



**Auditor of State
Betty Montgomery**

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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 the South Point Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2002, as listed in the table of contents. 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.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the South Point Local School District, Lawrence County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2003, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for 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. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 17, 2003

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SOUTH POINT LOCAL SCHOOL DISTRICT

Combined Balance Sheet

All Fund Types And Account Groups

June 30, 2002

	<u>GOVERNMENTAL FUND TYPES</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,360,458	\$778,310	\$652,388	\$321,046
Cash and Cash Equivalents with Fiscal Agents	0	0	10,431	0
Receivables:				
Taxes	3,296,119	0	68,675	0
Intergovernmental	0	343,860	0	20,693
Due from Other Funds	46,066	0	0	0
Interfund	186,729	0	0	0
Inventory Held for Resale	0	0	0	0
Prepaid Items	5,641	0	0	0
Materials and Supplies Inventory	17,154	0	0	0
Restricted Assets:				
Equity in Pooled Cash And Cash Equivalents	846,632	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 for Retirement of General Obligation Debt	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0	0
Total Assets and Other Debits	<u>\$5,758,799</u>	<u>\$1,122,170</u>	<u>\$731,494</u>	<u>\$341,739</u>

See accompanying notes to the general purpose financial statements

<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$153,602	\$22,371	\$0	\$0	\$3,288,175
0	0	0	0	10,431
0	0	0	0	3,364,794
32,336	0	0	0	396,889
0	0	0	0	46,066
0	0	0	0	186,729
6,787	0	0	0	6,787
0	0	0	0	5,641
1,600	0	0	0	18,754
0	0	0	0	846,632
26,298	0	16,580,817	0	16,607,115
0	0	0	654,530	654,530
0	0	0	2,303,412	2,303,412
<u>\$220,623</u>	<u>\$22,371</u>	<u>\$16,580,817</u>	<u>\$2,957,942</u>	<u>\$27,735,955</u>

(Continued)

SOUTH POINT LOCAL SCHOOL DISTRICT

Combined Balance Sheet

All Fund Types And Account Groups

June 30, 2002

	GOVERNMENTAL FUND TYPES			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Liabilities, Fund Equity and Other Credits</u>				
<u>Liabilities:</u>				
Accounts Payable	\$38,644	\$8,617	\$0	\$7,000
Contracts Payable	0	0	0	33,180
Accrued Wages and Benefits Payable	887,227	223,875	0	0
Compensated Absences Payable	168,043	0	0	0
Due to Other Funds	0	46,066	0	0
Interfund Payable	0	186,729	0	0
Intergovernmental Payable	212,613	41,956	0	0
Deferred Revenue	3,210,075	343,860	66,533	20,693
Due to Students	0	0	0	0
Matured Bonds Payable	0	0	10,000	0
Matured Interest Payable	0	0	431	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>4,516,602</u>	<u>851,103</u>	<u>76,964</u>	<u>60,873</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	398,353	122,653	0	57,580
Reserved for Inventory	17,154	0	0	0
Reserved for Capital Improvements	460,123	0	0	0
Reserved for Textbooks	386,509	0	0	0
Reserved for Property Taxes	86,044	0	2,142	0
Reserved for Budget Stabilization	67,581	0	0	0
Unreserved, Undesignated (Deficit)	<u>(173,567)</u>	<u>148,414</u>	<u>652,388</u>	<u>223,286</u>
Total Fund Equity (Deficit) and Other Credits	<u>1,242,197</u>	<u>271,067</u>	<u>654,530</u>	<u>280,866</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$5,758,799</u>	<u>\$1,122,170</u>	<u>\$731,494</u>	<u>\$341,739</u>

See accompanying notes to the general purpose financial statements

<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$2,487	\$0	\$0	\$0	\$56,748
0	0	0	0	33,180
21,338	0	0	0	1,132,440
5,436	0	0	1,648,643	1,822,122
0	0	0	0	46,066
0	0	0	0	186,729
17,903	0	0	720,287	992,759
0	0	0	0	3,641,161
0	22,371	0	0	22,371
0	0	0	0	10,000
0	0	0	0	431
0	0	0	9,012	9,012
0	0	0	580,000	580,000
47,164	22,371	0	2,957,942	8,533,019
0	0	16,580,817	0	16,580,817
165,725	0	0	0	165,725
7,734	0	0	0	7,734
0	0	0	0	578,586
0	0	0	0	17,154
0	0	0	0	460,123
0	0	0	0	386,509
0	0	0	0	88,186
0	0	0	0	67,581
0	0	0	0	850,521
173,459	0	16,580,817	0	19,202,936
<u>\$220,623</u>	<u>\$22,371</u>	<u>\$16,580,817</u>	<u>\$2,957,942</u>	<u>\$27,735,955</u>

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SOUTH POINT LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2002

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<u>Revenues:</u>					
Property Taxes	\$2,465,930	\$0	\$60,396	\$0	\$2,526,326
Intergovernmental	8,075,852	1,858,246	8,132	125,266	10,067,496
Interest	61,167	0	0	0	61,167
Tuition and Fees	36,718	0	0	0	36,718
Rent	45	0	0	0	45
Extracurricular Activities	0	98,693	0	0	98,693
Miscellaneous	119,924	90	0	0	120,014
<i>Total Revenues</i>	<u>10,759,636</u>	<u>1,957,029</u>	<u>68,528</u>	<u>125,266</u>	<u>12,910,459</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	4,569,417	1,032,350	0	14,214	5,615,981
Special	866,308	650,896	0	0	1,517,204
Vocational	0	720	0	0	720
Other	69,019	17,817	0	0	86,836
Support Services:					
Pupils	316,993	65,837	0	0	382,830
Instructional Staff	369,896	113,663	0	0	483,559
Board of Education	59,762	0	0	851	60,613
Administration	1,229,066	64,505	0	0	1,293,571
Fiscal	272,346	5,731	930	0	279,007
Operation and Maintenance of Plant	894,636	2,034	0	0	896,670
Pupil Transportation	486,958	234	0	0	487,192
Central	260,868	0	0	6,071	266,939
Non-Instructional Services	0	30			
Extracurricular Activities	130,808	70,762	0	0	201,570
Capital Outlay	0	0	0	33,180	33,180
Debt Service:					
Principal Retirement	209,529	0	190,000	0	399,529
Interest and Fiscal Charges	529	0	75,094	0	75,623
<i>Total Expenditures</i>	<u>9,736,135</u>	<u>2,024,579</u>	<u>266,024</u>	<u>54,316</u>	<u>12,081,024</u>
Excess of Revenues Over/(Under) Expenditures	<u>1,023,501</u>	<u>(67,550)</u>	<u>(197,496)</u>	<u>70,950</u>	<u>829,435</u>
<u>Other Financing Sources (Uses):</u>					
Other Financing Uses	(19,845)	(2,296)	(201)	0	(22,342)
Operating Transfers In	65,926	3,318	0	0	69,244
Operating Transfers Out	(168,851)	0	0	(65,926)	(234,777)
<i>Total Other Financing Sources (Uses)</i>	<u>(122,770)</u>	<u>1,022</u>	<u>(201)</u>	<u>(65,926)</u>	<u>(187,875)</u>
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	900,731	(66,528)	(197,697)	5,024	641,560
Fund Balances at Beginning of Year	340,668	337,595	852,227	275,842	1,806,332
Increase (Decrease) in Reserve for Inventory	798	0	0	0	798
Fund Balances at End of Year	<u>\$1,242,197</u>	<u>\$271,067</u>	<u>\$654,530</u>	<u>\$280,866</u>	<u>\$2,448,690</u>

See accompanying notes to the general purpose financial statements

SOUTH POINT LOCAL SCHOOL DISTRICT
 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, 2002

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$2,478,766	\$2,504,044	\$25,278	\$0	\$0	\$0
Intergovernmental	7,766,675	8,084,752	318,077	1,989,011	2,061,977	72,966
Interest	77,977	96,477	18,500	0	0	0
Tuition and Fees	36,718	36,718	0	0	0	0
Rent	45	45	0	0	0	0
Extracurricular Activities	0	0	0	97,609	98,693	1,084
Miscellaneous	115,531	119,031	3,500	0	0	0
<i>Total Revenues</i>	<u>10,475,712</u>	<u>10,841,067</u>	<u>365,355</u>	<u>2,086,620</u>	<u>2,160,670</u>	<u>74,050</u>
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	4,534,910	4,534,910	0	1,045,685	1,045,685	0
Special	854,047	854,047	0	677,899	677,899	0
Vocational	7,080	7,080	0	0	0	0
Other	119,173	129,836	(10,663)	0	0	0
Support Services:						
Pupils	324,927	324,927	0	135,409	135,409	0
Instructional Staff	396,654	396,654	0	118,356	118,356	0
Board of Education	59,554	59,554	0	0	0	0
Administration	1,563,278	1,563,278	0	70,611	70,611	0
Fiscal	291,440	291,440	0	7,271	7,271	0
Operation and Maintenance of Plant	967,509	967,509	0	2,034	2,034	0
Pupil Transportation	585,915	585,915	0	145	145	0
Central	267,945	267,945	0	0	0	0
Non-Instructional Services	0	0	0	30	30	0
Extracurricular Activities	131,365	131,365	0	89,261	89,261	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<i>Total Expenditures</i>	<u>10,103,797</u>	<u>10,114,460</u>	<u>(10,663)</u>	<u>2,146,701</u>	<u>2,146,701</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>371,915</u>	<u>726,607</u>	<u>(354,692)</u>	<u>(60,081)</u>	<u>13,969</u>	<u>74,050</u>
<u>Other Financing Sources (Uses):</u>						
Other Financing Uses	0	(19,845)	(19,845)	0	(2,296)	(2,296)
Refund of Prior Year Expenditures	894	894	0	90	90	0
Operating Transfers In	0	65,926	65,926	0	3,318	3,318
Advances In	0	0	0	0	183,558	183,558
Operating Transfers Out	(141,343)	(170,363)	(29,020)	0	0	0
Advances Out	(183,558)	(183,558)	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(324,007)</u>	<u>(306,946)</u>	<u>17,061</u>	<u>90</u>	<u>184,670</u>	<u>184,580</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	47,908	419,661	371,753	(59,991)	198,639	258,630
Fund Balances at Beginning of Year	1,125,695	1,125,695	0	369,533	369,533	0
Prior Year Encumbrances Appropriated	298,635	298,635	0	37,086	37,086	0
Fund Balances/(Deficits) at End of Year	<u>\$1,472,238</u>	<u>\$1,843,991</u>	<u>\$371,753</u>	<u>\$346,628</u>	<u>\$605,258</u>	<u>\$258,630</u>

See accompanying notes to the general purpose financial statements

<i>DEBT SERVICE FUND</i>			<i>CAPITAL PROJECTS FUNDS</i>			<i>TOTALS (MEMORANDUM ONLY)</i>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$61,334	\$61,334	\$0	\$0	\$0	\$0	\$2,540,100	\$2,565,378	\$25,278
0	8,132	8,132	139,052	136,110	(2,942)	9,894,738	10,290,971	396,233
0	0	0	0	0	0	77,977	96,477	18,500
0	0	0	0	0	0	36,718	36,718	0
0	0	0	0	0	0	45	45	0
0	0	0	0	0	0	97,609	98,693	1,084
0	0	0	0	0	0	115,531	119,031	3,500
<u>61,334</u>	<u>69,466</u>	<u>8,132</u>	<u>139,052</u>	<u>136,110</u>	<u>(2,942)</u>	<u>12,762,718</u>	<u>13,207,313</u>	<u>444,595</u>
0	0	0	36,679	36,679	0	5,617,274	5,617,274	0
0	0	0	0	0	0	1,531,946	1,531,946	0
0	0	0	0	0	0	7,080	7,080	0
0	0	0	0	0	0	119,173	129,836	(10,663)
0	0	0	0	0	0	460,336	460,336	0
0	0	0	0	0	0	515,010	515,010	0
0	0	0	851	851	0	60,405	60,405	0
0	0	0	3,760	3,760	0	1,637,649	1,637,649	0
930	930	0	0	0	0	299,641	299,641	0
0	0	0	0	0	0	969,543	969,543	0
0	0	0	0	0	0	586,060	586,060	0
0	0	0	11,199	11,199	0	279,144	279,144	0
0	0	0	0	0	0	30	30	0
0	0	0	0	0	0	220,626	220,626	0
0	0	0	57,580	57,580	0	57,580	57,580	0
190,000	190,000	0	0	0	0	190,000	190,000	0
75,094	75,094	0	0	0	0	75,094	75,094	0
<u>266,024</u>	<u>266,024</u>	<u>0</u>	<u>110,069</u>	<u>110,069</u>	<u>0</u>	<u>12,626,591</u>	<u>12,637,254</u>	<u>(10,663)</u>
<u>(204,690)</u>	<u>(196,558)</u>	<u>8,132</u>	<u>28,983</u>	<u>26,041</u>	<u>(2,942)</u>	<u>136,127</u>	<u>570,059</u>	<u>(433,932)</u>
0	(201)	(201)	0	0	0	0	(22,342)	(22,342)
0	0	0	0	0	0	984	984	0
0	0	0	0	0	0	0	69,244	69,244
0	0	0	0	0	0	0	183,558	183,558
0	0	0	0	(65,926)	(65,926)	(141,343)	(236,289)	(94,946)
0	0	0	0	0	0	(183,558)	(183,558)	0
<u>0</u>	<u>(201)</u>	<u>(201)</u>	<u>0</u>	<u>(65,926)</u>	<u>(65,926)</u>	<u>(323,917)</u>	<u>(188,403)</u>	<u>135,514</u>
(204,690)	(196,759)	(7,931)	28,983	(39,885)	(68,868)	(187,790)	381,656	569,446
849,147	849,147	0	246,668	246,668	0	2,591,043	2,591,043	0
0	0	0	56,683	56,683	0	392,404	392,404	0
<u>\$644,457</u>	<u>\$652,388</u>	<u>\$7,931</u>	<u>\$332,334</u>	<u>\$263,466</u>	<u>(\$68,868)</u>	<u>\$2,795,657</u>	<u>\$3,365,103</u>	<u>\$569,446</u>

SOUTH POINT LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenses

and Changes in Fund Equity

Proprietary Fund Type

For the Fiscal Year Ended June 30, 2002

<u>Operating Revenues:</u>	<u>Enterprise</u>
Sales	\$203,185
Total Operating Revenues	<u>203,185</u>
<u>Operating Expenses:</u>	
Salaries	178,124
Fringe Benefits	95,429
Purchased Services	23,006
Materials and Supplies	33,608
Cost of Sales	265,302
Depreciation	<u>5,614</u>
Total Operating Expenses	<u>601,083</u>
Operating Loss	<u>(397,898)</u>
<u>Non-Operating Revenues(Expenses):</u>	
Federal Donated Commodities	37,258
Federal and State Subsidies	<u>337,961</u>
Total Non-Operating Revenues	<u>375,219</u>
Net Income Before Operating Transfers	(22,679)
Operating Transfers In	<u>165,533</u>
Net Income (Loss)	142,854
Retained Earnings (Deficit) at Beginning of Year	<u>(135,120)</u>
Retained Earnings (Deficit) at End of Year	7,734
Contributed Capital at Beginning and End of Year	<u>165,725</u>
Total Fund Equity at End of Year	<u><u>\$173,459</u></u>

See accompanying notes to the general purpose financial statements

SOUTH POINT LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes
in Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2002

	Enterprise		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Sales	\$200,416	\$203,185	\$2,769
<i>Total Revenues</i>	<u>200,416</u>	<u>203,185</u>	<u>2,769</u>
<u>Expenses:</u>			
Salaries	200,302	200,302	0
Fringe Benefits	109,381	109,381	0
Purchased Services	15,551	15,551	0
Materials and Supplies	307,907	307,907	0
Capital Outlay	14,906	14,906	0
<i>Total Expenses</i>	<u>648,047</u>	<u>648,047</u>	<u>0</u>
Operating Income (Loss)	(447,631)	(444,862)	2,769
<u>Other Non-Operating Revenues(Expenses):</u>			
Federal and State Subsidies	256,386	338,847	82,461
Excess of Revenues and Other Over (Under) Expenses and Other	(191,245)	(106,015)	85,230
Operating Transfers In	1,512	167,045	165,533
Excess of Revenues, Other and Transfers Over (Under) Expenses and Other	(189,733)	61,030	250,763
Fund Equity at Beginning of Year	11,108	11,108	0
Prior Year Encumbrances Appropriated	31,814	31,814	0
Fund Equity (Deficit) at End of Year	<u>(\$146,811)</u>	<u>\$103,952</u>	<u>\$250,763</u>

See accompanying notes to the general purpose financial statements

SOUTH POINT LOCAL SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Fund Type

For the Fiscal Year Ended June 30, 2002

	<u>Enterprise</u>
<i>Increase (Decrease) in Cash and Cash Equivalents:</i>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$203,185
Cash Payments to Suppliers for Goods and Services	(281,543)
Cash Payments for Employee Services and Benefits	<u>(304,933)</u>
Net Cash Used for Operating Activities	<u>(383,291)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	338,847
Transfers In	<u>167,045</u>
Net Cash Provided by Noncapital Financing Activities	<u>505,892</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	<u>(11,921)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	110,680
Cash and Cash Equivalents at Beginning of Year	<u>42,922</u>
Cash and Cash Equivalents at End of Year	<u><u>\$153,602</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:</u>	
Operating Income (Loss)	(\$397,898)
Depreciation	5,614
Donated Commodities Used During Year	37,258
Changes in Assets and Liabilities:	
Decrease in Prepaids	5,373
Decrease in Inventory Held for Resale	1,600
Decrease in Materials and Supplies Inventory	40
Increase in Accounts Payable	2,487
Decrease in Accrued Wages and Benefits Payable	(23,372)
Decrease in Compensated Absences Payable	(3,043)
Decrease in Deferred Revenue	(6,385)
Decrease in Intergovernmental Payable	<u>(4,965)</u>
Total Adjustments	<u>14,607</u>
Net Cash Used for Operating Activities	<u><u>(\$383,291)</u></u>

See accompanying notes to the general purpose financial statements

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

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 77 classified, 134 certificated full time teaching personnel and 11 administrators who provide services to 1,863 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 District participates in five organizations, three jointly governed organizations, one insurance purchasing pool, and one claims servicing pool. These organizations are the South Central Ohio Computer Association, Lawrence County Joint Vocational School, the Pilasco-Ross Special Education Regional Resource Center, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Lawrence County School Employees Insurance Purchasing Consortium. These organizations are presented in Notes 9 and 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 accounting principles generally accepted in the United States of America (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.

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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 expendable trust or 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 Types 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.

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis Of Presentation - Fund Accounting (continued)

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 only fiduciary funds are agency funds. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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.

The proprietary fund is 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 (i.e., revenues) and decreases (i.e., 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 the governmental and agency funds. The full accrual basis is followed for the proprietary fund.

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

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (continued)

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

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 fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Budgetary Data (continued)

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 2002.

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 must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level 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. 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. The Board has delegated to the Treasurer the authority to allocate appropriations to the function and object levels. 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. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year.

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.

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Budgetary Data (continued)

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.

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents" and represents matured bonds and interest payable.

During fiscal year 2002, investments were limited to certificates of deposit and repurchase agreements, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$61,167.

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 not purchased from the pool are reported as investments.

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 the proprietary fund consists 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, 2002, 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 is reported in the year in which services are consumed.

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

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 type is computed using the straight-line method over an estimated useful life of five to twenty years.

H. Short-term Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables/payables."

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 the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

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, notes, 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 fund.

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.

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 supplies and materials, property taxes, budget stabilization, textbooks and instructional materials, and capital improvements.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

M. Contributed Capital

Contributed capital represents resources from other funds provided to the enterprise fund 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.

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

N. 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.

O. 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 acquisition or construction of capital assets, purchase of textbooks and for budget stabilization. See Note 20 for additional information regarding set-asides.

P. Estimates

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

Note 3 - Accountability and Compliance

A. Accountability

At June 30, 2002, the High School that Works, Title VI, Title VI-B, Title I and Gifted Education Special Revenue fund had deficit fund balances of \$1,363, \$2,429, \$8,796, \$182,052, \$12, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The Title I fund also had a deficit on the cash basis which is the result of overspending available resources.

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 3 - Accountability and Compliance (Continued)

B. Ohio Revised Code Compliance

Ohio Revised Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. The following funds had appropriations in excess of estimated resources:

Fund	Amount
Special Revenue Funds:	
Gifted Education	\$3,318
Ohio Reads	63,536
Title VI	2,588
Title I	76,819
High Schools that Work	1,437
Enterprise Fund:	
Food Service	146,812

Ohio Revised Code Section 5705.41(B) states that no subdivision is to expend money unless it has been appropriated. The Board did not pass its annual appropriation measure until June 25, 2002. Therefore, all disbursements incurred prior to June 25, 2002 were in excess of appropriations.

Ohio Revised Code Section 5705.10 states that money paid into a fund must be used only for the purpose for which the fund has been established. Several funds had negative balances throughout the year; Gifted Education, High Schools that Work, Miscellaneous Federal Grant, Title VI, and Title I Special Revenue Funds and the Food Service Enterprise Fund.

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 3 - Accountability and Compliance (Continued)

B. Ohio Revised Code Compliance (Continued)

Ohio Revised Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. However, reserve balance accounts established pursuant to Ohio Rev. Code 5705.13 for the following, are required to be excluded from the amount of unencumbered balances: Budget Stabilization, Self-insurance programs, and Retrospective ratings plans for Worker' Compensation.

In addition, the principal of a nonexpendable trust fund and any addition to the principal arising from sources other than the reinvestment of investment earnings to the fund that has been established for receiving donations and/or contributions pursuant to Ohio Rev. Code 5705.131 must also be excluded from the amount of unencumbered balances that are certified.

The School District did not certify to the County Auditor the total amount from all sources which are available for expenditures from each fund.

Ohio Revised Code Section 5705.38 states that the Board of Education shall pass its annual appropriation measure by the first day of October. If a school district's annual appropriation measure is delayed (delays permitted by law), the Board may pass a temporary measure for meeting the ordinary expenses of the district until it passes an annual appropriation measure.

The Board did not pass its annual appropriation measure until June 25, 2002 for fiscal year ending June 30, 2002.

C. Federal Compliance

7 CFR Part 210.02 and 7 CFR 210.14 (a) states, all monies received by or accruing to the food service fund of any school district including, but not limited to, children's payments, earnings on investments, and other local revenues, should be credited to and used by those funds.

Interest earnings were not allocated to the Food Service Fund for fiscal year 2002. Interest earnings not credited to the Food Service Fund from July 1, 2001 through June 30, 2002 amounts to \$101.

OMB Circular A-87 addresses the guidelines for all allowable expenditures under the Title I program. OMB Circular A-87 states that costs must conform to any limitations of exclusions set forth in the circulars, Federal laws, State or local laws, sponsored agreements or other governing regulations as to types or amounts of cost items. In order for the School District to receive Title I funds, they are required to submit and receive approval by the Ohio Department of Education of a budget for the grant monies they will expend. This budget is to be monitored, and if required, a revised budget should be submitted for approval.

The District exceeded its approved budget for fringe benefits by 25%. They did not do a revised budget and submit it for approval to make such expenditures. This could have been caused in part due to an incorrect posting of revenues into the Title I program. It was noted that on March 4, 2002, the School District posted \$54,790 of Class Size Reduction funds received into the Title I fund.

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

C. Federal Compliance (Continued)

OMB Circular A-87 (Continued)

This money was used to pay for Title I funds, the School District may not have been aware they were exceeding the amount available and budgeted for Title I expenditures. Due to the lack of monitoring between actual and budgeted expenditures, the School District spent \$17,817 over what was budgeted for fringe benefits, and therefore, this amount is considered a questioned cost.

Sections 306(c)(4) and 306(e) of the Consolidated Appropriations Act, 2001, Pub. L. 106-554, 114 Stat. 2763A-41 states that School District's may not use Class Size Reduction funds to increase the salaries or provide benefits (other than participation in professional development and enrichment) for teachers who are not hired under the Class Size Reduction program. Funds also may not be used to recruit, hire, train or test new teachers in private schools.

It was noted that on March 4, 2002, the School District posted \$54,790 of Class Size Reduction funds received into the Title I fund. This money was used to pay for Title I teacher's salaries and fringe benefits.

ODE Federal Fiscal Report Procedures #1 requires all Title I funds be reported to the State of Ohio. There are two forms that should be submitted by the District; The Project Cash Request and Final Expenditure Report.

The Project Cash Request form is to be submitted four weeks prior to the date when funds will be needed. The payment will normally be forwarded three to four weeks after the form is received by the Ohio Department of Education. Requests submitted after the end of the project period should be accompanied by a Final Expenditure Report.

The Final Expenditure Report is to be submitted for each project immediately after all financial obligations have been liquidated. The report is due no later than 60 days after the end of the project period. Failure to submit the report in a timely manner may result in a temporary suspension of the flow of federal funds for this grant until the project is closed.

Actual expenditures authorized by the approved project application and charges to the project special cost center are to be reported (report amounts actually expended, not encumbered).

This report must be submitted before approval can be given to use the unexpended portion of the allocation as carryover funds.

Some figures on the Final Expenditure Report were not able to be taken to the accounting records to support total expenditures. The Treasurer reported on the Final Expenditure Report, the original budgeted expenditures on the Title I application instead of actual expenditures spent by the School District. This was in part due to the District not properly utilizing special cost centers to track federal grant years. Without proper accounting records to support the reported figures, there could arise questions on the validity of these figures.

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 4 - 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)-Proprietary Fund Type 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	\$900,731	(\$66,528)	(\$197,697)	\$5,024
Revenue Accruals	82,325	203,731	938	10,844
Expenditure Accruals	29,329	4,862	0	1,827
Advances	(183,558)	183,558	0	0
Encumbrances	(409,166)	(126,984)	0	(57,580)
Budget Basis	<u>\$419,661</u>	<u>\$198,639</u>	<u>(\$196,759)</u>	<u>(\$39,885)</u>

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 4 - Budgetary Basis of Accounting (Continued)

Net Income (Loss)/Excess of Revenues, Other and
 Operating Transfers Over/(Under) Expenses and Other
 Proprietary Fund Type

	<u>Enterprise</u>
GAAP Basis	\$142,854
Revenue Accruals	(34,860)
Expense Accruals	2,685
Encumbrances	(49,649)
Budget Basis	\$61,030

Note 5 - Deposits and Investments

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

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

Inactive deposits are public deposits 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;

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 5 - Deposits and Investments (Continued)

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 (STAROhio);
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.

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 \$1,829,112 and the bank balance was \$2,169,868. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$1,969,868 was uninsured and uncollateralized. Although all statutory requirements for the deposit of the money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 5 - Deposits and Investments (Continued)

Investments: The School District's investments are categorized below 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 and Fair Value
Repurchase Agreements	\$2,316,126	\$2,316,126

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*.

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	\$4,145,238	\$0
Investments:		
Repurchase Agreements	(2,316,126)	2,316,126
GASB Statement 3	\$1,829,112	\$2,316,126

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 6 - Property Taxes (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2002 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which the fiscal year 2002 taxes were collected in Lawrence County are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$112,675,310	82%	\$122,303,760	85%
Public Utility Personal	12,202,020	9%	9,719,610	7%
Tangible Personal Property	12,181,300	9%	11,811,750	8%
Total	\$137,058,630	100%	\$143,835,120	100%
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, 2002, are available to finance fiscal year 2002 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, 2002 and for which there is an enforceable legal claim. 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 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, 2002, was \$88,186 and is recognized as revenue. \$86,044 was available to the General Fund and \$2,142 was available to the Debt Service Fund.

South Point Local School District
Notes to the General Purpose Financial Statements
 June 30, 2002

Note 7 - Receivables

Receivables at June 30, 2002, consisted of taxes, accrued interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Special Revenues Funds:	
Eisenhower	\$1,814
Title VI-B	129,772
Title I	170,964
Drug Free	6,012
Title VI	9,633
Title VI-R	25,665
Total Special Revenues Funds	343,860
Capital Project Fund:	
ADA Grant	20,693
Enterprise Fund:	
Food Service	32,336
Total Intergovernmental Receivables	\$396,889

Note 8 - Fixed Assets

A summary of the enterprise fund's fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$222,789
Less: accumulated depreciation	(196,491)
Net Fixed Assets	\$26,298

A summary of the changes in general fixed assets during fiscal year 2002 follows:

	Balance 6/30/01	Additions	Deductions	Balance 6/30/02
Land and Improvements	\$163,277	\$0	\$0	\$163,277
Buildings and Improvements	11,913,224	40,594	0	11,953,818
Furniture, Fixtures and Equipment	2,992,634	253,060	33,115	3,212,579
Vehicles	990,658	0	0	990,658
Textbooks	260,485	0	0	260,485
Construction in Progress	16,094	0	16,094	0
Total General Fixed Assets	\$16,336,372	\$293,654	\$49,209	\$16,580,817

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 9 - Jointly Governed Organization

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

South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, 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 \$31,828 for all services provided during fiscal year 2002. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

The Pilasco-Ross Special Education Regional Resource Center (Pilasco-Ross) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities and their parents.

Pilasco-Ross is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Shawnee State University, and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The South Point Local School District's Superintendent is an alternate for the Pilasco-Ross Board. Financial information can be obtained by contacting the fiscal agent, Steve Sites, Treasurer, at Dawson-Bryant Local School District, 222 Lane Street, Coal Grove, Ohio 45638.

Note 10 - Claims Servicing and Insurance Purchasing Pools

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

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

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 11 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. For fiscal year 2002, the School District contracted with UTICA National Insurance Group for property insurance and the Ohio School Plan for general liability insurance.

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

B. Workers' Compensation

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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.

C. Employee Medical Benefits

The School District participates in the Lawrence County Schools Insurance Purchasing Consortium, an insurance purchasing pool (Note 10). The intent of the consortium is to achieve the benefit of a reduced health insurance premium for the School District by virtue of its grouping and representation with other participants in the consortium. Each participant pays its health insurance premium to the insurance provider. Participation in the consortium is limited to school districts that can meet the criteria outlined in the consortium's operating articles. The firm of Cross and Associates provides administrative services to the consortium.

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 12 - Defined Benefit Pension Plans

A. 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 43215-3771.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. 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, 2002, 2001, and 2000 were \$599,893, \$565,985, and \$372,593, respectively; 83 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$99,641 represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

B. 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 North 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 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund the 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, 2002, 2001, and 2000 were \$116,544, \$32,561, and \$65,034, respectively; 55 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$51,980 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 12 - Defined Benefit Pension Plans (Continued)

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, 2002, 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, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$273,815 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 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.

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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26% for fiscal year 2002. 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 2002, 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 2002 fiscal year equaled \$188,741.

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 13 - Postemployment Benefits (Continued)

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 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 14 - Employee Benefits

A. Life Insurance

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

B. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn eleven to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators, who are not on a twelve month contract, do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit to the amount of sick leave that may be accumulated. Upon retirement, payment is made for one-half of the total sick leave accumulation, up to a maximum of 225 days or 25% of the total unused sick leave days, whichever is greater.

C. Employee Medical Benefits

The School District has contracted with Medical Mutual of Ohio for medical benefits and Medical Benefits for dental and vision benefits. The employees share the cost of the monthly premium with the Board. For fiscal year 2002, the School District's and the employees' premiums are listed below:

	Medical Mutual Healthcare		Medical Benefits Dental		Medical Benefits Vision	
	Family	Single	Family	Single	Family	Single
Employee Share	355.66	0	47.44	0	8.43	0
Board Share	533.50	360.34	17.84	17.84	5.33	5.33
Total	889.16	360.34	65.28	17.84	13.76	5.33

South Point Local School District
Notes to the General Purpose Financial Statements
 June 30, 2002

Note 15 - Capitalized Leases - Lessee Disclosure

In prior years, the School District entered into capital leases for office equipment. 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 \$52,323, 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.

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, 2002.

Fiscal Year Ending June 30,	General Long-Term Obligations
2003	\$5,841
2004	3,672
Total minimum lease payments	9,513
Less: amount representing interest	(501)
Present value of minimum lease payments	\$9,012

Note 16 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2002, were as follows:

	Principal Outstanding 6/30/01	Additions	Deductions	Principal Outstanding 6/30/02
Capital Leases	\$18,541	\$0	\$9,529	\$9,012
General Obligation Bonds:				
School Improvement Bond 1982 11.125%	770,000	0	190,000	580,000
Compensated Absences	1,973,424	0	324,781	1,648,643
Pension Obligations	92,236	86,784	92,236	86,784
Claims Servicing Pool Debt 0%	833,503	0	200,000	633,503
Total General Long-Term Obligations	\$3,687,704	\$86,784	\$816,546	\$2,957,942

The capital lease obligation will be paid from the general fund. The school improvement bond 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 obligation to Westfall Local School District, fiscal agent for the Ross County claims servicing pool, which is due to large self insurance losses, will be paid from the general fund.

South Point Local School District
Notes to the General Purpose Financial Statements
 June 30, 2002

Note 16 - Long-Term Obligations (Continued)

The School District's overall legal debt margin was \$12,945,161, with an unvoted debt margin of \$143,835 at June 30, 2002. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2002, are as follows:

Fiscal Year Ending June 30,	Claims Servicing Pool Principal	Bond Principal	Interest	Total
2003	\$200,000	\$190,000	\$53,956	\$443,956
2004	200,000	195,000	32,541	427,541
2005	200,000	195,000	10,847	405,847
2006	33,503	0	0	33,503
	<u>\$633,503</u>	<u>\$580,000</u>	<u>\$97,344</u>	<u>\$1,310,847</u>

Note 17 - Interfund Receivables/Payables

Interfund receivables and payables at June 30, 2002 consist of the following individual balances:

	Interfund Receivable	Interfund Payable
General Fund	\$186,729	\$0
Special Revenue Funds:		
Ohio Reads	0	67,544
Class Size Reduction	0	85,831
High School that Works	0	1,477
Title VI	0	4,111
Title I	0	25,200
Title VI-B	0	532
South Central Regional Training	0	2,034
Total All Funds	<u>\$186,729</u>	<u>\$186,729</u>
	Due From Other Funds	Due To Other Funds
General Fund	\$46,066	\$0
Special Revenue Fund:		
Title I	0	46,066
Total All Funds	<u>\$46,066</u>	<u>\$46,066</u>

South Point Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 18 - School Funding Court Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Note 19 - 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, 2002.

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 20 - Set-Aside Calculations

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the 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.

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

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

South Point Local School District
Notes to the General Purpose Financial Statements
 June 30, 2002

Note 20 - Set-Aside Calculations (Continued)

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance, June 30, 2001	\$267,275	\$345,274	\$67,581
Current Year Set-aside Requirement	255,984	255,984	0
Qualifying Disbursements	(136,750)	(141,135)	0
Total Set-aside Balance Carried Forward to Future Fiscal Years	\$386,509	\$460,123	\$67,581
Set-aside Reserve Balance June 30, 2002	<u>\$386,509</u>	<u>\$460,123</u>	<u>\$67,581</u>

The total amount for the three set-asides at the end of the fiscal year was \$914,213.

Note 21 - Contractual Commitments

As of June 30, 2002, The School District had contractual purchase commitments as follows:

Company	Project	Amount Remaining on Contract
Edwin Davis Company	35 and 77 Passenger School Buses	\$104,420
Freeman Roofing & Construction	Labor - Roofing Project	33,180
Louis T. Ollesheimer & Son, Inc.	Materials - Roofing Project	24,420

Note 22 - Subsequent Events

On July 22, 2002, the Board of Education awarded an air conditioning replacement project for the Middle and Elementary Schools to Liberty Technicians, Inc. The proposal amount for the project was \$105,891.

On August 6, 2002, the Board of Education accepted the severance agreement with the Superintendent as negotiated. The settlement amount paid was \$78,769.

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**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity's Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>U.S. Department of Agriculture</u>						
<i>Passed through Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$	\$ 38,519	\$	\$ 36,371
National School Breakfast Program	05PU-2001/2002	10.553	87,409		87,409	
National School Lunch Program	LLP1,P4 - 2001/2002	10.555	<u>226,118</u>		<u>226,118</u>	
Total Nutrition Cluster			<u>313,527</u>	<u>38,519</u>	<u>313,527</u>	<u>36,371</u>
Total U.S. Department of Agriculture			<u>313,527</u>	<u>38,519</u>	<u>313,527</u>	<u>36,371</u>
<u>U.S. Department of Education</u>						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Education Agencies	C1S1-2001/2002	84.010	546,662		615,379	
Special Education Grants to States	6BSF-2001/2002-P	84.027	120,237		152,556	
Safe and Drug Free Schools and Communities- State Grants	DRS1-2002	84.186	1,696		4,747	
Eisenhower Professional Development Education Grant	MSS1-2001/2002	84.281	17,155		15,834	
Innovative Education Program Strategies - Title VI	C2S1-2001/2002	84.298	7,892		12,489	
Tech Literacy Challenge Grant	TF51,52,53-2001	84.318	200,000		157,731	
Class Size Reduction (Title IVR)	CRS1-2001/2002	84.340	<u>132,545</u>		<u>168,705</u>	
Total U.S. Department of Education			<u>1,026,187</u>	<u>0</u>	<u>1,127,441</u>	<u>0</u>
<u>U.S. Department of Health and Human Services</u>						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	N/A	93.778	<u>14,857</u>		<u>14,857</u>	
Total U.S. Department of Health and Human Services			<u>14,857</u>		<u>14,857</u>	
Total Federal Awards Receipts and Expenditures			<u>\$ 1,354,571</u>	<u>\$ 38,519</u>	<u>\$ 1,455,825</u>	<u>\$ 36,371</u>

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

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the United States Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. At June 30, 2002, the School District had food commodities valued at \$8,734. Cash receipts from the United States Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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 the South Point Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2002, and have issued our report thereon dated June 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's general purpose 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 2002-001, 2002-002, 2002-003, 2002-004, 2002-005 and 2002-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated June 17, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2002-007, 2002-008, 2002-009 and 2002-010.

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www.auditor.state.oh.us

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 material 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 functions. 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. However, of the reportable conditions described above, we consider items 2002-008, 2002-009 and 2002-010 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated June 17, 2003.

This report is intended for the information and use 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 17, 2003



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS 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 the South Point Local School District, Lawrence County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred 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.

As described in items 2002-011, 2002-014 and 2002-015 in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding guidelines for allowable expenditures which are applicable to its Title I Program. Compliance with such requirements is necessary, in our opinion, for the School District to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002. The results of our audit also disclosed another instance of noncompliance with the requirements of the School District's Class Size Reduction Program, that we must report in accordance with OMB Circular A-133, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2002-012. We also noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the School District in a separate letter dated June 17, 2003.

Internal Control over Compliance

The management of the 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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2002-013.

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 of 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. Our consideration of the internal control over compliance 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 consider reportable condition item 2002-013 to be a material weakness. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated June 17, 2003.

This report is intended for the information and use 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.



Betty Montgomery
Auditor of State

June 17, 2003

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(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	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Title I Program – CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER 2002-001

Finding for Adjustment

7 C.F.R. Part 210.02 and 7 C.F.R. 210.14 (a) require all monies received by or accruing to the food service fund of any school district including, but not limited to, children's payments, earnings on investments, and other local revenues, should be credited to and used by those funds.

Interest earnings were not allocated to the Food Service Fund for fiscal year 2002. Interest earnings not credited to the Food Service Fund from July 1, 2001 through June 30, 2002 amounts to \$101.

In accordance with the foregoing facts, a Finding for Adjustment is hereby issued against the General Fund of the South Point Local School District, in the amount of \$101 in favor of the Food Service Fund of the South Point Local School District.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states that money paid into a fund must be used only for the purpose for which the fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The following funds had negative fund balances throughout the year:

<u>Fund</u>	<u>Date</u>	<u>Amount</u>
Food Service (006)	March 31, 2002	\$29,491
Gifted Education (431)	March 31, 2002	\$155
High Schools That Work (589)	March 31, 2002	\$616
Miscellaneous Federal Funds (599)	March 31, 2002	\$27,446
Food Service (006)	April 30, 2002	\$40,938
Gifted Education (431)	April 30, 2002	\$201
Title VI (573)	April 30, 2002	\$2,418
High Schools That Work (589)	April 30, 2002	\$964
Food Service (006)	May 31, 2002	\$50,232
Title VI (573)	May 31, 2002	\$10,275
High Schools That Work (589)	May 31, 2002	\$1,240
Miscellaneous Federal Funds (599)	May 31, 2002	\$1,807

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER 2002-002 (Continued)

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

In addition to these, it was also noted the Title I Fund (572) had the following negative fund balances:

<u>Date</u>	<u>Amount</u>
September 30, 2001	\$35,447
November 30, 2001	\$35,593
December 31, 2002	\$80,478
January 31, 2002	\$131,007
February 28, 2002	\$178,159
June 30, 2002	\$41,375

We recommend the School District monitor fund balances to ensure no funds have a negative balance and the project cash request forms be submitted on a timely basis as funds are disbursed and the fund balance is depleting. We further recommend that money paid into a fund only be used for the purposes of that fund and not to cover the expenses of another fund.

FINDING NUMBER 2002-003

Noncompliance Citation

Ohio Rev. Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. However, reserve balance accounts established pursuant to Ohio Rev. Code 5705.13 for the following, are required to be excluded from the amount of unencumbered balances: Budget stabilization, Self-insurance programs and Retrospective ratings plans for Workers' Compensation.

In addition, the principal of a nonexpendable trust fund and any addition to the principal arising from sources other than the reinvestment of investment earnings to the fund that has been established for receiving donations and/or contributions pursuant to Ohio Rev. Code 5705.131 must also be excluded from the amount of unencumbered balances that are certified.

The School District did not certify to the County Auditor the total amount from all sources which are available for expenditures from each fund.

We recommend the School District certify to the County Auditor the total amount from all sources which are available from each fund.

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER 2002-004

Noncompliance Citation

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

The Board did not pass its annual permanent appropriation measure until June 25, 2002 for fiscal year ending June 30, 2002.

We recommend the School District obtain Board approval of the annual appropriations and submit the appropriations to the County Budget Commission by October 1.

FINDING NUMBER 2002-005

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The School District had appropriations that exceeded the total estimated revenue in the following funds at June 30, 2002:

<u>Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Variance</u>	<u>Percentage</u>
Gifted Education Fund (431)	\$3,318	\$0	\$3,318	100%
Ohio Reads Fund (459)	\$129,761	\$66,225	\$63,536	49%
Title I Fund (572)	\$623,482	\$546,662	\$76,819	12%
Title VI Fund (573)	\$11,124	\$8,536	\$2,588	23%
High Schools That Work Fund (589)	\$3,437	\$2,000	\$1,437	42%
Food Service Fund (006)	\$616,234	\$469,422	\$146,812	24%

We recommend the School District obtain a certificate of estimated resources at the beginning of the fiscal year and amend as necessary throughout the fiscal year to avoid appropriations exceeding total estimated revenue. We further recommend the School District monitor appropriations versus estimated resources throughout the year to avoid having appropriations exceed the estimated resources.

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER 2002-006

Noncompliance Citation

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

The Board did not pass its annual appropriation measure until June 25, 2002. Therefore, all disbursements incurred prior to June 25, 2002 were in excess of appropriations.

We recommend the Treasurer routinely compare the appropriations to the actual disbursements and file an amendment with the County Auditor when it is apparent that actual disbursements will exceed the level of appropriations.

FINDING NUMBER 2002-007

Reportable Condition

The Fixed Asset listing was not properly maintained by the School District during the audit period. As a result, we noted the following items:

Deletions

The Board of Education approved the disposal of assets during the July, November and December 2001 Meetings of the Board of Education. We were not able to obtain the asset disposal / transfer forms which would document the items approved for disposal. This resulted in items not being deleted from the School District's Fixed Asset listing and could result in an overstatement of fixed asset amounts.

In addition, per our review of disposal forms on file, we found that disposal values represented estimated replacement costs as determined by the Treasurer. This could result in amounts being recorded for deletions which do not represent the actual value of the fixed asset on the fixed asset listing and could result in a misrepresentation of total fixed asset amounts.

Additions

An accurate listing of fixed asset additions was not maintained by the Treasurer and provided to the Independent Public Accountant (IPA) responsible for the compilation of the School District's financial statements. As a result, other procedures were used to determine the fixed assets addition amount for fiscal year 2002. This resulted in the fiscal year 2002 additions amount being understated by \$148,910. We considered this omission in forming our opinion on the financial statements.

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER 2002-007 (Continued)

Reportable Condition (Continued)

Physical Inspection

During our physical inspection of fixed assets, we encountered difficulties in verifying the existence of fixed asset items. This resulted from items being moved to different locations after the completion of the fixed asset report. A formal tracking process was not maintained to monitor the location of fixed asset items. This could result in difficulties locating and verifying the existence of the School District's assets.

We recommend the School District's fixed assets be properly maintained and monitored as follows:

A. Deletions / Transfers

When the School District or any of its officials determines that an asset is to be transferred to a different department or disposed of due to the item being obsolete, un-repairable, etc., the proper procedures should be followed for transfer or disposal of the asset. This should include approval by the Board of Education and the completion of an Asset disposal / transfer form. This form should document information such as: item description, item identification number, location, original cost, location after transfer, method of disposal, date of disposal and proper approvals by the Principal, Superintendent and Treasurer. The Fixed Asset listing should be updated in a timely manner to reflect any transfer or deletion.

B. Additions

Fixed asset additions should be tracked in accordance with the School District's policy. Currently the threshold for capitalization is any item in excess of \$300 which is defined as one of the following: Land and Improvements; Buildings and Improvements; Furniture, fixtures and equipment; vehicles; textbooks and construction in process. Expenditures should be periodically monitored by the Treasurer for evidence of purchases meeting the capitalization criteria. Items meeting the capitalization criteria should be timely recorded to the Fixed Asset listing.

A detailed listing of fixed assets including annual additions and deletions should be maintained and provided to individuals responsible for the compilation of the School District's financial statements.

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER 2002-008

Material Weakness

A listing of deficiencies found while testing state and federal grants are as follows:

- A listing of grants receivable was not maintained
- Several duplicate receipts were not available for testing
- Several bank deposits were not available for testing
- Instances of incorrect receipt descriptions were noted
- All cash requests, except for one, were not available for testing
- Several grant award letters were not on file
- Most of the federal remittances were not available for testing
- Special cost centers were not utilized and monitored properly (also see finding 2002-15)

We recommend that a centralized location be used for all grant applications, remittances and cash requests be utilized to better monitor grant monies and administration.

FINDING NUMBER 2002-009

Material Weakness

The Treasurer did not reconcile the payroll account during the audit period. This resulted in cumbersome reconciliations and errors in the account going undetected for an extended period of time. These included the following types of items:

- Interest in the account was not recorded into the School District's accounting records
- Outstanding deposits from the general account were noted in the amount of \$6,014 that were also outstanding on the general account's outstanding check list
- Long outstanding items existed from the prior audit period
- Voided checks in the amount of \$9,575 cleared the account
- Checks cleared the account which were not in agreement with amounts posted to the system or were not posted to the system at all.

These conditions not only increase the likelihood of accounting errors, but may allow fraud to occur and not be detected. We recommend that current payroll account maintained by the School District be reconciled by the Treasurer on a monthly basis. We further recommend the Treasurer follow up on and correct the long outstanding and reconciling items found in the payroll account.

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER 2002-010

Material Weakness

Monthly reconciliations of the ending bank account balance to the School District's ending book balance were not performed during the audit period by the Treasurer.

This resulted in misrepresented financial statements and inaccurate book balances. 147 reconciling items were required to bring the financial statements into balance. The School District's financial statements were out of balance by a net amount of \$23,505.

We recommend that accurate reconciliations of the School District's bank accounts be performed by the Treasurer on a monthly basis. Any reconciling items should be documented and investigated to prevent unsupported adjustments from being recorded. Also, we recommend that the Treasurer maintain accurate listings of outstanding checks and deposits and to follow up on items which have been outstanding for an extended period of time to ensure that proper credit is given to the School District for outstanding deposits and outstanding checks are voided and paid into the School District's unclaimed monies fund. We further recommend that the monthly bank reconciliations be reviewed and approved by the District Board of Education as part of their monthly Board Meetings and signed or initialed by the Board President indicating Board review and approval.

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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1. Allowable Costs/Cost Principles

Finding Number	2002-011
CFDA Title and Number	Title I Program – CFDA #84.010
Federal Award Number / Year	047951-C1-S1-2002
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of education

Questioned Cost

OMB Circular A-87 addresses the guidelines for all allowable expenditures under the Title I program. OMB Circular A-87 (Attachment A – General Principles for Determining Allowable Costs, Section C, “Basic Guidelines”) states that costs must conform to any limitations or exclusions set forth in the circulars, Federal laws, State or local laws, sponsored agreements or other governing regulations as to types or amounts of cost items. In order for the School District to receive Title I funds, they are required to submit and receive approval by the Ohio Department of Education of a budget for the grant monies they will expend. This budget is to be monitored, and if required, a revised budget should be submitted for approval.

The School District exceeded its approved budget for fringe benefits by 25%. They did not revise their budget and submit it for approval to make such expenditures. This could have been caused in part due to an incorrect posting of revenues into the Title I program. It was noted that on March 4, 2002, the School District posted \$54,790 of Class Size Reduction funds received into the Title I fund. This money was used to pay for Title I teacher’s salaries and fringe benefits. Due to this extra money being in the Title I fund, the School District may not have been aware they were exceeding the amount available and budgeted for Title I expenditures. Due to the lack of monitoring between actual and budgeted expenditures, the School District spent \$17,817 over what was budgeted from fringe benefits, and therefore, this amount is considered a questioned cost.

We recommend the School District begin monitoring all revenues and expenditures made regarding federal monies. All monies should be properly posted to the appropriated fund and cost center. Monthly review of financial reports should also be done to assist in detecting these types of errors. The monthly reports should be compared to the grant approved budget each month and if variances are being noted, a revised budget should be submitted for approval to the Ohio Department of Education.

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

2. Allowable Costs/Cost Principles

Finding Number	2002-012
CFDA Title and Number	Class Size Reduction (Title VI-R) - CFDA #84.340
Federal Award Number / Year	047951-CR-S1-2002
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Finding for Adjustment and Questioned Cost

Sections 306(c)(4) and 306(e) of the Consolidated Appropriations Act, 2001, Pub. L. 106-554, 114 Stat. 2763A-41 states that school districts may not use Class Size Reduction funds to increase the salaries or provide benefits (other than participation in professional development and enrichment) for teachers who are not hired under the Class Size Reduction program. Funds also may not be used to recruit, hire, train or test new teachers in private schools.

On March 4, 2002, the School District posted \$54,790 of Class Size Reduction funds received into the Title I fund. This money was used to pay for Title I teacher's salaries and fringe benefits. We are therefore questioning this disbursement.

In accordance with the foregoing facts, a Finding for Adjustment is hereby issued against the Title I Fund, in the amount of \$54,790 in favor of the Class Size Reduction Fund.

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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3. Allowable Costs/Cost Principles

Finding Number	2002-013
CFDA Title and Number	Title I Program – CFDA #84.010
Federal Award Number / Year	047951-C1-S1-2002
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Material Weakness

A listing of deficiencies found while testing state and federal grants are as follows:

- A listing of grants receivable was not maintained
- Several duplicate receipts were not available for testing
- Several bank deposits were not available for testing
- Instances of incorrect receipt descriptions were noted
- All cash requests, except for one, were not available for testing
- Several grant award letters were not on file
- Most of the federal remittances were not available for testing
- Special cost centers were not utilized and monitored properly

We recommend that a centralized location be used for all grant applications, remittances and cash requests be utilized to better monitor grant monies and administration.

See federal finding # 2002-008; this finding is also required to be reported in accordance with GAGAS.

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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4. Reporting

Finding Number	2002-014
CFDA Title and Number	Title I Program – CFDA #84.010
Federal Award Number / Year	047951-C1-S1-2002
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation

ODE Federal Fiscal Report Procedures #1 requires a Final Expenditure Report. The report is due no later than 60 days after the end of the project period.

Actual expenditures authorized by the approved project application and charges to the project special cost center are to be reported (report amounts actually expended, not encumbered).

Some figures on the Final Expenditure Report did not agree to the accounting records to support total expenditures. As noted below, the Treasurer reported on the Final Expenditure Report, the original budgeted expenditures on the Title I application instead of actual expenditures spent by the School District per the records. This was in part due to the School District not properly utilizing special cost centers to track federal grant years. Without proper accounting records to support the reported figures, there could arise questions on the validity of these figures.

	Amount per Budget	Amount Per Final Expenditure Report	Amount Expended Per Ledgers
Salaries	\$452,128	\$452,128	\$457,631
Fringed Benefits	\$119,910	\$119,910	\$149,718
Purchased Services	\$4,000	\$4,000	\$1,319
Supplies	\$19,340	\$19,340	\$9,318

We recommend utilizing system generated reports in order to fill out the Final Expenditure Report. These reports should be maintained to adequately support the figures reported.

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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5. Reporting

Finding Number	2002-015
CFDA Title and Number	Title I Program – CFDA #84.010
Federal Award Number / Year	047951-C1-S1-2002
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Reportable Condition

The School District is required to spend Title I monies during a specified period of availability. In order to ensure this is done, the School District should utilize cost centers to separately track each grant year. This will allow for monitoring of each year and allow for proper reporting to the State of Ohio. During our testing, we noted the School District is not properly using the special cost centers to track expenditures. There were instances where expenditures were being posted to the incorrect cost center. This could result in improper reporting to the state or spending out of the allowed period of availability.

We recommend the School District monitor activities to ensure that posting of expenditures are made to the correct cost center and they utilize this system to perform all reporting to the State or other agencies.

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-10744-001	7 C.F.R. Part 210.14(a) , Interest posting to food service fund.	No	Not corrected, reissued as finding 2002-10744-001.

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
FOR THE YEAR ENDED JUNE 30, 2002**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-001	The Treasurer intends to properly allocate interest to the food service fund.	June 30, 2003	Dan McDavid, Treasurer
2002-002	The Treasurer intends to monitor monthly financial reports to alleviate negative fund balances.	June 30, 2003	Dan McDavid, Treasurer
2002-003	The Treasurer intends to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund.	June 30, 2003	Dan McDavid, Treasurer
2002-004	The Treasurer intends to approve the annual appropriation measure by required date.	June 30, 2003	Dan McDavid, Treasurer
2002-005	The Treasurer intends to obtain a certificate of estimated resources and monitor appropriations versus estimated resources.	June 30, 2003	Dan McDavid, Treasurer
2002-006	The Treasurer intends to monitor budgetary statements to avoid disbursements exceeding appropriations.	June 30, 2003	Dan McDavid, Treasurer
2002-007	The Treasurer intends to properly maintain and monitor fixed assets deletions, transfers, and additions.	June 30, 2003	Dan McDavid, Treasurer
2002-008	The Treasurer intends to monitor state and federal grants such as grant applications, remittances, and cash requests.	June 30, 2003	Dan McDavid, Treasurer
2002-009	The Treasurer intends to reconcile the payroll account on a monthly basis and follow up on any outstanding or reconciling items.	June 30, 2003	Dan McDavid, Treasurer
2002-010	The Treasurer intends to reconcile the general account on a monthly basis and follow up on any outstanding or reconciling items.	June 30, 2003	Dan McDavid, Treasurer
2002-011	The Treasurer intends to monitor all federal revenues and expenditures for proper posting and compare monthly financial reports to approved grant budgets.	June 30, 2003	Dan McDavid, Treasurer
2002-012	The Treasurer intends to adjust \$54,790 from the Title I fund to the Class Size Reduction fund.	June 30, 2003	Dan McDavid, Treasurer

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-013	The Treasurer intends to utilize a central location for all grant applications, remittances, and cash requests to better monitor grant monies and grant administration.	June 30, 2003	Dan McDavid, Treasurer
2002-014	The Treasurer intends to use system generated reports to complete the Final Expenditure Report and maintain reports to support the figures.	June 30, 2003	Dan McDavid, Treasurer
2002-015	The Treasurer intends to monitor activities to ensure posting of expenditures are made to correct cost center and use this system to report to the State and other agencies.	June 30, 2003	Dan McDavid, Treasurer



**Auditor of State
Betty Montgomery**

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SOUTH POINT LOCAL SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 24, 2003**