0	\$84,783
42,056	0	0	0	0	1,414,800
5,829	0	0	0	2,167,404	2,181,693
30,743	0	0	0	93,522	364,412
15,334	0	0	0	0	2,431,263
0	0	31,760	0	0	31,760
0	0	0	0	0	10,000
0	0	0	0	0	560
0	0	0	0	41,518	41,518
0	0	0	0	1,140,000	1,140,000
<u>97,258</u>	<u>0</u>	<u>31,760</u>	<u>0</u>	<u>3,442,444</u>	<u>7,700,789</u>
0	0	0	16,067,423	0	16,067,423
165,725	0	0	0	0	165,725
(85,617)	138,885	0	0	0	53,268
0	0	0	0	0	552,212
0	0	0	0	0	27,562
0	0	0	0	0	224,448
0	0	0	0	0	133,722
0	0	0	0	0	85,030
0	0	0	0	0	222,232
<u>80,108</u>	<u>138,885</u>	<u>0</u>	<u>16,067,423</u>	<u>0</u>	<u>17,531,622</u>
<u>\$177,366</u>	<u>\$138,885</u>	<u>\$31,760</u>	<u>\$16,067,423</u>	<u>\$3,442,444</u>	<u>\$25,232,411</u>

**This Page Intentionally Left Blank**

**Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 1999**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Revenues:</u>					
Property Taxes	\$2,335,038	\$0	\$116,900	\$0	\$2,451,938
Intergovernmental	7,542,941	1,477,378	16,384	530,619	9,567,322
Interest	137,553	0	0	0	137,553
Tuition and Fees	38,299	0	0	0	38,299
Rent	125	0	0	0	125
Extracurricular Activities	0	165,787	0	0	165,787
Gifts and Donations	0	252	0	0	252
Miscellaneous	151,088	0	0	0	151,088
<b>Total Revenues</b>	<b>10,205,044</b>	<b>1,643,417</b>	<b>133,284</b>	<b>530,619</b>	<b>12,512,364</b>
<u>Expenditures:</u>					
<u>Current:</u>					
<u>Instruction</u>					
Regular	4,301,102	1,167,331	0	190,535	5,658,968
Special	926,831	651,242	0	0	1,578,073
Vocational	46,925	0	0	0	46,925
Other	117,755	0	0	0	117,755
<u>Support Services</u>					
Pupils	295,393	1,702	0	0	297,095
Instructional Staff	334,457	91,749	0	0	426,206
Board of Education	105,918	0	0	0	105,918
Administration	1,177,497	93,020	0	132	1,270,649
Fiscal	218,333	6,272	0	0	224,605
Operation and Maintenance of Plant	1,050,853	0	0	507,523	1,558,376
Pupil Transportation	542,549	3,198	0	0	545,747
Central	8,960	0	0	0	8,960
Extracurricular Activities	144,641	68,652	0	0	213,293
Capital Outlay	54,090	0	0	759,598	813,688
<u>Debt Service</u>					
Principal Retirement	12,572	0	190,000	0	202,572
Interest and Fiscal Charges	2,773	0	138,506	0	141,279
<b>Total Expenditures</b>	<b>9,340,649</b>	<b>2,083,166</b>	<b>328,506</b>	<b>1,457,788</b>	<b>13,210,109</b>
Excess of Revenues Over (Under) Expenditures	864,395	(439,749)	(195,222)	(927,169)	(697,745)
<u>Other Financing Sources (Uses) :</u>					
Operating Transfers In	0	146,317	0	302,536	448,853
Proceeds from the Sale of Fixed Assets	863	0	0	0	863
Operating Transfers Out	(464,853)	0	0	0	(464,853)
Inception of Capital Lease	54,090	0	0	0	54,090
<b>Total Other Financing Sources (Uses)</b>	<b>(409,900)</b>	<b>146,317</b>	<b>0</b>	<b>302,536</b>	<b>38,953</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	454,495	(293,432)	(195,222)	(624,633)	(658,792)
Fund Balances (Deficit) at Beginning of Year-Restated (Note 3)	(755,947)	316,315	1,486,540	841,845	1,888,753
Increase in Reserve for Inventory	15,245	0	0	0	15,245
<b>Fund Balances (Deficit) at End of Year</b>	<b>(\$286,207)</b>	<b>\$22,883</b>	<b>\$1,291,318</b>	<b>\$217,212</b>	<b>\$1,245,206</b>

See accompanying notes to the general purpose financial statements

**Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual (Budget Basis)  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 1999**

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Property Taxes	\$2,182,460	\$2,182,460	\$0
Intergovernmental	7,563,115	7,563,115	0
Interest	153,222	153,222	0
Tuition and Fees	38,289	38,289	0
Rent	125	125	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	151,088	151,088	0
<b>Total Revenues</b>	<b>10,088,299</b>	<b>10,088,299</b>	<b>0</b>
<u>Expenditures:</u>			
<u>Current:</u>			
Instruction			
Regular	4,401,577	4,411,547	(9,970)
Special	916,646	916,646	0
Vocational	62,593	62,593	0
Other	187,094	187,094	0
Support Services			
Pupils	323,448	323,448	0
Instructional Staff	330,408	331,034	(626)
Board of Education	132,024	132,024	0
Administration	1,187,166	1,185,625	1,541
Fiscal	226,963	226,963	0
Operation and Maintenance of Plant	1,067,632	1,067,764	(132)
Pupil Transportation	617,514	619,373	(1,859)
Central	10,315	10,315	0
Extracurricular Activities	141,353	141,353	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>9,604,733</b>	<b>9,615,779</b>	<b>(11,046)</b>
Excess of Revenues Over (Under) Expenditures	483,566	472,520	(11,046)
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	0	0	0
Proceeds from Sale of Fixed Assets	863	863	0
Advances In	56,029	56,029	0
Operating Transfers Out	(464,853)	(464,853)	0
Advances Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(407,961)</b>	<b>(407,961)</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	75,605	64,559	(11,046)
Fund Balances at Beginning of Year	344,583	344,583	0
Prior Year Encumbrances Appropriated	107,303	107,303	0
<b>Fund Balances at End of Year</b>	<b>\$527,491</b>	<b>\$516,445</b>	<b>(\$11,046)</b>

(Continued)

Variance Favorable (Unfavorable)	Special Revenue Funds			Debt Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$118,070	\$118,070	\$0
0	1,514,349	1,514,349	0	16,384	16,384	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	165,787	165,787	0	0	0	0
0	252	252	0	0	0	0
0	0	0	0	0	0	0
0	1,680,388	1,680,388	0	134,454	134,454	0
(9,970)	1,088,971	1,088,971	0	0	0	0
0	639,824	639,451	373	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	150	150	0	0	0	0
(626)	92,188	92,188	0	0	0	0
0	0	0	0	0	0	0
1,541	100,199	100,169	30	0	0	0
0	6,272	6,272	0	0	0	0
(132)	0	0	0	0	0	0
(1,859)	3,159	3,159	0	0	0	0
0	0	0	0	0	0	0
0	92,529	92,529	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	190,000	190,000	0
0	0	0	0	138,506	138,506	0
(11,046)	2,023,292	2,022,889	403	328,506	328,506	0
(11,046)	(342,904)	(342,501)	403	(194,052)	(194,052)	0
0	146,317	146,317	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	(6,529)	(6,529)	0	0	0	0
0	139,788	139,788	0	0	0	0
(11,046)	(203,116)	(202,713)	403	(194,052)	(194,052)	0
0	366,139	366,139	0	1,479,899	1,479,899	0
0	32,789	32,789	0	0	0	0
(\$11,046)	\$195,812	\$196,215	\$403	\$1,285,847	\$1,285,847	\$0

(Continued)

Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual (Budget Basis)  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 1999  
(Continued)

	Capital Projects Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$0	\$0	\$0	\$2,300,530	\$2,300,530	\$0
Intergovernmental	530,619	530,619	0	9,624,467	9,624,467	0
Interest	0	0	0	153,222	153,222	0
Tuition and Fees	0	0	0	38,289	38,289	0
Rent	0	0	0	125	125	0
Extracurricular Activities	0	0	0	165,787	165,787	0
Gifts and Donations	0	0	0	252	252	0
Miscellaneous	0	0	0	151,088	151,088	0
<b>Total Revenues</b>	<b>530,619</b>	<b>530,619</b>	<b>0</b>	<b>12,433,760</b>	<b>12,433,760</b>	<b>0</b>
<u>Expenditures:</u>						
Current:						
Instruction						
Regular	190,247	190,247	0	5,680,795	5,690,765	(9,970)
Special	0	0	0	1,556,470	1,556,097	373
Vocational	0	0	0	62,593	62,593	0
Other	0	0	0	187,094	187,094	0
Support Services						
Pupils	0	0	0	323,598	323,598	0
Instructional Staff	0	0	0	422,596	423,222	(626)
Board of Education	0	0	0	132,024	132,024	0
Administration	120	120	0	1,287,485	1,285,914	1,571
Fiscal	0	0	0	233,235	233,235	0
Operation and Maintenance of Plant	499,723	499,723	0	1,567,355	1,567,487	(132)
Pupil Transportation	0	0	0	620,673	622,532	(1,859)
Central	0	0	0	10,315	10,315	0
Extracurricular Activities	0	0	0	233,882	233,882	0
Capital Outlay	958,313	958,313	0	958,313	958,313	0
Debt Service:						
Principal Retirement	0	0	0	190,000	190,000	0
Interest and Fiscal Charges	0	0	0	138,506	138,506	0
<b>Total Expenditures</b>	<b>1,648,403</b>	<b>1,648,403</b>	<b>0</b>	<b>13,604,934</b>	<b>13,615,577</b>	<b>(10,643)</b>
Excess of Revenues Over (Under) Expenditures	(1,117,784)	(1,117,784)	0	(1,171,174)	(1,181,817)	(10,643)
<u>Other Financing Sources (Uses):</u>						
Operating Transfers In	302,536	302,536	0	448,853	448,853	0
Proceeds from Sale of Fixed Assets	0	0	0	863	863	0
Advances In	0	0	0	56,029	56,029	0
Operating Transfers Out	0	0	0	(464,853)	(464,853)	0
Advances Out	(49,500)	(49,500)	0	(56,029)	(56,029)	0
<b>Total Other Financing Sources (Uses)</b>	<b>253,036</b>	<b>253,036</b>	<b>0</b>	<b>(15,137)</b>	<b>(15,137)</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(864,748)	(864,748)	0	(1,186,311)	(1,196,954)	(10,643)
Fund Balances at Beginning of Year	834,131	834,131	0	3,024,752	3,024,752	0
Prior Year Encumbrances Appropriated	66,100	66,100	0	206,192	206,192	0
<b>Fund Balances at End of Year</b>	<b>\$35,483</b>	<b>\$35,483</b>	<b>\$0</b>	<b>\$2,044,633</b>	<b>\$2,033,990</b>	<b>(\$10,643)</b>

See accompanying notes to the general purpose financial statements



**Statement of Revenues,  
Expenses and Changes in Fund Equity  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 1999**

	Proprietary Fund Type
	Enterprise
<u>Operating Revenues:</u>	
Sales	\$200,682
Total Operating Revenues	200,682
<u>Operating Expenses:</u>	
Salaries	216,625
Fringe Benefits	85,489
Purchased Services	16,196
Materials and Supplies	25,276
Cost of Sales	243,946
Depreciation	2,396
Total Operating Expenses	589,928
Operating Loss	(389,246)
<u>Non-Operating Revenues:</u>	
Federal Donated Commodities	36,288
Federal and State Subsidies	310,436
Total Non-Operating Revenues	346,724
Net Loss	(42,522)
Deficit at Beginning of Year- Restated (Note 3)	(43,095)
Deficit at End of Year	(85,617)
Contributed Capital at Beginning and End of Year	165,725
Total Fund Equity at End of Year	\$80,108

See accompanying notes to the general purpose financial statements

**Statement of Revenues, Expenses and  
Changes in Fund Equity - Budget and Actual (Budget Basis)  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 1999**

	Enterprise Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Sales	\$200,682	\$200,682	\$0
Operating Grants	277,955	277,955	0
Charges for Services	0	0	0
Interest	0	0	0
Total Revenues	<u>478,637</u>	<u>478,637</u>	<u>0</u>
<u>Expenses</u>			
Salaries	198,871	198,871	0
Fringe Benefits	74,917	74,917	0
Purchased Services	12,980	12,980	0
Materials and Supplies	303,990	303,990	0
Other Expenses	0	0	0
Total Operating Expenses	<u>590,758</u>	<u>590,758</u>	<u>0</u>
Excess of Revenues Over (Under) Expenses Before Transfers	(112,121)	(112,121)	0
Operating Transfers In	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Operating Transfers Over (Under) Expenses	(112,121)	(112,121)	0
Fund Equity at Beginning of Year	145,888	145,888	0
Prior Year Encumbrances Appropriated	<u>2,056</u>	<u>2,056</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$35,823</u></u>	<u><u>\$35,823</u></u>	<u><u>\$0</u></u>

See accompanying notes to the general purpose financial statements

Internal Service Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$200,682	\$200,682	\$0
0	0	0	277,955	277,955	0
704,428	704,428	0	704,428	704,428	0
168	168	0	0	0	0
704,596	704,596	0	1,183,065	1,183,065	0
0	0	0	198,871	198,871	0
0	0	0	74,917	74,917	0
0	0	0	12,980	12,980	0
0	0	0	303,990	303,990	0
677,384	677,384	0	677,384	677,384	0
677,384	677,384	0	1,268,142	1,268,142	0
27,212	27,212	0	(85,077)	(85,077)	0
16,000	16,000	0	16,000	16,000	0
43,212	43,212	0	(68,909)	(68,909)	0
95,012	95,012	0	240,900	240,900	0
661	661	0	2,717	2,717	0
\$138,885	\$138,885	\$0	\$174,708	\$174,708	\$0

**This Page Intentionally Left blank**

**Statement of Cash Flows  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 1999**

---

	Proprietary Fund Type
	Enterprise
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$200,682
Cash Payments to Suppliers for Goods and Services	(247,187)
Cash Payments for Employee Services and Benefits	<u>(273,788)</u>
Net Cash Used for Operating Activities	<u>(320,293)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	<u>277,955</u>
Net Cash Provided by Noncapital Financing Activities	<u>277,955</u>
<u>Cash Flows from Investing Activities:</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	(42,338)
Cash and Cash Equivalents at Beginning of Year	<u>147,945</u>
Cash and Cash Equivalents at End of Year	<u><u>\$105,607</u></u>
<u>Reconciliation of Operating Income(Loss) to Net Cash Provided by (Used for) Operating Activities:</u>	
Operating Loss	<u>(\$389,246)</u>
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>	
Depreciation	2,396
Donated Commodities Used During Year	36,288
Changes in Assets and Liabilities:	
Increase in Inventory Held for Resale	(698)
Increase in Materials and Supplies Inventory	(655)
Increase in Accounts Payable	3,296
Increase in Accrued Wages and Benefits Payable	16,630
Increase in Compensated Absences Payable	1,124
Increase in Intergovernmental Payable	3,876
Increase in Due to Other Funds	<u>6,696</u>
Total Adjustments	<u>68,953</u>
Net Cash Used for Operating Activities	<u><u>(\$320,293)</u></u>

See accompanying notes to the general purpose financial statements

**This Page Intentionally Left Blank**

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

---

---

**Note 1 - Description of the School District and Reporting Entity**

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. This Board of Education controls the School District's five instructional/support facilities staffed by 80 classified employees, 133 certificated full-time teaching personnel and 8 administrators who provide services to 2,003 students.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For 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 for the organization. The School District has no component units.

The School District is associated with four organizations, two of which are defined as jointly governed organizations, one as an insurance purchasing pool, and one as a claims servicing pool. These organizations are South Central Ohio Computer Association, Lawrence County Joint Vocational School, the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Ross County School Employees Insurance Consortium. These organizations are presented in Note 10 to the general purpose financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

---

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

**Governmental Fund Types** Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

**Special Revenue Funds** Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Funds** Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Capital Projects Funds** Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**Proprietary Fund Type** Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

**Enterprise Fund** The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Fiduciary Fund Types** Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's fiduciary funds include agency funds. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.



**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

---

---

**Account Groups** To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group** This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

**General Long-Term Obligations Account Group** This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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 the governmental funds.

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

---

---

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**Tax Budget** Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Lawrence County Budget Commission for rate determination.

**Estimated Resources** By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999. At June 30, 1999, an amended certificate was issued which equaled actual revenue.

**Appropriations** Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

---

---

**Encumbrances** As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**Lapsing of Appropriations** At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. 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. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During fiscal year 1999, investments were limited to certificates of deposit and overnight repurchase agreements. These nonparticipating investment contracts are reported at cost.

The School District has segregated bank accounts for monies held separate from the School District's central bank account. These interest bearing depository accounts are presented in the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District treasury.

The School District utilized financial institutions to service bonded debt as principal and interest payments come due. The balances in these accounts are presented on the combined balance sheet as "cash and cash equivalents with fiscal and escrow agents" and represent deposits.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$137,553, which includes \$105,820 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. During the fiscal year, the School District had no investments that met these criteria.

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

---

---

**E. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food and purchased food and are expended when used.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three hundred dollars. The School District does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of five to twenty years.

**H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

The School District currently participates in several State and federal programs, categorized as follows:

**Entitlements**

**General Fund**

State Foundation Program  
School Bus Purchase

**Special Revenue Funds**

Disadvantaged Pupil Impact Aid

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

---

---

**Non-Reimbursable Grants**

**Special Revenue Funds**

Title VI-B

Title I

Title VI

Educational Management Information System

Professional Development

Disadvantaged Pupil Program

Excellence in Education

Gifted Education

School Building Incentive

Drug Free Schools

Goals 2000

Raising the Bar

School Improvement Model

South Central Regional Training Center

Textbook Subsidy

**Capital Projects Funds**

School Net Plus

Technology Equity

Emergency Repair Grant

**Reimbursable Grants**

**General Fund**

Driver Education Reimbursement

Captain Planet Grant

**Proprietary Funds**

National School Breakfast Program

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to seventy-seven percent of governmental fund revenue during the 1999 fiscal year.

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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 payments 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 after 15 years of service.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

---

---

**J. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. In general, amounts paid after sixty days are considered not to have been paid with current available financial resources. Bonds and capital leases are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**K. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. Transfers in do not equal transfers out because the School District's internal service fund is not presented due to a lack of accurate information.

**L. Fund Balance Reserves**

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

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

**M. Contributed Capital**

Contributed capital represents resources from other funds, other governments and private sources provided to the enterprise funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

**N. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the purchase of textbooks and to create a reserve for budget stabilization. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

---

**O. Estimates**

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

**P. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Note 3 - Prior Period Restatements**

At June 30, 1998, interfund receivables and payables were not reflected in the General Fund, Title VI-B Special Revenue Fund or the SchoolNet Capital Projects Fund. Also, long-term compensated absences were not properly reflected in the Food Service Enterprise Fund and the General Long-Term Obligations Account Group.

For fiscal year ended June 30, 1998, the effect of the understatement of interfund receivables, interfund payables and intergovernmental payable, and the overstatement of compensated absences payable had the following effect on the excess of revenues and other financing sources over (under) expenditures and other uses/net income as previously reported for the year ended June 30, 1998, is as follows:

	General	Special Revenue	Capital Projects
Excess as previously reported	(\$15,385)	\$141,038	(\$18,414)
Understatement of Interfund Receivable	56,029	0	0
Understatement of Interfund Payable	0	(6,529)	(49,500)
Restated Excess for the Year Ended June 30, 1998	\$40,644	\$134,509	(\$67,914)

	Enterprise
Net Income as previously reported	\$40,841
Overstatement of Compensated Absences Payable	6,715
Understatement of Intergovernmental Payable	0
Restated Net Income as of June 30, 1998	\$47,556

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

---

For fiscal year ended June 30, 1998, the effect of the understatement of interfund receivables, interfund payables and the overstatement of compensated absences payable had the following effect on fund balance (deficits)/ retained earnings at June 30, 1998:

	General	Special Revenue	Capital Projects
Balances as previously reported	(\$811,976)	\$322,844	\$891,345
Understatement of Interfund Receivable	56,029	0	0
Understatement of Interfund Payable	0	(6,529)	(49,500)
Restated Balances as of July 1, 1998	(\$755,947)	\$316,315	\$841,845

	Enterprise
Deficit Retained Earnings as previously reported	(\$49,810)
Overstatement of Compensated Absences Payable	6,715
Overstatement of Claims Payable	0
Restated Balance as of July 1, 1998	(\$43,095)

For fiscal year 1999, because the School District does not have accurate financial information for the self-insurance program in the internal service fund, the June 30, 1998 retained earnings balance has been reduced for amounts retained by the third party administrator, and the fiscal year program activity has not been reported.

The General Long-Term Obligations Account Group decreased \$116,822, from \$3,885,501 to \$3,768,679 as of June 30, 1998 due to an overstatement of Compensated Absences Payable.



**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

---

**Note 4 - Accountability and Compliance**

**A. Fund Deficits**

The following funds had deficit fund balances/retained earnings at June 30, 1999:

	Deficit Fund Balances/ Retained Earnings
General Fund	\$286,207
Special Revenue Funds:	
Disadvantaged Pupil Impact Aid	142,981
Title I	79,476
Capital Projects Funds:	
Emergency Repair Grant	13,206
Technology Equity	235
Enterprise Fund:	
Food Service	85,617

The deficits in the General Fund and the special revenue and capital project funds resulted from application of generally accepted accounting principles. The General Fund is liable for any deficit in the special revenue and capital projects funds and provides operating transfers when cash is required, not when accruals occur. The deficit in the Food Service Enterprise Fund is the result of accumulated losses. The School District is analyzing the enterprise fund operations to determine appropriate steps to alleviate the deficit.

**B. Legal Compliance**

The following accounts had expenditures plus encumbrances in excess of appropriations:

	Excess
<u>General Fund:</u>	
Regular Instruction	
Purchased Services	\$10,012
Support Services:	
Pupils	
Materials and Supplies	626
Operation and Maintenance of Plant	
Materials and Supplies	132
Pupil Transportation	
Materials and Supplies	1,961

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

---

**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis)-All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis)-All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$454,495	(\$293,432)	(\$195,222)	(\$624,633)
Revenue Accruals	(170,835)	36,971	1,170	0
Prepaid Items	(10,971)	0	0	0
Advance In	56,029	0	0	0
Expenditure Accruals	52,782	165,361	0	5,826
Advance Out	0	(6,529)	0	(49,500)
Encumbrances	(316,941)	(105,084)	0	(196,441)
Budget Basis	\$64,559	(\$202,713)	(\$194,052)	(\$864,748)

Net Loss/Excess of Revenues Under Expenses  
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$42,522)
Revenue Accruals	(68,769)
Expense Accruals	66,558
Depreciation Expense	2,396
Encumbrances	(69,784)
Budget Basis	(\$112,121)

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

---

---

**Note 6 - Deposits and Investments**

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two 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 accounts, including passbook accounts.

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

---

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

*Deposits* At fiscal year end, the carrying amount of the School District's deposits was \$1,831,069 and the bank balance was \$1,942,407. Of the bank balance:

- A. \$210,566 was covered by federal depository insurance; and
- B. \$1,731,841 was uninsured and uncollateralized. Although all statutory requirements for the deposit of the money had been followed, non compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

*Investments* The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$1,108,199	\$1,108,199	\$1,108,199

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

---

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$2,939,268	\$0
Repurchase Agreements	(1,108,199)	1,108,199
GASB Statement 3	<u>\$1,831,069</u>	<u>\$1,108,199</u>

**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, and tangible personal (used in a business) property located in the School District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years.

Real and public utility property taxes are payable annually and 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 at June 20, unless extended. Under certain circumstances, State statute permits earlier or later payment dates to be established. Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the rates determined in the preceding year.

Tangible personal property used in business (except public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility taxes are payable on the same dates as real property taxes described previously.

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

The assessed values upon which the fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$85,104,700	78%	\$112,224,730	83%
Public Utility Personal	11,855,370	10	12,738,730	8
Tangible Personal Property	12,670,140	12	10,883,300	9
<b>Total</b>	<b>\$109,630,210</b>	<b>100%</b>	<b>\$135,846,760</b>	<b>100%</b>
Tax rate per \$1,000 of assessed valuation	\$20.90		\$20.90	

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, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$224,448 and is recognized as revenue. \$218,977 was available to the General Fund and \$5,471 was available to the Debt Service Fund.

**Note 8 - Receivables**

Receivables at June 30, 1999, consisted of taxes, accounts (rent and tuition) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
General Fund:	
Community Alternative Funding System	\$4,999
Enterprise Fund:	
Food Service Reimbursements	32,481
Total Intergovernmental Receivables	<u>\$37,480</u>

**Note 9 - Fixed Assets**

A summary of the enterprise fund's fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$202,313
Less: accumulated depreciation	(182,954)
Net Fixed Assets	<u>\$19,359</u>

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	Balance 6/30/98	Additions	Deductions	Balance 6/30/99
Land and Improvements	\$163,277	\$0	\$0	\$163,277
Buildings and Improvements	11,913,224	0	0	11,913,224
Furniture, Fixtures and Equipment	2,659,571	142,680	4,975	2,797,276
Vehicles	1,008,857	0	0	1,008,857
Textbooks	149,226	61,332	25,769	184,789
<b>Total General Fixed Assets</b>	<b>\$15,894,155</b>	<b>\$204,012</b>	<b>\$30,744</b>	<b>\$16,067,423</b>

**Note 10 - Jointly Governed Organizations and Insurance Purchasing Pool**

**A. Jointly Governed Organizations**

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

South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. All revenues are generated from an annual fee of \$2.00 per student to participating districts and State funding. South Point Local School District paid \$13,310 for services provided during fiscal year 1999. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

**B. Insurance Purchasing Pool**

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

**C. Claims Servicing Pool**

The School District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool consisting of fourteen school districts within Ross County and its surrounding area. The Consortium offers medical/surgical, dental and vision claims servicing through a third party administrator, Professional Risk Management Co. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating school district pays an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the Union Scioto Local School District at 1432 Egypt Pike, Chillicothe, Ohio 45601.

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

---

**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 1999, the School District contracted with Nationwide Insurance Company for property, general liability, and boiler and machinery insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy.

Professional liability is protected by Nationwide Insurance Company with a \$1,000,000 single occurrence limit and a \$5,000,000 aggregate and no deductible. The School District is also covered by an additional umbrella liability coverage with Grange Insurance Company. Vehicles are covered by Nationwide Insurance and hold a \$250 deductible for comprehensive and collision. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded commercial coverage in any of the past five years. There has been no significant reductions in insurance coverage from last year.

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 10). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical, dental and vision insurance is offered to employees through a self-insurance program. Accurate financial information is not currently available for this program and is not included in the financial statements.

**Note 12 - Defined Benefit Pension Plans**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$109,461, \$230,418 and \$185,459, respectively; 34.12 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$72,115 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.



**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

---

---

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$314,829, \$840,636 and \$800,882, respectively; 79.66 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$64,023 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 13 - Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$419,773 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

---

---

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$112,509.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**Note 14 - Other Employee Benefits**

**Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators, who are not on a twelve month contract, do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit to the amount of sick leave that may be accumulated. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 55 days.

**Note 15 - Capitalized Leases - Lessee Disclosure**

During fiscal year 1999, the School District entered into seven new capital leases. In prior years, the School District had entered into no capital leases.

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$54,090, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group.

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	
2000	\$20,039
2001	20,039
2002	5,493
Total minimum lease payments	45,571
Less: amount representing interest	(4,053)
Present value of minimum lease payments	\$41,518

**Note 16 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 1999, were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
Capital Leases	\$0	\$54,090	\$12,572	\$41,518
General Obligation Bonds:				
School Improvement Bonds 1982 11.125%	1,330,000	0	190,000	1,140,000
Compensated Absences	2,322,871	181,887	337,354	2,167,404
Pension Obligations	115,808	93,522	115,808	93,522
Total General Long-Term Obligations	\$3,768,679	\$329,499	\$655,734	\$3,442,444

The capital lease obligation will be paid from the General Fund. School improvement bonds were issued in the amount of \$4,000,000 for the construction and renovation of school buildings and will be paid from the debt service fund. Compensated absences and pension obligations will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$12,226,208, with an unvoted debt margin of \$135,847 at June 30, 1999. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 1999, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$190,000	\$126,825	\$316,825
2001	190,000	105,688	295,688
2002	190,000	84,550	274,550
2003	190,000	63,413	253,413
2004	190,000	42,275	232,275
2005	190,000	21,138	216,694
	\$1,140,000	\$443,888	\$1,589,444

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

---

---

**Note 17- Year 2000**

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999.

The South Point Local School District is completing an inventory of computer and other equipment necessary to conduct School District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting. The School District has five school buildings with power, heating and air conditioning systems which have extensive efficiency utilization measures within the systems.

The School District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and payroll and employee benefits. The State is responsible for remediating this system.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. The State is responsible for remediating these systems.

The School District currently is assessing the changes needed in the power, heating and air conditioning systems. Systems may have to be remediated, and tested and validated.

In the continuing effort to assess all computer equipment, other areas may be found (clock systems, fire alarm systems, vocational equipment, etc.) and, if so, changes will be made in those systems. We anticipate that all costs will be handled through departmental or building appropriations.

Because of the unprecedented nature of the Year 2000 issue, its effects and the successes of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the School District will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be Year 2000 ready.

**Note 18 - Contractual Commitments**

The School District has entered into contracts for the design and construction of renovations to existing buildings in the School District. Outstanding construction commitments at June 30, 1999, in the Permanent Improvement Capital Projects Fund are as follows:

Project	Contract Amount	Amount Expended	Balance at 6/30/99
Triad Architect	\$28,000	\$19,920	\$8,080
LMC Construction	376,703	288,298	88,405
Geiger Brothers	181,000	85,000	96,000
JMK Electric	30,000	27,250	2,750

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

---

---

**Note 19 - School Funding Court Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$6,019,487 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**Note 20 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

**B. Litigation**

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

**Note 21 - Set-Aside Calculations and Fund Reserves**

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

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**

---

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$65,584	\$65,584
Current Year Set-aside Requirement	136,276	136,276	68,138	340,690
Current Year Offsets	0	0	0	0
Qualifying Disbursements	<u>(51,246)</u>	<u>(136,276)</u>	<u>0</u>	<u>(187,522)</u>
Cash Balance Carried Forward to Fiscal Year 2000	<u>\$85,030</u>	<u>\$0</u>	<u>\$133,722</u>	<u>\$218,752</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<u>Agency/Program/Grant</u>	<u>Pass Through Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non- Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
<b><u>U.S. Department of Agriculture</u></b>						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program		10.550	\$ 0	\$34,364	\$ 0	\$36,289
School Breakfast Program	05-PU-98/99	10.553	68,940	0	68,940	0
National School Lunch Program	03-PU-98/99	10.555	32,375		32,375	0
	04-PU-98/99		<u>154,987</u>		<u>154,987</u>	<u>0</u>
Total National School Lunch			<u>187,262</u>		<u>187,262</u>	<u>0</u>
Total U.S. Department of Agriculture Nutrition Cluster			256,202	34,364	256,202	36,289
<b><u>U.S. Department of Education</u></b>						
Passed through State Department of Education:						
Educationally Deprived Children - Local Educational Agencies Title I	C1-S1-98/99	84.010	572,800	0	600,137	0
Handicapped - State Grants (Part B, Education of the Handicapped Act)	6B-SF-99P	84.027	150,899	0	109,173	0
Drug Free Schools and Communities Grant	DR-S1-99	84.186	11,255	0	14,637	0
Eisenhower Professional Development Grant	MS-S1-99	84.281	14,905	0	10,436	0
Innovative Education Program Strategy Title VI	C2-S1-99	84.298	12,331	0	22,440	0
Tech Literacy Challenge Fund	TF-23-98	84.318	<u>162,500</u>	<u>0</u>	<u>266,154</u>	<u>0</u>
Total U.S. Department of Education			<u>924,690</u>	<u>0</u>	<u>1,022,977</u>	<u>0</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$1,180,892</u></b>	<b><u>\$34,364</u></b>	<b><u>\$1,279,179</u></b>	<b><u>\$36,269</u></b>

*The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this schedule.*

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Note A - Significant Accounting Policies

The accompanying Schedule of Federal Awards Receipts and Expenditures summarizes activity of the School Districts's federal award programs. The Schedule has been prepared on the cash basis of accounting.

Note B - Food Distribution

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 199 the School District had no significant food commodities in inventory.





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street  
Athens Mall, Suite B  
Athens, Ohio 45701

Telephone 740-594-3300  
800-441-1389

Facsimile 740-594-2110

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL  
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

South Point Local School District  
Lawrence County  
203 Park Avenue  
South Point, Ohio 45680

To the Board of Education:

We have audited the accompanying general purpose financial statements of South Point Local School District, as of and for the year ended June 30, 1999, and have issued our report thereon dated January 11, 2000, in which we noted that the financial statements for the Internal Service Fund were not fairly presented. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether South Point Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely effect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-10744-001

A material weakness is a condition in which the design or operation of one of more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned function. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition described above is a material weakness.

South Point Local School District  
Pike County  
Report of Independent Accountants on Compliance and on Internal Control  
as Required by *Government Auditing Standards*  
Page 2

This report is intended for the information of management, the Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**JIM PETRO**  
Auditor of State

January 11, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street  
Athens Mall, Suite B  
Athens, Ohio 45701  
Telephone 740-594-3300  
800-441-1389  
Facsimile 740-594-2110

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

South Point Local School District  
Lawrence County  
203 Park Avenue  
South Point, Ohio 45680

To the Board of Education:

**Compliance**

We have audited the compliance of South Point Local School District, Lawrence County, (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 1999. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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. 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. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, South Point Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 1999.

**Internal Control Over Compliance**

The management of South Point Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

This report is intended for the information of the Board of Education, management, and federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**JIM PETRO**  
Auditor of State

January 11, 2000

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<b>1. SUMMARY OF AUDITOR RESULTS</b>
--------------------------------------

(D)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weakness conditions reported at financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list)	Title VI-B Nutrition Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

<b>2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

Finding Number	1999-10744-001
----------------	----------------

The School District uses a third-party administrator (TPA) to process health insurance claims. This administrator is responsible for reviewing, approving and paying claims in accord with the School District's health insurance policy. This TPA is also responsible for providing accounting information to the School District regarding this activity, including information on cash balances.

The School District pays cash to Westfall Local Schools, which acts as fiscal agent for all the districts participating in this program. It was discovered that asset information provided by the TPA did not reconcile to cash balances held by the fiscal agent. The effect is material to the Self-Insurance Internal Service Fund. The TPA and the fiscal agent are currently addressing this problem, but as of January 11, 2000, have been unable to reconcile the accounts.

We recommend that the School District continue to monitor the efforts of the TPA to reconcile the accounts.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

The audit of South Point Local School District, Lawrence County, for the year ended June 30, 1999, contained no findings for federal awards.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**SOUTH POINT LOCAL SCHOOL DISTRICT**

**LAWRENCE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 1, 2000**