

South Point Local School District

Lawrence County

Single Audit

July 1, 2006 through June 30, 2007

Fiscal Year Audited Under GAGAS: 2007

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Telephone (740) 289-4131  
Fax (740) 289-3639, [www.bhscpas.com](http://www.bhscpas.com)





# Mary Taylor, CPA

Auditor of State

Board of Education  
South Point Local School District  
203 Park Avenue  
South Point, Ohio 45680

We have reviewed the *Independent Auditor's Report* of the South Point Local School District, Lawrence County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

## **Finding for Recovery**

The collective bargaining agreement between the South Point Board of Education and the South Point Association of Classroom Teachers/OEA/NEA, effective for the period August 1, 2005 through August 31, 2008, addresses Health Insurance for employees in Article 17.02. Among other items, the agreement states in part that "if husband and wife are District employees before July 1, 2002, they shall be covered with the family plan, paid 100% by the District." However, if husband or wife is hired after this date, 25% of the premium of family coverage is to be paid by the employee.

Kathleen Bruce was employed by the District on August 16, 2004 and elected to take the District's family health insurance from January 1, 2005 through the present. Paul Bruce, Ms. Bruce's husband, was employed by the District in August 2006 and continued his status as dependent on Ms. Bruce's family insurance policy. From January 2005 through December 2006, Ms. Bruce paid 25% of her premium as required. In December 2006, Dan McDavid, Former District Treasurer, instructed the payroll clerk to pay 100% of Ms. Bruce's family health insurance premium. This continued until May 2008. As a result of the District paying 100% of Ms. Bruce's health insurance premium instead of Ms. Bruce paying the required 25%, Ms. Bruce was overpaid by \$10.97 in 2005, \$3,866.89 in 2007 and \$3,455.43 in 2008 for a total overpayment of \$7,323.29 from January 2005 through April 2008.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery is hereby issued for public money illegally expended against Kathleen Bruce, District Teacher, in the amount of \$7,323.29 in favor of the General Fund.

Board of Education  
South Point Local School District  
203 Park Avenue South Point, Ohio 45680  
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Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp.(1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State ex. Rel. Village of Linndale v. Masten (1985), 18 Ohio St. 3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

Therefore, because Dan McDavid, former District Treasurer approved and signed the warrants resulting in the improper payments, Mr. McDavid is jointly and severally liable for the entire amount of \$7,323.29. This recovery is in favor of the General Fund.

Mr. McDavid noted above for approving and signing the warrants resulting in the improper payments shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Kathleen Bruce.

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



Mary Taylor, CPA  
Auditor of State

November 3, 2008

**SOUTH POINT LOCAL SCHOOL DISTRICT**  
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Piketon, Ohio 45661

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Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**Independent Auditor's Report**

Members of the Board  
South Point Local School District  
203 Park Avenue  
South Point, Ohio 45680

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Point Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

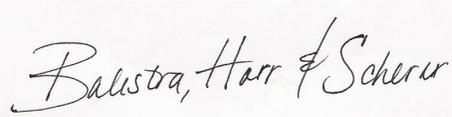
Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of South Point Local School District, Lawrence County, as of June 30, 2007, and the respective changes in cash basis financial position and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2008, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Balestra, Harr & Scherer, CPAs, Inc.  
September 19, 2008

# **SOUTH POINT LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited*

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The discussion and analysis of the South Point Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

## **FINANCIAL HIGHLIGHTS**

**Key financial highlights for the fiscal year 2007 are as follows:**

- Net assets of governmental activities increased \$2,149,893.
- General cash receipts accounted for \$29,994,846 in revenue or 87% of all revenues. Program specific cash receipts in the form of charges for services, grants, and contributions accounted for \$4,497,062 or 13% of total cash receipts of \$34,491,908. The School District had \$32,342,015 in cash disbursements related to governmental activities; \$4,497,062 of these cash disbursements was offset by program specific charges for services, grants, and contributions. General cash receipts were adequate to cover the remaining program cash disbursements.
- The School District has two major funds; the General Fund and the Classroom Facilities Capital Projects Fund. All governmental funds had total cash receipts and other financing sources of \$39,193,480 and total cash disbursements and other financing uses of \$37,043,587.

## **USING THE BASIC FINANCIAL STATEMENTS**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the School District's cash basis of accounting.

## **REPORT COMPONENTS**

The *Statement of Net Assets – Cash Basis* and *Statement of Activities – Cash Basis* provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specific purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported on the basic financial statements.

# **SOUTH POINT LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited*

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## **BASIS OF ACCOUNTING**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE DISTRICT AS A WHOLE**

### *Statement of Net Assets and Statement of Activities*

The statement of net assets and the statement of activities reflect how the School District did financially during 2007, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, the condition of the School District's capital assets and infrastructure, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the School District has one type of activity; governmental.

### *Reporting the School District's Most Significant Funds*

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Classroom Facilities Capital Projects Fund.

# SOUTH POINT LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited*

**Governmental Funds** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. Since the School District is reporting on the cash basis of accounting, there are no differences in the net assets and fund cash balances or changes in net assets and changes in fund balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the fund financial statements to the statement of activities due to transfers and advances netted on the statement of activities. See Note 2 to the basic financial statements.

**Fiduciary Funds** All of the School District's fiduciary funds are reported in a separate Statement of Fiduciary Net Assets – Cash Basis. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the cash basis of accounting.

The School District's fiduciary funds are agency funds which are used to maintain financial activity of the School District's Student Managed Activities.

## THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2007.

Table 1  
Net Assets - Cash Basis

	Government Activities	
	2007	2006*
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 26,971,594	\$ 24,086,110
Cash and Cash Equivalents with Fiscal Agents	10,431	10,431
Restricted Cash and Cash Equivalents	534,104	1,269,695
Total Assets	27,516,129	25,366,236
<b>Net Assets</b>		
Restricted for:		
Capital Outlay	18,793,416	16,292,294
Debt Service	450,338	333,586
Other Purposes	535,877	570,202
Set Asides	534,104	1,269,695
Unrestricted	7,202,394	6,900,459
Total Net Assets	\$ 27,516,129	\$ 25,366,236

\* As restated – see Note 17 of the Notes to the Basic Financial Statements for additional information about the restatement.

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited*

Total net assets of the School District as a whole increased \$2,149,893 during fiscal year 2007. The increase in total net assets is primarily a result of an increase in the School District's cash. One of the reasons for the increase in cash is due to the proceeds from a capital lease agreement in the amount of \$2,500,000.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2007.

Table 2  
Changes in Net Assets

	Governmental Activities	
	2007	2006
<b>Cash Receipts</b>		
Program Cash Receipts		
Charges for Services and Sales	\$ 344,354	\$ 315,869
Operating Grants and Contributions	4,141,029	3,183,530
Capital Grants and Contributions	11,679	-
Total Program Cash Receipts	<u>4,497,062</u>	<u>3,499,399</u>
General Cash Receipts		
Property Taxes	3,763,155	3,498,366
Grants and Entitlements not Restricted to Specific Programs	8,966,314	8,531,307
Grants and Entitlements Restricted for Classroom Facilities	13,512,769	10,841,631
Proceeds from Capital Lease Agreement	2,500,000	-
Investment Earnings	1,234,097	535,397
Miscellaneous	18,511	22,741
Total General Cash Receipts	<u>29,994,846</u>	<u>23,429,442</u>
Total Cash Receipts	<u>34,491,908</u>	<u>26,928,841</u>
<b>Program Disbursements</b>		
Instruction:		
Regular	6,369,022	6,254,810
Special	1,863,922	1,916,190
Vocational	4,317	-
Other	90,835	90,980
Support Services:		
Pupil	591,697	550,129
Instructional Staff	750,302	598,442
Board of Education	27,382	40,184
Administration	2,157,123	1,911,832
Fiscal	508,166	400,758
Operation and Maintenance of Plant	1,124,367	1,156,909
Pupil Transportation	732,022	719,490
Central	51,360	176,846
Operation of Non-Instructional Services	687,514	659,530
Extracurricular Activities	280,921	223,396
Capital Outlay	16,134,976	3,536,706
Principal	457,457	175,000
Interest and Fiscal Charges	510,632	417,788
Total Cash Disbursements	<u>32,342,015</u>	<u>18,828,990</u>
Increase in Net Assets	2,149,893	8,099,851
Net Assets at Beginning of Year *	<u>25,366,236</u>	<u>17,266,385</u>
Net Assets at End of Year	<u>\$ 27,516,129</u>	<u>\$ 25,366,236</u>

\* Net assets at have been restated See Note 17 of the Notes to the Basic Financial Statements for additional information about the restatement.

# SOUTH POINT LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited*

## Governmental Activities

Operating grants and contributions, grants and entitlements not restricted to specific programs, and grants and entitlements restricted for classroom facilities comprised 12, 26 and 39 percent of revenue, respectively, for governmental activities of the School District for fiscal year 2007.

Grants and entitlements restricted for classroom facilities increased \$2,671,138 from fiscal year 2006 to 2007 due to the ongoing Classroom Facilities construction program.

As indicated by governmental program expenses, instruction is emphasized. Regular Instruction comprised 20 percent of governmental program cash disbursements. Capital outlay comprised nearly 50 percent of the cash disbursements due to the Classroom Facilities construction program.

Capital outlay increased \$12,598,270 from fiscal year 2006 to 2007 due to the Classroom Facilities construction program. The District received \$2,500,000 from the proceeds of a capital lease agreement for the new athletic facilities.

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

Table 3  
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2007	2007	2006	2006
Program Cash Disbursements				
Instruction:				
Regular	\$ 6,369,022	\$ 5,098,265	\$ 6,254,810	\$ 5,224,399
Special	1,863,922	201,180	1,916,190	543,451
Vocational	4,317	4,077	-	-
Other	90,835	71,584	90,980	82,285
Support Services:				
Pupil	591,697	577,631	550,129	547,998
Instructional Staff	750,302	472,942	598,442	484,567
Board of Education	27,382	27,297	40,184	40,036
Administration	2,157,123	2,052,389	1,911,832	1,832,369
Fiscal	508,166	436,256	400,758	396,259
Operation and Maintenance of Plant	1,124,367	1,094,983	1,156,909	1,019,380
Pupil Transportation	732,022	352,900	719,490	382,209
Central	51,360	51,200	176,846	(79,359)
Operation of Non-Instructional Services	687,514	86,948	659,530	632,993
Extracurricular Activities	280,921	214,236	223,396	222,743
Capital Outlay	16,134,976	16,134,976	3,536,706	3,536,706
Principal	457,457	457,457	175,000	175,000
Interest and Fiscal Charges	510,632	510,632	417,788	417,788
Total	<u>\$ 32,342,015</u>	<u>\$ 27,844,953</u>	<u>\$ 18,828,990</u>	<u>\$ 15,458,824</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 65 and 71 percent of instruction activities were supported through taxes and intergovernmental revenues in 2007 and 2006, respectively.

# **SOUTH POINT LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited*

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## **THE SCHOOL DISTRICT FUNDS**

The School District's funds are accounted for using the cash basis of accounting. The General Fund had \$16,313,932 in cash receipts and other financing sources and \$16,299,462 in cash disbursements and other financing uses. The General Fund's balance increased \$14,470. The Classroom Facilities Fund had cash receipts and other financing sources of \$14,265,563 and cash disbursements of \$13,220,098. The fund's balance increased \$1,045,465.

### ***General Fund Budgeting Highlights***

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

During the course of fiscal year 2007, the School District failed to prepare and submit to the County Budget Commission an amended certificate of estimated resources. During 2007, revisions were made to the General fund appropriations budget. Appropriations increased by \$7,056,836 from the original to final budget primarily due to expenditures for regular instruction and various other functions that were higher than anticipated. These increases were partially offset by decreased appropriations for special instruction, pupil, instructional staff, fiscal and operation and maintenance of plant support services due to expenditures that were lower than anticipated. The General fund's ending unobligated cash balance was \$8,554,405.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### ***Capital Assets***

The School District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The School District had capital outlay disbursements of \$16,134,976 during fiscal year 2007.

### ***Debt***

Under the cash basis of accounting the School District does not report bonds, long-term or short-term notes or capital leases in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds. At June 30, 2007, the School District had \$9,375,000 in current interest school improvement bonds and \$556,336 in capital appreciation bonds. In addition to the bonds, the School District had a capital lease obligation outstanding in the amount of \$2,252,543. The School District's overall legal debt margin was \$4,401,470, with an unvoted debt margin of \$159,253 at June 30, 2007. See note 10 to the basic financial statements for additional information about debt.

## **ECONOMIC FACTORS**

As the preceding information shows, the School District depends upon the State School Foundation Program. The School District is in a low economic growth area, so dependence on local tax revenue must be minimized.

## **CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the School District Treasurer, Tresa Baker, at (740) 377-9177.

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Statement of Net Assets - Cash Basis*

*As of June 30, 2007*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 26,971,594
Cash and Cash Equivalents with Fiscal Agents	10,431
Restricted Cash and Cash Equivalents	<u>534,104</u>
<i>Total Assets</i>	<u>27,516,129</u>
<b>Net Assets</b>	
Restricted for:	
Capital Outlay	18,793,416
Debt Service	450,338
Other Purposes	535,877
Set-Asides	534,104
Unrestricted	<u>7,202,394</u>
<i>Total Net Assets</i>	<u>\$ 27,516,129</u>

See accompanying notes to the basic financial statements.

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2007*

	Cash Disbursements	Program Receipts			Net Disbursements and Changes in Net Assets
		Charges for Services & Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 6,369,022	\$ 14,999	\$ 1,255,758	\$ -	\$ (5,098,265)
Special	1,863,922	2,430	1,660,312	-	(201,180)
Vocational	4,317	240	-	-	(4,077)
Other	90,835	13	7,559	11,679	(71,584)
Support Services:					
Pupil	591,697	1,824	12,242	-	(577,631)
Instructional Staff	750,302	1,506	275,854	-	(472,942)
Board of Education	27,382	85	-	-	(27,297)
Administration	2,157,123	59,042	45,692	-	(2,052,389)
Fiscal	508,166	1,466	70,444	-	(436,256)
Operation and Maintenance of Plant	1,124,367	9,192	20,192	-	(1,094,983)
Pupil Transportation	732,022	2,274	376,848	-	(352,900)
Central	51,360	160	-	-	(51,200)
Operation of Non-Instructional					
Services	687,514	184,438	416,128	-	(86,948)
Extracurricular Activities	280,921	66,685	-	-	(214,236)
Capital Outlay	16,134,976	-	-	-	(16,134,976)
Debt Service:					
Principal	457,457	-	-	-	(457,457)
Interest and Fiscal Charges	510,632	-	-	-	(510,632)
<i>Totals</i>	<u>\$ 32,342,015</u>	<u>\$ 344,354</u>	<u>\$ 4,141,029</u>	<u>\$ 11,679</u>	<u>(27,844,953)</u>
<b>General Cash Receipts</b>					
Property Taxes Levied for:					
General Purposes					2,969,953
Debt Service					723,460
Classroom Facilities Maintenance					69,742
Grants and Entitlements not Restricted to Specific Programs					8,966,314
Grants and Entitlements Restricted for Classroom Facilities					13,512,769
Proceeds from Capital Lease Agreement					2,500,000
Investment Earnings					1,234,097
Miscellaneous					18,511
<i>Total General Cash Receipts</i>					<u>29,994,846</u>
<i>Change in Net Assets</i>					2,149,893
<i>Net Assets Beginning of Year - restated - See Note 17</i>					<u>25,366,236</u>
<i>Net Assets End of Year</i>					<u>\$ 27,516,129</u>

See accompanying notes to the basic financial statements.

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Balance Sheet - Cash Basis*

*Governmental Funds*

*As of June 30, 2007*

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 8,388,349	\$ 16,361,558	\$ 2,221,687	\$ 26,971,594
Cash and Cash Equivalents with Fiscal Agents	-	-	10,431	10,431
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	<u>534,104</u>	<u>-</u>	<u>-</u>	<u>534,104</u>
<i>Total Assets</i>	<u>8,922,453</u>	<u>16,361,558</u>	<u>2,232,118</u>	<u>27,516,129</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	368,048	6,440,952	453,507	7,262,507
Reserved for Textbooks and Materials	400,569	-	-	400,569
Reserved for Budget Stabilization	67,581	-	-	67,581
Reserved for Bus Purchases	65,954	-	-	65,954
Unreserved, Undesignated, Reported in:				
General Fund	8,020,301	-	-	8,020,301
Special Revenue Funds	-	-	(990,935)	(990,935)
Debt Service Funds	-	-	450,338	450,338
Capital Projects Funds	<u>-</u>	<u>9,920,606</u>	<u>2,319,208</u>	<u>12,239,814</u>
<i>Total Fund Balances</i>	<u>\$ 8,922,453</u>	<u>\$ 16,361,558</u>	<u>\$ 2,232,118</u>	<u>\$ 27,516,129</u>

See accompanying notes to the basic financial statements.

**SOUTH POINT LOCAL SCHOOL DISTRICT**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2007*

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Cash Receipts</b>				
Taxes	\$ 2,969,953	\$ -	\$ 793,202	\$ 3,763,155
Intergovernmental	9,990,751	13,512,769	3,128,271	26,631,791
Investment Earnings	799,762	434,335	-	1,234,097
Tuition and Fees	30,694	-	-	30,694
Extracurricular Activities	-	-	119,170	119,170
Charges for Services	4,261	-	190,229	194,490
Miscellaneous	18,511	-	-	18,511
<i>Total Cash Receipts</i>	<u>13,813,932</u>	<u>13,947,104</u>	<u>4,230,872</u>	<u>31,991,908</u>
<b>Cash Disbursements</b>				
Current:				
Instruction:				
Regular	4,746,230	-	1,622,792	6,369,022
Special	782,482	-	1,081,440	1,863,922
Vocational	4,317	-	-	4,317
Other	77,291	-	13,544	90,835
Support Services:				
Pupil	587,248	-	4,449	591,697
Instructional Staff	484,752	-	265,550	750,302
Board of Education	27,382	-	-	27,382
Administration	1,990,172	347	166,604	2,157,123
Fiscal	471,892	-	36,274	508,166
Operation and Maintenance of Plant	1,095,052	6,252	23,063	1,124,367
Pupil Transportation	732,022	-	-	732,022
Central	51,360	-	-	51,360
Operation of Non-Instructional Services	-	-	687,514	687,514
Extracurricular Activities	203,379	-	77,542	280,921
Capital Outlay	160	13,213,499	2,921,317	16,134,976
Debt Service:				
Principal	247,457	-	210,000	457,457
Interest and Fiscal Charges	96,694	-	413,938	510,632
<i>Total Cash Disbursements</i>	<u>11,597,890</u>	<u>13,220,098</u>	<u>7,524,027</u>	<u>32,342,015</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>2,216,042</u>	<u>727,006</u>	<u>(3,293,155)</u>	<u>(350,107)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers - In	-	318,459	4,383,113	4,701,572
Proceeds from Capital Lease Agreement	2,500,000	-	-	2,500,000
Transfers - Out	(4,701,572)	-	-	(4,701,572)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,201,572)</u>	<u>318,459</u>	<u>4,383,113</u>	<u>2,500,000</u>
<i>Net Change in Fund Balances</i>	14,470	1,045,465	1,089,958	2,149,893
<i>Fund Balances Beginning of Year - Restated - (See Note 17)</i>	<u>8,907,983</u>	<u>15,316,093</u>	<u>1,142,160</u>	<u>25,366,236</u>
<i>Fund Balances End of Year</i>	<u>\$ 8,922,453</u>	<u>\$ 16,361,558</u>	<u>\$ 2,232,118</u>	<u>\$ 27,516,129</u>

See accompanying notes to the basic financial statements.

**SOUTH POINT LOCAL SCHOOL DISTRICT**  
*Statement of Cash Receipts, Disbursements and Changes  
 In Fund Balance - Budget (Budgetary Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Total Receipts and Other Sources	\$ -	\$ -	\$ 16,313,932	\$ 16,313,932
Total Disbursements and Other Uses	14,473,108	21,529,944	16,667,510	4,862,434
Net Change in Fund Balance	(14,473,108)	(21,529,944)	(353,578)	21,176,366
Fund Balance, July 1, 2006	8,584,019	8,584,019	8,584,019	-
Prior Year Encumbrances Appropriated	323,964	323,964	323,964	-
Fund Balance, June 30, 2007	<u>\$ (5,565,125)</u>	<u>\$ (12,621,961)</u>	<u>\$ 8,554,405</u>	<u>\$ 21,176,366</u>

See accompanying notes to the basic financial statements.

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Statement of Fiduciary Net Assets - Cash Basis*

*Fiduciary Fund*

*As of June 30, 2007*

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<b>Assets</b>	<u>Agency Fund</u>
Equity in Pooled Cash and Cash Equivalents	<u>\$ 15,963</u>
<b>Net Assets</b>	
Unrestricted	<u>15,963</u>
<b>Total Net Assets</b>	<u>\$ 15,963</u>

See accompanying notes to the basic financial statements.

# **SOUTH POINT LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's five instructional/support facilities staffed by 85 classified employees, 125 certified teaching personnel, and 11 administrators, who provide services to 1,852 students and other community members.

### **Reporting Entity**

The reporting entity is composed 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. The School District has no component units.

The School District participates in five organizations, three jointly governed organizations and two insurance purchasing pools. 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 Insurance Purchasing Consortium. These organizations are presented in Notes 11 and 12 to the basic financial statements.

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

### **Basis of Presentation**

The School District uses the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement disclosures. The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information. The more significant of the School District's accounting policies are described below.

**Government-wide Financial Statements** - The statement of net assets-cash basis presents the cash basis financial condition of the governmental activities of the School District at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the School District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the School District. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general cash receipts of the School District.

# SOUTH POINT LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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## **Note 2 - Summary of Significant Accounting Policies** (Continued)

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

### **Fund Accounting**

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

### **Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Cash basis assets are assigned to the various governmental funds according to the purpose for which they may or must be used. On a cash basis governmental fund assets equal fund balance. The following are the School District's major governmental funds:

**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 school laws of Ohio.

**Classroom Facilities** - The Classroom Facilities Capital Projects fund is a fund provided to account for monies received and expended in connection with contracts entered into by the school district and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

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

### **Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The School District's only fiduciary funds are agency funds which are used to account for student managed activities. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

### **Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e. when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

# SOUTH POINT LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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## **Note 2 - Summary of Significant Accounting Policies** (Continued)

As a result of the use of cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for good or services received but not yet paid), and accrued expenses and liabilities are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

### *Cash Receipts – Exchange and Non-exchange Transactions*

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the fiscal year in which the resources are received.

### *Cash Disbursements*

On the cash basis of accounting, disbursements are recognized at the time payments are made.

## **Budgetary Process**

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

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

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

## **Encumbrances**

Encumbrance accounting is utilized by the School District for all funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. On the basic financial statements encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on the government-wide financial statements. Encumbrances are reported as part of expenditures on a budgetary basis in the Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget (Budgetary Basis) and Actual.

# SOUTH POINT LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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## **Note 2 - Summary of Significant Accounting Policies** (Continued)

### **Cash, Cash Equivalents, and Investments**

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

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 financial statements as "Cash and Cash Equivalents with Fiscal Agents".

During fiscal year 2007, investments were limited to certificates of deposit, money market accounts 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 receipts credited to the General Fund during fiscal year 2007 amounted to \$799,762. Interest receipts credited to the Classroom Facilities Fund during fiscal year 2007 amounted to \$434,335.

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.

### **Capital Assets**

Capital assets acquired or constructed for the School District are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting, capital assets and the related depreciation are not reported on the basic financial statements.

### **Interfund Activity**

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

### **Compensated Absences**

Vacation and sick leave benefits are not accrued under the cash basis of accounting as previously described. All leave will either be absorbed by time off from work, or within certain limitations, be paid to employees.

### **Long-term Obligations**

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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**Note 2 - Summary of Significant Accounting Policies** (Continued)

**Net Assets**

Net cash assets represents the cash basis assets held by the School District at year end. Net assets consist of cash receipts reduced by cash disbursements for the current year. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The restrictions for other purposes is comprised of net assets restricted for grants.

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

At June 30, 2007, of the School District's \$20,313,735 restricted net assets, none were restricted by enabling legislation.

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required to be set-aside by the School District for the purchase of textbooks and instructional materials, budget stabilization, and bus purchases. See Note 13 for additional information regarding set-asides.

**Fund Balance Reserves**

Reserved fund balances indicate that portion of fund balance, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, textbooks and materials, bus purchases, and budget stabilization. The unreserved, undesignated portions of fund balance reflected for Governmental Funds are available for use within the specific purpose of those funds.

**Note 3 - Budgetary Basis of Accounting**

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances which are not included in budgeted figures. The table below represents those differences for the School District's major fund:

	<u>General Fund</u>
Budgetary Basis Fund Balance	\$ 8,554,405
Encumbrances	<u>368,048</u>
Fund Cash Balance	<u><u>\$ 8,922,453</u></u>

**Note 4 - 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.

## SOUTH POINT LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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### **Note 4 - Deposits and Investments** (Continued)

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above 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 marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's total average portfolio.

Protection of 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 monies deposited with the institution.

# SOUTH POINT LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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## **Note 4 - Deposits and Investments** (Continued)

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

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

**Cash with Fiscal Agents** At year end the School District's bond and coupon account has \$10,431 in cash with fiscal agents which is included on the financial statements as "Cash and Cash Equivalents with Fiscal Agents."

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

As of June 30, 2007, the School District's bank balance of \$8,296,022 was either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above.

**Investments** At June 30, 2007, the District's investment balance was as follows:

	Category 3	Weighted Average Maturity (Yrs.)
Repurchase Agreements	\$ 16,393,343	Less than 1 year
Allegiant Money Market Fund	3,060,000	Less than 1 year
Total Investments	<u>\$ 19,453,343</u>	

**Interest rate risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

**Credit risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District limits its investments to repurchase agreements and the Allegiant Money Market fund. The Allegiant Money Market fund was rated AAAM by Standard and Poors.

**Concentration of credit risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not have an investment policy which limits its investments in a single issuer. The District has 85 percent invested in repurchase agreements and 15 percent in the Allegiant Money Market Fund.

**Custodial credit risk** is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's repurchase agreements are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name.

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

**Note 5 - 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 (used in business) property located in the School District. Property tax revenue received during calendar 2007 for real and public utility property taxes represents collections of calendar 2006 taxes. Property tax payments received during calendar 2007 for tangible personal property (other than public utility property) are for calendar 2007 taxes.

2007 real property taxes are levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2007 real property taxes are collected in and intended to finance fiscal year 2008.

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. 2007 public utility property taxes became a lien December 31, 2006, are levied after April 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after April 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$138,388,950	86%	\$139,724,000	88%
Public Utility Personal	9,858,020	6%	9,772,690	6%
Tangible Personal Property	12,104,868	8%	9,756,708	6%
<b>Total</b>	<b>\$160,351,838</b>	<b>100%</b>	<b>\$159,253,398</b>	<b>100%</b>
Tax Rate per \$1,000 of assessed valuation		\$25.81		\$25.81

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 later 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

## **SOUTH POINT LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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### **Note 5 - Property Taxes** (Continued)

Ohio House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed at the level of calendar year 2004 assessed values for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

### **Note 6 - Risk Management**

#### **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 2007, the School District contracted with Indiana Insurance, a Member of Liberty Mutual Group, for property insurance and the Ohio School Plan for general liability insurance.

Professional liability is protected by the Ohio School Plan with a \$1,000,000 single occurrence limit and a \$2,000,000 aggregate and a \$2,500 deductible. Vehicles are covered by Indiana Insurance 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 reduction in insurance coverage from last year.

#### **Workers' Compensation**

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). 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 ensures 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.

#### **Employee Medical Benefits**

The School District participates in the Lawrence County Schools Insurance Purchasing Consortium, an insurance purchasing pool (Note 12). 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 Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

**Note 7 - Employee Benefits**

***A. Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn eleven to twenty days of vacation per fiscal 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 percent of the total unused sick leave days, whichever is greater.

***B. Insurance***

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

The School District has contracted with United Healthcare 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 2007, the School District's and the employees' premiums are listed below:

United Healthcare Health		Medical Benefits Dental		Medical Benefits Vision	
Family	Single	Family	Single	Family	Single
\$1,531.31	\$619.97	\$82.58	\$22.56	\$16.38	\$6.33

**Note 8 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to 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, 2007, 2006, and 2005 were \$295,764, \$289,164, and \$263,354 respectively; 100 percent has been contributed for fiscal years 2007, 2006 and 2005.

## SOUTH POINT LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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### **Note 8 - Defined Benefit Pension Plans** (Continued)

#### ***B. State Teachers Retirement System***

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Chapter 3307 of the Ohio Revised Code establishes benefits. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions in to the DC plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

The DB Plan Benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

The DC Plan Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices.

A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designed beneficiary is entitled to receive the member's account balance.

Member contributions for the Combined Plan Benefits are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1 percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

## **SOUTH POINT LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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### **Note 8 - Defined Benefit Pension Plans** (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase or a lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3 percent of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, 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, 2007, 2006, and 2005 were \$1,079,292, \$948,936, and \$836,309, respectively; 100 percent has been contributed for fiscal years 2007, 2006 and 2005.

### ***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, 2007, all members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

### **Note 9 - Postemployment Benefits**

The School District provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial 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 funded 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 cost will be absorbed by STRS. All 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, 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$66,461 for fiscal year 2007.

## SOUTH POINT LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

### **Note 9 - Postemployment Benefits** (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2007, the balance in the Fund was \$4.1 billion. For the year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000, and STRS had 122,934 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2007 the healthcare allocation was 3.32 percent. 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 2007, the minimum pay was established at \$35,800. 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. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$100,758.

Net health care costs for the year ended June 30, 2007 were \$127,615,614. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2007, the value of the health care fund was \$386.4 million. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 55,818 participants eligible to receive health care benefits.

### **Note 10 - Long Term Obligations**

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Principal Outstanding 6/30/06	Additions	Reductions	Principal Outstanding 6/30/07	Amounts Due in One Year
<b>Governmental Activities</b>					
General Obligation Bonds:					
Current Interest School					
Improvement Bonds	\$ 9,585,000	\$ -	\$ 210,000	\$ 9,375,000	\$ 225,000
Capital Appreciation					
Bonds	556,336	-	-	556,336	-
Capital Lease Obligations	-	2,500,000	247,457	2,252,543	281,427
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 10,141,336</u>	<u>\$ 2,500,000</u>	<u>\$ 457,457</u>	<u>\$ 12,183,879</u>	<u>\$ 506,427</u>

South Point School Improvement Unlimited Tax General Obligation Bonds - On November 12, 2004, the School District issued \$10,316,336 in voted general obligation bonds for the purpose of constructing a new school building and to renovate existing structures. \$1,975,000 were issued as current interest serial bonds with interest rates ranging from 2.50 percent to 3.25 percent, and maturity dates of December 1 in the years 2006 through 2013. \$7,785,000 are current interest term bonds with interest rates ranging from 4.50 percent to 5.00 percent, and maturity dates of December 1, 2024 and 2031. \$556,336 are capital appreciation bonds with maturity dates of December 1, 2013, 2014, 2015, and 2016, with maturity amounts of \$325,000, \$325,000, \$325,000 and \$325,000 respectively. The total capital appreciation bond amount outstanding at June 30, 2007 including accretion is \$684,779; however, under the cash basis of accounting no accretion is reflected in the above schedule. The bonds were issued for a twenty-five year period. The bond value at final maturity will be \$10,316,336. The bonds will be retired from the debt service fund. The school improvement bond will be paid from the debt service fund.

## SOUTH POINT LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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### **Note 10 - Long Term Obligations** (Continued)

The School District's overall legal debt margin was \$4,401,470, with an unvoted debt margin of \$159,253 at June 30, 2007.

During fiscal year 2007, the School District entered into a capital lease agreement with U.S. Bank where the School District received \$2,500,000 in monies in the General Fund. The School District then transferred \$2,500,000 from the General Fund to the Athletic Facilities Capital Projects Fund (non-major capital projects fund) so these monies could be used to construct athletic facilities for the School District. This capital lease agreement will be repaid from the General Fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2007, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 225,000	\$ 409,419	\$ 634,419
2009	240,000	404,120	644,120
2010	255,000	397,798	652,798
2011	270,000	390,305	660,305
2012	290,000	381,615	671,615
2013-2017	1,620,000	1,839,538	3,459,538
2018-2022	1,890,000	1,609,000	3,499,000
2023-2027	2,520,000	1,066,413	3,586,413
2028-2032	3,365,000	396,338	3,761,338
Total	<u>\$ 10,675,000</u>	<u>\$ 6,894,546</u>	<u>\$ 17,569,546</u>

The amortization schedule does not match the outstanding debt amounts listed above due to capital appreciation bonds which are reported at their matured accreted value above.

The School District does not record capital lease obligations as liabilities under the cash basis of accounting. However, for purposes of additional disclosure, the following is a schedule of the future minimum lease payments under capital lease obligations as of December 31, 2007.

<u>Year Ended</u>	<u>Capital Lease Obligations</u>
2008	\$ 375,389
2009	374,966
2010	374,785
2011	374,597
2012	374,500
2013-2017	748,172
Total minimum lease payments	2,622,409
Less: amount representing interest	<u>(369,866)</u>
Present value of minimum lease payments	<u>\$ 2,252,543</u>

## **SOUTH POINT LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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### **Note 11 - Jointly Governed Organizations**

The Lawrence County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from Chesapeake-Union Exempted Village School District, two from 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 \$80,410 for all services provided during fiscal year 2007. 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, Jim Tordiff, Treasurer, at Dawson-Bryant Local School District, 222 Lane Street, Coal Grove, Ohio 45638.

### **Note 12 - 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 Schools Insurance Purchasing Consortium, an insurance purchasing pool. The consortium's business and affairs are conducted by a nine member Board of Directors consisting of the superintendents of member school districts and educational service center. Participants pay \$5 per month per participating employee to the consortium to cover the costs of administering the program.

### **Note 13 - Set asides**

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

As of fiscal year ended June 30, 2002, the School District was 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.

## SOUTH POINT LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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### **Note 13 - Set asides** (Continued)

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Bus Purchases</u>
Set-aside Reserve Balance, June 30, 2006	\$ 426,271	\$ 709,889	\$ 67,581	\$ 65,954
Current Year Set-aside Requirement	280,485	280,485	-	-
Qualifying Disbursements	<u>(306,187)</u>	<u>(3,399,439)</u>	<u>-</u>	<u>-</u>
Total Set-aside Balance Carried Forward to Future Fiscal Years	<u>400,569</u>	<u>(2,409,065)</u>	<u>67,581</u>	<u>65,954</u>
Set-aside Reserve Balance June 30, 2007	<u>\$ 400,569</u>	<u>\$ -</u>	<u>\$ 67,581</u>	<u>\$ 65,954</u>

### **Note 14 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, 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, 2007.

#### ***B. Litigation***

The School District is not currently party to any legal proceedings.

### **Note 15 – Compliance and Accountability**

#### **Compliance**

Contrary to Ohio law, the School District failed to properly submit to the County Budget Commission an amended certificate of estimated resources during fiscal year 2007, had negative fund cash balances, prepared its financial statements on the cash basis of accounting instead of in accordance with GAAP, had expenditures in excess of appropriations, had appropriations in excess of estimated resources, did not execute a bond for the Treasurer, did not properly file its Form 941s, and did not submit its annual filing with BWC.

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

**Accountability - Fund Equity Deficits**

At June 30, 2007, the following funds had fund balance deficits:

<u>Fund</u>	<u>Deficit Balance</u>
Capital Projects Funds:	
ADA Grant	\$ (1)
Video Distance Learning	(7,950)
Total Capital Projects Funds	<u>(7,951)</u>
Special Revenue Funds:	
Food Service	(102,824)
Martha Holden Jennings Foundation	(1,316)
Teacher Development	(30)
Gifted Education	(3,419)
DPIA	(79,360)
Data Communication	(79,154)
Poverty Aid	(24,426)
Title VI B	(297,518)
Chapter I	(493,632)
Title VI R	(104,275)
Total Special Revenue	<u>(1,185,954)</u>
Total All Funds	<u><u>\$ (1,193,905)</u></u>

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when deficits occur.

**Note 16 – Interfund Activity**

Transfers made during the year ended June 30, 2007, were as follows:

<u>Fund</u>	<u>Transfer From</u>	<u>Transfer To</u>
Major Funds:		
General	\$ 4,701,572	\$ -
Classroom Facilities	-	318,459
Total Major Funds	<u>4,701,572</u>	<u>318,459</u>
Other governmental funds	-	4,383,113
Total	<u><u>\$ 4,701,572</u></u>	<u><u>\$ 4,701,572</u></u>

The transfers were made from the General Fund (a major fund) to the other governmental funds to provide support for operating activities of those funds. The transfer from the General Fund to the Capital Projects Local Initiative Fund is for the School District's local share to fund the athletic complex.

## SOUTH POINT LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

### **Note 17 – Restatement of Fund Balance and Net Assets**

The District restated their beginning fund balances and net assets due to errors in reporting cash balances which have been corrected. The effect on fund balances and net assets as of July 1, 2006 is as follows:

	General Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances as of June 30, 2006	\$ 8,641,112	\$ 16,296,242	\$ 89,973	\$ 25,027,327
Correction of Cash Balances	266,871	(980,149)	1,052,187	338,909
Restated Fund Balances as of July 1, 2006	\$ 8,907,983	\$ 15,316,093	\$ 1,142,160	\$ 25,366,236

	Governmental Activities
Net Assets as of June 30, 2006	\$ 25,027,327
Correction of Cash Balances	338,909
Restated Net Assets as of July 1, 2006	\$ 25,366,236

### **Note 18 – Contractual Commitments**

The School District had the following significant contractual commitments at June 30, 2007:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Bovis Lend Lease	Construction Manager - OSFC Project	\$ 746,703
McDonald, Cassell & Bassett	Professional Design Services - OSFC Project	280,515
Mc Donald, Cassell & Bassett	Professional Design Services - Athletic Complex	14,843
A. J. Stockmeister	Electrical (6-12 Building)	165,608
A. J. Stockmeister	Electrical (Athletic Complex)	36,037
Accurate Electric	Plumbing (6-12 Building)	806,598
Cabell Sheet Metal	Roofing (6-12 Building)	169,712
Cincinnati Floor	Wood Flooring (6-12 Building)	90,868
Commercial Appliance	Kitchen Equipment (6-12 Building)	61,609
Continental Office Furniture	Loose Furnishings	206,578
Data Serve Inc.	Tech Equipment (6-12 Building)	269,304
J & H Reinforcing	General Trades (6-12 Building)	3,474,246
J & H Reinforcing	Site Development	36,569
J & H Reinforcing	Athletic Complex	341,433
JMK Electric	Sound/Security (all schools)	605,826
JMK Electric	Data/Voice/Video (all schools)	305,593
JMK Electric	Athletic Complex	65,590
Johnson Controls	ATC (all schools)	316,664
Kenny Houston	Masonry (6-12 Building)	457,190
Mechanical Construction	HVAC (6-12 Building)	510,327
Mechanical Construction	Athletic Complex	46,581
Service Supply Company	Bleachers/Playground Equipment	297,210
Smart Solutions	AV Equipment (6-12 Building)	290,000
TP Mechanical Contractors	Fire Protection	182,185
Total		\$ 9,777,789

# **SOUTH POINT LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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## **Note 19 – Subsequent Events**

The District changed Treasurers subsequent to June 30, 2007 and the current Treasurer has attempted to address a number of the issues which were reported in prior year audits. One of these issues related to deficit cash balances. Since the District is reporting on a cash basis, the General fund cash balance at June 30, 2007, was fairly stated, but the transfers in fiscal year 2008 to eliminate deficit cash balances in a number of funds has reduced the General Fund cash balance by a substantial amount for fiscal year 2008.

**SOUTH POINT LOCAL SCHOOL DISTRICT**  
*Schedule of Federal Awards Expenditures*  
For the Year Ended June 30, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
National School Breakfast Program	05PU	10.553	\$ 115,981	\$ -	\$ 115,981	\$ -
National School Lunch Program	LLP4	10.555	287,501	-	287,501	-
<b>Total Nutrition Cluster</b>			403,482	-	403,482	-
Food Distribution Program	NA	10.550	-	92,760	-	92,760
<b>Total United States Department of Agriculture</b>			403,482	92,760	403,482	92,760
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
Special Education Grants to States	6BSD	84.027	22,786	-	20,903	-
	6BSF	84.027	320,471	-	570,972	-
<b>Total Special Education Grants to States</b>			343,257	-	591,875	-
Title I Grants to Local Education Agencies	C1S1	84.010	709,380	-	651,505	-
Safe & Drug Free Schools State Grants	DRS1	84.186	18,060	-	3,738	-
School Grants for Innovative Programs	C2S1	84.298	3,245	-	-	-
Education Technology State Grants	TJS1	84.318	12,693	-	11,543	-
Improving Teacher Quality State Grants	TRS1	84.367	197,050	-	240,746	-
<b>Total United States Department of Education</b>			1,283,685	-	1,499,407	-
<b>Total Federal Financial Assistance</b>			<b>\$ 1,687,167</b>	<b>\$ 92,760</b>	<b>\$ 1,902,889</b>	<b>\$ 92,760</b>

N/A - The pass through entity number is not available

See Notes to the Schedule of Federal Awards Expenditures.

**SOUTH POINT LOCAL SCHOOL DISTRICT**  
*Notes to Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2007*

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B –FOOD DISTRIBUTIONS**

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

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

Members of the Board  
South Point Local School District  
203 Park Avenue  
South Point, Ohio 45680

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Point Local School District, Lawrence County, (the School District) as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding numbers 2007-007 through 2007-010 and 2007-013 through 2007-016, described in the accompanying Schedule of Findings and Questioned Costs, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-007 through 2007-010 are also material weaknesses.

We also noted a certain internal control matter that we reported to the School District's management in a separate letter dated September 19, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 2007-001 through 2007-006 and 2007-011 through 2007-012.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated September 19, 2008.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the audit committee, 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.



Balestra, Harr & Scherer, CPAs, Inc.

September 19, 2008

# BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

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## **Report on Compliance with Requirements Applicable to Each Major Program and on 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 (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 apply to each of its major federal programs for the year ended June 30, 2007. The summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

As described in findings 2007-017 through 2007-019 in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding Reporting, Cash Management, and Period of Availability of Federal Funds that are applicable to its Title I Grants to Local Education Agencies (CFDA #84.010) and Idea B Special Education Grants to States (CFDA #84.027) major federal programs. Compliance with these requirements is necessary, in our opinion, for the School District to comply with requirements applicable to these programs.

In our opinion, because of the effects of the noncompliance described to in the preceding paragraph, the School District did not comply, in all material respects, with the requirements referred to above that are applicable to the Title I Grants to Local Education Agencies (CFDA #84.010) and IDEA B Special Education Grants to States (CFDA #84.027) major federal programs for the year ended June 30, 2007. Also in our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to its other major federal program for the year ended June 30, 2007.

### Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2007-020 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We consider finding 2007-020 described in the accompanying schedule of findings and questioned costs to be a material weakness.

The School District's responses to the findings we identified are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
September 19, 2008

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Schedule of Findings and Questioned Costs*

*OMB Circular A -133 Section .505*

*For the Fiscal Year Ended June 30, 2007*

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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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 significant internal control deficiencies 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 material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Program's Compliance Opinion	Adverse for Special Education - Grants to States - CFDA #84.027 and Title I Grants to Local Educational Agencies – CFDA #84.010  Unqualified for Nutrition Cluster – CFDA#10.553 & 10.555
(d)(1)(vi)	Are there any reportable findings under .510?	Yes
(d)(1)(vii)	Major Programs (list):	Special Education - Grants to States - CFDA #84.027 Title I Grants to Local Educational Agencies – CFDA #84.010 Nutrition Cluster – CFDA #10.553 & #10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A > \$300,000 Type B - all other programs
(d)(1)(ix)	Low Risk Auditee?	No

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Schedule of Findings and Questioned Costs*

*OMB Circular A -133 Section .505*

*For the Fiscal Year Ended June 30, 2007*

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<p><b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b></p>
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**FINDING NUMBER 2007-001**

**Noncompliance Citation**

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the School District to file its annual financial report in accordance with generally accepted accounting principles. However, the School District prepares its financial statements in accordance with the cash basis of accounting. The accompanying financial statements and notes omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

Pursuant to Ohio Revised Code Section 117.38, the School District can be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should take the necessary steps to ensure that the annual financial report is prepared and filed pursuant to generally accepted accounting principles.

**FINDING NUMBER 2007-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.10 requires that money that is paid into a fund must be used only for the purpose for which such 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.

Several material and immaterial instances of negative fund balances were noted as of June 30, 2007.

The School District Treasurer should review fund balances to ensure that money from one fund is not being used to cover the expenses from another fund. If it is determined that a fund has a negative fund balance or will certainly incur a negative fund balance in the future, the School District Treasurer should obtain Board of Education approval of an advance from the General Fund to cover the negative balances if such an advance would be appropriate. The School District should review Auditor of State Bulletin 1997-003 for further guidance on advances. The School District Treasurer should also submit cash requests for federal grants on a timely basis to avoid having to utilize General Fund monies for grant activities.

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Schedule of Findings and Questioned Costs*

*OMB Circular A -133 Section .505*

*For the Fiscal Year Ended June 30, 2007*

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**FINDING NUMBER 2007-003**

**Noncompliance Citation**

Ohio Revised Code Section 5705.36 states in part that on or about the first day of each fiscal year, 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.

The District did not certify to the county auditor the total amount from all sources available for expenditures at any time throughout the audit period.

The Treasurer should ensure that the total estimated amount from all sources available for expenditure is certified to the county auditor on or about the first day of each fiscal year.

**FINDING NUMBER 2007-004**

**Noncompliance Citation**

Ohio Revised Code Section 5705.39 states in part that the total appropriation from each fund shall not exceed the total estimated revenue.

While testing the District's compliance with budgetary requirements, it was noted that the District did not certify to the county auditor the total amount from all sources available for expenditures at any time throughout the audit period. Therefore, the District's appropriations were in excess of its official estimate of available resources throughout the entire audit period.

The District is non-compliant with Chapter 1 requirements. Appropriations were in excess of estimated available resources throughout the audit period. This could cause the District to appropriate and spend more than the amounts available in each fund, which could lead to negative fund balances.

The Treasurer should ensure that appropriations do not exceed estimated resources at any time throughout the audit period.

**FINDING NUMBER 2007-005**

**Noncompliance Citation**

Ohio Revised Code Section 5705.41(B) states in part that no subdivision or taxing unit is to expend money unless it has been appropriated.

Several material and immaterial instances were noted in which expenditures were in excess of appropriations as of June 30, 2007. Expenditures in excess of appropriations could result in overspending and negative fund balances.

The Treasurer should deny encumbrance requests resulting in expenditures exceeding appropriations. The Treasurer may request the Board of Education to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

## **SOUTH POINT LOCAL SCHOOL DISTRICT**

### *Schedule of Findings and Questioned Costs*

#### *OMB Circular A -133 Section .505*

#### *For the Fiscal Year Ended June 30, 2007*

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### **FINDING NUMBER 2007-006**

#### **Noncompliance Citation**

Ohio Revised Code Section 3313.25 states before entering upon the duties of his office, the Treasurer of each Board of Education shall execute a bond, in an amount and with surety to be approved by the Board, payable to the State, conditioned for the faithful performance of all the official duties required of him. Such bond must be deposited with the president of the Board, and a copy thereof, certified by him, shall be filed with the County Auditor.

The District could not provide proof that the Treasurer was bonded during the audit period. Failure to ensure that the Treasurer is properly bonded could result in the District being held liable for misuse of funds.

The Treasurer should obtain the necessary bond as approved by the Board of Education, file it with the County Auditor, and make it available for review as required by the Ohio Revised Code.

### **FINDING NUMBER 2007-007**

#### **Material Weakness – Recording of Transactions**

We noted instances in which intergovernmental receipts and tax settlements were posted incorrectly or to the wrong fund. These errors resulted in misstatements of cash, property taxes, intergovernmental revenue, and expenses.

The accompanying financial statements have been adjusted to properly reflect the District's transactions when the difference resulted in a material variance.

The aforementioned errors were the result of a lack of internal controls over the financial reporting. Inaccurate recording of transactions results in inaccurate fund balances and cash position. The Treasurer should ensure that all transactions of the District are promptly and accurately recorded in its accounting records.

### **FINDING NUMBER 2007-008**

#### **Material Weakness – Financial Monitoring**

For each regular board meeting, the Board of Education receives a report of checks written during the month and a FINSUM report which shows receipts, expenditures and fund balance by fund. The School District Treasurer should also provide budget and actual revenue and expenditure reports and the bank reconciliation. The Board of Education should carefully review this information and make appropriate inquiries to manage the District.

This information can help answer questions such as the following:

- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the school district maximizing its return on invested cash balances?
- Is the school district able to achieve the financial goals as set by the original or amended budgets?
- Are balances within each cost center reasonable and consistent with prior years?
- Are monies being spent in accordance with the approved appropriations?
- Is there evidence the School District should amend the five-year forecast it files with the Ohio Department of Education?

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Schedule of Findings and Questioned Costs*

*OMB Circular A -133 Section .505*

*For the Fiscal Year Ended June 30, 2007*

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**FINDING NUMBER 2007-008 (Continued)**

**Material Weakness – Financial Monitoring (Continued)**

The Board of Education could accomplish this by establishing an Audit Committee. An Audit Committee can serve as a liaison between management and its auditors. The primary functions of such a Committee are to monitor and review the District's accounting and financial reporting practices, and to follow up on citations and recommendations made by its auditors. The Audit Committee can include members of the Board of Education. However, it can also include representation that is independent from elected officials and management. The Audit Committee could include professionals knowledgeable in the school district's financial operations, such as attorneys or bankers.

We recommend the Board of Education take a more active role in monitoring the financial activity and results of audits for the School District. The minute record should indicate what financial information the Board of Education is approving and copies should be maintained. The Board of Education should consider establishing an Audit Committee as an additional tool for monitoring the financial activity of the School District.

**FINDING NUMBER 2007-009**

**Material Weakness – Accounting and Reporting**

Financial information is vital to an organization's management in its continual effort to effectively make decisions to guide the organization. It is also important for management to receive timely feedback on the reliability of financial information summarized in the financial statements, notes to the basic financial statements, and schedules used to make these management decisions.

The District has experienced some major accounting and reporting issues as evidenced by the number of report findings, including the delay in the completion of the 2007 financial statements. There is an obvious lack of controls over the financial accounting process, which need to be addressed promptly.

Failure to implement controls over the financial accounting process has resulted in the District's records being inaccurate. Furthermore, the District has been delinquent in filing tax returns and its workers comp report. The Treasurer also failed to certify all appropriate budgetary documents with the County Auditor. The Treasurer also failed to provide necessary contract information and documentation, making it impossible to determine that the District was compliant with contractual sections of the Ohio Revised Code.

The District should take the following steps in addressing these issues:

- Designate the Treasurer and Board as having the primary responsibility of ensuring that all audit findings are properly addressed in a timely manner.
- Organize and hold monthly meetings to discuss and develop an action plan to address all audit findings, monitor progress on the action plan, and review specific action taken for each of the findings.
- Have the Treasurer, in conjunction with the Board, develop a monthly, quarterly, and annual check sheet to document key actions performed which are an integral part of the financial accounting and reporting process. The check sheet(s) should include such items as monthly bank reconciliations, monthly financial reports, including a monthly review of budget and actual information and determination of whether budgetary documents require amendments, filing of appropriate forms for federal, state, and local governments, and any other key items. The check sheet should be prepared by the Treasurer and approved by the Board.

## **SOUTH POINT LOCAL SCHOOL DISTRICT**

### *Schedule of Findings and Questioned Costs*

#### *OMB Circular A -133 Section .505*

*For the Fiscal Year Ended June 30, 2007*

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#### **FINDING NUMBER 2007-010**

##### **Material Weakness – Monthly Bank Reconciliations**

Accurate 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 School District Treasurer. While reviewing the reconciliation performed by Balestra, Harr & Scherer Consulting, we noted that code corrections were required to be posted by the School District Treasurer to various accounts for fiscal year 2007 after the year end. Many of these code corrections were the result of the School District maintaining numerous special cost centers within a fund.

Bank reconciliations are not being properly performed, and the Board is not properly monitoring them on a monthly basis.

As a result, we make the following recommendations:

- Accurate reconciliations of the School District's bank accounts should be performed by the School District Treasurer on a monthly basis. Any reconciling items should be documented and investigated. The School District Treasurer should maintain accurate listing of outstanding checks and deposits and 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 in accordance with Auditor of State Bulletin 96-013 or reissued.
- Monthly bank reconciliations should be reviewed and approved by the School District Board of Education as part of their monthly Board Meetings and signed or initialed by the Board President indicating Board review and approval.
- Interest should be posted monthly based on amounts indicated on the bank statements and checks be issued in a manner to agree to the amount posted to the accounting system.
- The School District Treasurer should maintain documentation to support any code correction transactions and review Special Cost Centers within funds to determine whether the current special cost centers are necessary and that the required Special Cost Centers have been established.

#### **FINDING NUMBER 2007-011**

##### **Material Noncompliance – Bureau of Workers Compensation Reporting**

State regulations require the District to report its payroll information to the Bureau of Workers Compensation (BWC) on an annual basis. BWC determines the District's coverage and rate based on the payroll information the District reports.

The District failed to report its payroll to BWC by the required filing deadline. This resulted in BWC overestimating the District's payroll amount, which caused the District's premium to be higher than it should have been.

The District should ensure that annual payroll information is reported to BWC as required in order to ensure that the District's premium is calculated correctly.

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Schedule of Findings and Questioned Costs*

*OMB Circular A -133 Section .505*

*For the Fiscal Year Ended June 30, 2007*

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**FINDING NUMBER 2007-012**

**Material Noncompliance – Timely Filing of IRS Tax Forms 941**

Federal regulations require the District to file tax returns with the Internal Revenue Service via IRS Tax Forms 941 on a quarterly basis.

The District failed to file its 3<sup>rd</sup> quarter tax return (Form 941) for 2006 until June, 2008. This caused the IRS to have inaccurate information on file regarding the District's Medicare wages and income tax withholdings, resulting in discrepancies between amounts reported on 941s and Forms W-2/W2-G/1099R.

The District should ensure that tax returns are filed on a quarterly basis as required.

**FINDING NUMBER 2007-013**

**Significant Deficiency – Student Activities**

Sales potential forms were not properly completed and on file for all fund-raising activities. Sales potential forms should be utilized uniformly throughout the School District for all extracurricular events in order to provide controls over these activities where varying amounts of money are being collected by different individuals. The lack of these forms could result in an inability to account for amounts paid into the School District Treasurer's office or to support expenditures made from the student activity account.

Additionally, budgets were not prepared at the beginning of the fiscal year by student activity organizations and submitted to the Board of Education for approval to document approval of the activity and proposed fund-raising activity.

Furthermore, the Treasurer does not periodically provide student activity advisors with financial statements with month-to-date, year-to-date, and budgeted versus actual information pertaining to their accounts. This inhibits the advisors from adequately monitoring the financial condition of the activity accounts for which they are responsible.

The School District should require all student activity fund raisers to utilize sales potential forms. These forms should be properly completed and approved. The forms should contain sufficient detail to document the source and amount of all receipts and to support related expenditures.

Prior to the performance of any financial transaction by an authorized student activity, the School District should also require that a budget be submitted and approved for the school year. The Board of Education should also prepare and follow policies and procedures to monitor the activity of these organizations.

The Treasurer should also provide financial reports to each student activity advisor showing month-to-date, year-to-date, and budgeted versus actual figures in order to allow them to sufficiently monitor the status of their accounts.

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Schedule of Findings and Questioned Costs*

*OMB Circular A -133 Section .505*

*For the Fiscal Year Ended June 30, 2007*

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**FINDING NUMBER 2007-014**

**Significant Deficiency – Student Athletics**

The District does not utilize tally sheets to document ticket sales for many of its athletic events. The only athletic events for which tally sheets are routinely used are football and boys and girls basketball. According to the Treasurer, tally sheets are not utilized for the other sporting events because the District does not require payment to enter the event. However, tickets are sold to individuals who want to pay, and those receipts are classified as “donations” since payment is not required.

Failure to account for ticket sales substantially increases the risk that fraudulent activity or mistakes will occur. The District should implement a policy requiring tally sheets to be utilized for all athletic events, even when payment is not required. For events in which donations are accepted in lieu of payment, tickets should be distributed to those who donate. Since the amount of the donation is equal to the price of a ticket, tally sheets should be completed the same as they are for events that do require attendees to purchase tickets.

**FINDING NUMBER 2007-015**

**Significant Deficiency – Personnel Files**

The District should maintain personnel information for each employee of the District. Personnel files should contain items such as employment applications, resumes, contracts, salary notices, tax & retirement forms, insurance forms, evaluations, disciplinary action, leave forms, and other important information. When a contracted employee is employed by the District, management should ensure that a contract, signed by the employee as well as a District representative, is on file and approved by the Board. The Contract should state the amount of compensation as well as other terms of employment.

While testing controls over payroll disbursements, it was noted that the former Treasurer’s personnel file was missing. It was also noted employment contracts and salary notices were not on file for certain employees and administrative personnel.

It is important that accurate personnel information is retained for all employees of the District. Failure to create and maintain employee contracts for all applicable employees could result in employees being compensated incorrectly. Furthermore, either party could violate the terms of the contract with nothing on file to settle the issue.

The District should ensure that a contract is created and maintained and on file for all applicable employees. The contract should be signed by both parties and approved by the Board. The District should also ensure that personnel files for current and former employees are maintained and contain all items necessary to document employment and personnel action.

**FINDING NUMBER 2007-016**

**Significant Deficiency – Insurance Premiums**

It was noted that the District did not follow the agreement between the South Point Board of Education and the South Point Association of Classroom Teachers/OEA/NEA, dated August 1, 2005 to August 31, 2008, Article 17.02, in regards to the withholding of insurance premiums. This resulted in a teacher underpaying her premiums by \$7,312.33.

The District should follow the agreement between the South Point Board of Education and the South Point Association of Classroom Teachers/OEA/NEA, dated August 1, 2005 to August 31, 2008, Article 17.02, when withholding insurance premiums.

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Schedule of Findings and Questioned Costs*

*OMB Circular A -133 Section .505*

*For the Fiscal Year Ended June 30, 2007*

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2007-017
<b>CFDA Title and Number</b>	Title I Grants to Local Education Agencies (Title I) 84.010 Special Education Grants to States (Idea B) 84.027
<b>Federal Award Number/Year</b>	C1S1 – 06/07, 6BSF – 06/07
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance Citation – Reporting**

Ohio Department of Education’s Consolidated Application Assurances item 5 provides that (Local Education Agency) LEA’s will make reports to ODE as may be reasonably necessary to enable ODE to perform its duties.

Program funds are reported to the State of Ohio. There are two forms the School District must file:

- Project Cash Request (PCR)
- Final Expenditure Report (FER)

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 90 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).

The Final Expenditure Report submitted for Title I for grant year 2007 was not accurate per the District’s accounting records. Below is a comparison of the reported figures and actual figures for the 2007 grant year final expenditure report.

Grant	Fund and Object Level	Expenditures per FER	Expenditures per system	Variance
Title I	572-100	\$ 483,438	\$ 523,795	\$ (40,357)
Title I	572-200	\$ 57,000	\$ 158,268	\$ (101,268)
Title I	572-400	\$ 3,223	\$ 3,238	\$ (15)
Title I	572-500	\$ 2,149	\$ 2,686	\$ (537)
			Total Title I	\$ (142,177)

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Schedule of Findings and Questioned Costs*

*OMB Circular A -133 Section .505*

*For the Fiscal Year Ended June 30, 2007*

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

<b>Finding Number</b>	2007-017 (Continued)
<b>CFDA Title and Number</b>	Title I Grants to Local Education Agencies (Title I) 84.010 Special Education Grants to States (Idea B) 84.027
<b>Federal Award Number/Year</b>	C1S1 – 06/07, 6BSF – 06/07
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance Citation – Reporting (Continued)**

The Final Expenditure Report submitted for Idea B for grant year 07 was not accurate per the District’s accounting records. Below is a comparison of the reported figures and actual figures for the 2007 grant year final expenditure report.

Grant	Fund and Object Level	Expenditures per FER	Expenditures per system	Variance
Idea B	516-100	\$ 310,186	\$ 370,811	\$ (60,625)
Idea B	516-200	\$ 42,206	\$ 112,564	\$ (70,358)
Idea B	516-400	\$ 40,754	\$ 19,724	\$ 21,030
Idea B	516-500	\$ 28,970	\$ 31,145	\$ (2,175)
Idea B	516-600	\$ 36,695	\$ 37,195	\$ (500)
			Total Idea B	\$ (112,628)

Improper reporting of expenditures is in noncompliance with the aforementioned federal requirements. This could have an adverse effect on future federal funding for the School District.

The School District should report to the Ohio Department of Education only those expenditures that can be supported with the School District’s records. We would further recommend that the School District contact the Ohio Department of Education and submit an amended Final Expenditure Report for the 2007 grants.

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Schedule of Findings and Questioned Costs*

*OMB Circular A -133 Section .505*

*For the Fiscal Year Ended June 30, 2007*

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

<b>Finding Number</b>	2007-018
<b>CFDA Title and Number</b>	Special Education Grants to States (Idea B) 84.027 Safe & Drug Free Schools State Grants/84.186 School Grants for Innovative Programs/84.298 Education Technology State Grants/84.318 Improving Teacher Quality State Grants/84.367
<b>Federal Award Number/Year</b>	C1S1 – 06/07, 6BSF – 06/07
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Questioned Cost – Cash Management**

34 CFR 80.21 states, in pertinent part:

- a) Scope – this section prescribes the basic standard and the methods under which a Federal agency will make payments to grantees, and grantees will make payments to subgrantees and contractors.
- b) Basic Standard – methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205.
- c) Advances – grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

The first payment is initiated by the Ohio Department of Education. Subsequent payments must be requested by the LEA as needed using the online Project Cash Request (PCR).

Except for the initial PCR, cash requests are limited to one month (up to 10% of the approved budget amount) plus any negative balance (amount by which program expenditures exceeded project cash received to date). ODE requires written explanation for monthly cash advance requests which exceed the 10% limit. Additionally, written explanations are required for cash advance requests when the balance on hand exceeds 10% of the approved budget amount. (Authority: ODE online Project Cash Request form)

Funds are to be expended within the period of time for which they are requested (e.g. funds requested for January should be expended or encumbered during January). (Authority: ODE online Project Cash Request form)

The District did not properly utilize its cost centers and due to that, cash balances accumulated in old cost centers. A cost center is a sub-account within a fund which is utilized to track grants separately based on the fiscal year of the grant. Below is a listing of cost centers that, based on the year of the grant and their final expenditure reports, should not have had balances remaining as of June 30, 2007.

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Schedule of Findings and Questioned Costs*

*OMB Circular A -133 Section .505*

*For the Fiscal Year Ended June 30, 2007*

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

<b>Finding Number</b>	2007-018 (Continued)
<b>CFDA Title and Number</b>	Special Education Grants to States (Idea B) 84.027 Title I Grants to Local Education Agencies 84.010 Safe & Drug Free Schools State Grants/84.186 School Grants for Innovative Programs/84.298 Education Technology State Grants/84.318 Improving Teacher Quality State Grants/84.367
<b>Federal Award Number/Year</b>	C1S1 – 06/07, 6BSF – 06/07
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Questioned Cost – Cash Management (Continued)**

<b>Fund/ Cost Center</b>	<b>Description of the Grant/Fund</b>	<b>June 30, 2007 Cash Balances</b>
516-9000	IDEA-B - FY 2000	\$602
516-9003	IDEA-B - FY 2003	\$26,609
516-9004	IDEA-B - FY 2004	\$97,272
516-9005	IDEA-B - FY 2005	\$69,493
516-9006	IDEA-B - FY 2006	(\$68,793)
516-9015	IDEA-B - Access Special Ed.	\$67,418
516-9099	Title VI-B Sp Ed Ast State	(\$105)
516-9105	IDEA-B - Access Special Ed.	(\$49,734)
516-9106	IDEA-B	(\$25,598)
516-9606	IDEA-B	(\$7,214)
572-9005	Title I - FY 2005	(\$153,697)
572-9006	Title I - FY 2006	\$48,609
573-9001	Title VI	\$50
573-9003	Title VI	(\$4,773)
573-9004	Title VI	\$5,007
573-9005	Title V	(\$466)
573-9006	Title V	\$513
584-9003	Drug Free Grant - FY03	\$2,519
584-9004	Drug Free Grant - FY04	\$1,753
584-9005	Drug Free Grant - FY05	(\$10,225)
584-9006	Drug Free Grant - FY06	\$11,381
590-9003	Reducing Class Size Grant - FY03	\$49,426
590-9004	Reducing Class Size Grant - FY04	\$40,147
590-9005	Reducing Class Size Grant - FY05	(\$24,227)
590-9006	Reducing Class Size Grant - FY06	(\$58,026)
	<b>TOTAL</b>	<b>\$17,941</b>

Based on the fact that these fund balances should not be in existence as of June 30, 2007 according to their grant years and final expenditure reports, we will issue the total of \$17,941 as a questioned cost.

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Schedule of Findings and Questioned Costs*

*OMB Circular A -133 Section .505*

*For the Fiscal Year Ended June 30, 2007*

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2007-018 (Continued)
<b>CFDA Title and Number</b>	Special Education Grants to States (Idea B) 84.027 Title I Grants to Local Educational Agencies 84.010 Safe & Drug Free Schools State Grants/84.186 School Grants for Innovative Programs/84.298 Education Technology State Grants/84.318 Improving Teacher Quality State Grants/84.367
<b>Federal Award Number/Year</b>	C1S1 – 06/07, 6BSF – 06/07
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Questioned Cost – Cash Management (Continued)**

These deficiencies were a direct result of a lack of monitoring controls over the cash flows. There appeared to be no monitoring of these funds in the School District Treasurer’s office. Without proper cash management, the School District runs a risk of losing federal finding or having to return funds back to the Ohio Department of Education.

We would propose the following recommendations to be implemented to address the issues noted above:

- All cash request forms should be based on records from the accounting system. Support for each request should be maintained on file by the School District Treasurer’s office.
- The School District should review the fund balances noted above to determine the source of the funding. Once this is determined, we recommend the School District contact the Ohio Department of Education to determine what course of action should be taken to distribute the monies to the correct parties. Once the items noted above are addressed, we would recommend the School District eliminate all unnecessary cost centers and begin monitoring the balances each month to allow for proper cash management of federal monies.

<b>Finding Number</b>	2007-019
<b>CFDA Title and Number</b>	Title I Grants to Local Education Agencies (Title I) 84.010 Special Education Grants to States (Idea B) 84.027
<b>Federal Award Number/Year</b>	C1S1 – 06/07, 6BSF – 06/07
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Questioned Cost – Period of Availability**

34 CFR Sections 76.704 through 76.707 require that non-federal entities subject to the A-102 Common Rule shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period to coincide with the submission of the annual financial status report.

The Treasurer charged \$16,587 in expenses to the IDEA special cost center for FY07 (516-9007) in October, 2007, which is subsequent to the end of the period of availability.

The Treasurer charged \$42,674 in expenses to the Title I special cost center for FY07 (572-9006) in October, 2007, and made adjustments in the amount of (\$103,611), resulting in total expenses of (\$60,937). Since the project year ends September 30, the expenses were charged subsequent to the end of the period of availability.

Based on the fact that the District charged expenses to the grants’ special cost centers subsequent to the end of the period of availability, we will issue the total of \$44,350 as a questioned cost.

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Schedule of Findings and Questioned Costs*

*OMB Circular A -133 Section .505*

*For the Fiscal Year Ended June 30, 2007*

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

<b>Finding Number</b>	2007-020
<b>CFDA Title and Number</b>	Title I Grants to Local Education Agencies (Title I) 84.010 Special Education Grants to States (Idea B) 84.027
<b>Federal Award Number/Year</b>	C1S1 – 06/07, 6BSF – 06/07
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Material Weakness – Federal Accounting and Reporting**

The Ohio Department of Education allocates a certain amount to each school district receiving Title I and IDEA funding. The money is awarded to the District on a reimbursement basis, and the District’s funding period lasts from July 1 to June 30, with an additional 90 day period of availability beginning June 30. Final expenditure reports are due no later than September 30, and should be submitted once all liabilities of the program have been liquidated. Funds not requested for reimbursement (if not approved to be carried forward to the next grant year) are lost to the school district and subsequent allocations are decreased.

While testing the District’s compliance with federal requirements regarding IDEA-B and Title I, it was noted that the District does not have proper accounting and reporting controls in place over its federal funds. Improper use of cost centers throughout the year has resulted in the District reporting inaccurate information to the Ohio Department of Education. Furthermore, the District has failed to submit Project Cash Requests in a timely manner throughout the year in order to ensure that positive fund balances are maintained in its federal funds.

The Treasurer does not appear to have reported the District’s expenditures accurately on the Final Expenditure Report, and therefore did not receive the proper amount of reimbursement for its IDEA-B and Title I programs. According to the District’s accounting system, total IDEA-B program year expenditures were \$571,439. However, only \$458,811 was reported on the District’s Final Expenditure Report and reimbursed to the District. Additionally, total Title I expenditures were \$687,987. However, only \$545,810 was reported on the District’s Final Expenditure Report and reimbursed to the District. Total allocations, including incoming carryover amounts, for IDEA-B and Title I were \$677,770 and \$659,345, respectively. Had the District reported accurate figures on its Final Expenditure Report and requested timely and accurate reimbursements on its project cash requests, it could have received additional reimbursements of \$112,628 for IDEA-B, and \$113,535 for Title I.

The Ohio Department of Education has declared the District as a “high risk” subgrantee, due to the District’s history of unsatisfactory performance and unwillingness to conform to the terms and conditions of previous awards. As a result of this declaration, the District is required to fulfill additional requirements in order to continue receiving grant awards from the Ohio Department of Education.

The Board and Treasurer should work diligently to improve controls over the accounting and reporting of federal receipts and expenditures. The Treasurer should ensure that all transactions of federal funds are accounted for in the correct cost centers, and that expenditures charged are allowable. The Treasurer should also ensure that Project Cash Requests are submitted periodically throughout the year requesting reimbursement for the program’s expenditures. The Treasurer should also ensure that the Final Expenditure Report, as well as any other report required to be submitted as a result of the District’s “high risk” status, is accurate, complete, and supported by the District’s accounting records.

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Schedule of Prior Audit Findings*

*OMB Circular A-133 §315(b)*

*For the Fiscal Year Ended June 30, 2007*

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2006-001	Noncompliance Citation – ORC 3317.022(C)(5)	Yes	
2006-002	Noncompliance Citation – ORC 5705.10	No	Reissued as Finding Number 2007-002
2006-003	Noncompliance Citation – ORC 5705.14, 5705.15 & 5705.16	No	Reissued as immaterial noncompliance in Management Letter
2006-004	Noncompliance Citation – ORC 5705.36	No	Reissued as Finding Number 2007-003
2006-005	Noncompliance Citation – ORC 5705.38(B)	No	Reissued as immaterial noncompliance in Management Letter
2006-006	Noncompliance Citation – ORC 9.24(A), (B), (D), (E), and (G); and AG Opinion 2004-014	No	Reissued as immaterial noncompliance in Management Letter
2006-007	Noncompliance Citation – ORC 5705.41(D)	No	Reissued as immaterial noncompliance in Management Letter
2006-008	Noncompliance Citation – ORC 121.22	No	Reissued as immaterial noncompliance in Management Letter
2006-009	Noncompliance Citation – ORC 117.38 & OAC 117-2-03(B)	No	Reissued as Finding Number 2007-001
2006-010	Noncompliance Citation – ORC 3313.25	No	Reissued as Finding Number 2007-006
2006-011	Noncompliance Citation – 17 CFR Section 240.15c2-12	No	Reissued as immaterial noncompliance in Management Letter
2006-012	Material Weakness – Recording of Transactions	No	Reissued as Finding Number 2007-007
2006-013	Material Weakness – Financial Monitoring	No	Reissued as Finding Number 2007-008
2006-014	Material Weakness – Monthly Bank Reconciliations	No	Reissued as Finding Number 2007-010
2006-015	Material Weakness – Insufficient Records	Partially Corrected	Most of the records noted were made available for current audit. Those not made available were identified in Finding Number 2007-015
2006-016	Reportable Condition – Student Activities	No	Reissued as Finding Number 2007-013
2006-017	Reportable Condition – Student Athletics	No	Reissued as Finding Number 2007-014

**SOUTH POINT LOCAL SCHOOL DISTRICT**

*Schedule of Prior Audit Findings*

*OMB Circular A-133 §315(b)*

*For the Fiscal Year Ended June 30, 2007*

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2006-018	Reportable Condition – Absence of Policies	No	Reissued as matter for improvement in Management Letter
2006-019	Federal Noncompliance Citation – Reporting	No	Reissued as Finding Number 2007-017
2006-020	Federal Noncompliance Citation – Federal Payroll Certification	Yes	
2006-021	Questioned Cost – Cash Management	No	Reissued as Finding Number 2007-018
2006-022	Questioned Cost – Period of Availability	No	Reissued as Finding Number 2007-019
2006-023	Questioned Cost - Allowability	Yes	
2006-024	Material Weakness – Project Cash Requests	No	Reissued as part of Finding Number 2007-020

## SOUTH POINT LOCAL SCHOOL DISTRICT

### *Corrective Action Plan*

*OMB Circular A-133 §315(c)*

*For the Fiscal Year Ended June 30, 2007*

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person:
2007-001	The financial report will be reported on a cash basis for FY08. District will return to GAAP statements in FY09.	6/30/08	Tresa Baker, Treasurer
2007-002	When required by law, board-approved transfers and advances will be used to prevent negative fund balances.	6/30/08	Tresa Baker, Treasurer
2007-003	Fiscal Year 2008 funds were certified in February, 2008 (the date the new Treasurer was hired). Resources will be certified and appropriations will be approved and filed.	2/29/08	Tresa Baker, Treasurer
2007-004	Appropriations will be monitored and amended as necessary to ensure compliance.	6/30/08	Tresa Baker, Treasurer
2007-005	Expenditures will be monitored and appropriations amended as necessary to ensure compliance.	6/30/08	Tresa Baker, Treasurer
2007-006	Treasurer's bond has been secured and is on file.	6/30/08	Tresa Baker, Treasurer
2007-007	The School District will implement application and monitoring controls to ensure that receipts and cash are accurately and completely stated.	6/30/08	Tresa Baker, Treasurer
2007-008	The School District will develop and implement a monitoring control system to prevent material misstatements or misappropriations of assets from occurring.	6/30/08	Tresa Baker, Treasurer
2007-009	The Treasurer will submit to the Board of Education all above noted reports for approval on a monthly basis.	6/30/08	Tresa Baker, Treasurer
2007-010	Reconciliations are now taking place. The District is working with its consultants to reconcile prior years' variances.	6/30/08	Tresa Baker, Treasurer
2007-011	BWC premiums are due May 15 along with report of payroll. All BWC reports will be filed as required.	5/31/08	Tresa Baker, Treasurer
2007-012	The Treasurer will ensure taxes are filed in the event the payroll clerk is absent.	4/30/08	Tresa Baker, Treasurer

## SOUTH POINT LOCAL SCHOOL DISTRICT

### *Corrective Action Plan*

*OMB Circular A-133 §315(c)*

*For the Fiscal Year Ended June 30, 2007*

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person:
2007-013	Student activity budgets will be prepared and approved by the Board for all student activities. Detailed financial reports are now presented to advisors on a monthly basis. The District will require student activity fundraisers to utilize sales potential forms.	6/30/08	Tresa Baker, Treasurer
2007-014	The District will use student activity guidelines as developed by the Auditor of State's office to ensure appropriate tracking of sales and donations at sporting events.	6/30/08	Tresa Baker, Treasurer
2007-015	The District will ensure that personnel files are maintained for all employees, and that the files contain all information pertinent to the employees' positions with the District. Contracts will be issued and on file.	6/30/08	Tresa Baker, Treasurer
2007-016	The Treasurer will monitor employee withholdings to ensure compliance with negotiated agreements.	6/30/08	Tresa Baker, Treasurer
2007-017	The Final Expenditure Report will be submitted timely.	6/30/08	Tresa Baker, Treasurer
2007-018	Cost centers specific to individual programs will be used for those programs only.	6/30/08	Tresa Baker, Treasurer
2007-019	Federal expenditures will be made within the period of availability.	6/30/08	Tresa Baker, Treasurer
2007-020	Treasurer will work to improve controls over accounting and reporting of federal monies. PCRs will be submitted throughout the year.	6/30/08	Tresa Baker, Treasurer





**Mary Taylor, CPA**  
Auditor of State

**SOUTH POINT LOCAL SCHOOL DISTRICT**

**LAWRENCE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 13, 2008**