

South Point Local School District

Lawrence County

Single Audit

July 1, 2003 Through June 30, 2004

Fiscal Year Audited Under GAGAS: 2004

BALESTRA, HARR & SCHERER, CPAs, INC.
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**Auditor of State
Betty Montgomery**

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, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 23, 2006

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South Point Local School District
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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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Point Local School District (the District), Lawrence County, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2004, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9 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 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 District's basic financial statements. The accompanying schedule of federal awards 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. Such information 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 dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 31, 2005

South Point Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited*

The discussion and analysis of the South Point Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. 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 2004 are as follows:

- Net assets of governmental activities increased \$1,672,922. The primary reasons for the increase are due to increased cash generated by the issuance of notes, as well as, additional tax and intergovernmental revenue received during 2004. The fiscal health of the School District is very dependent upon the level of funding of the State School Foundation and the prudent fiscal management policies as set by the Board of Education.
- General revenues accounted for \$11,238,392 in revenue or 75% of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$3,817,734 or 25% of total revenues of \$15,056,126.
- The School District had \$13,383,204 in expenses related to governmental activities; \$3,817,734 of these expenses was offset by program specific charges for services, grants, and contributions. General Revenues were adequate to cover the remaining program expenses.
- The School District has two major funds; the General Fund and the Classroom Facilities Capital Project Fund. The General Fund had \$12,337,222 in revenues and \$10,738,305 in expenditures. The General Fund's balance increased \$1,566,651 due to tax and intergovernmental revenue increases during 2004. The Classroom Facilities had revenues and other financing sources of \$10,370,100 and expenditures of \$35,804. The fund's balance increased \$10,334,296 due to the issuance of notes.

USING THIS ANNUAL FINANCIAL REPORT

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

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

South Point Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited*

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. 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 Fund.

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

South Point Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited*

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 2004 compared to 2003.

Table 1
Net Assets

	Governmental Activities	
	2004	2003*
Assets		
Current and Other Assets	\$20,483,308	\$8,487,181
Capital Assets	4,617,341	4,750,823
Total Assets	<u>25,100,649</u>	<u>13,238,004</u>
Liabilities		
Long-term Liabilities	12,345,268	2,543,784
Other Liabilities	4,883,204	4,494,965
Total Liabilities	<u>17,228,472</u>	<u>7,038,749</u>
Net Assets		
Invested in Capital Assets, Net of Debt	4,422,341	4,351,335
Restricted	2,965,670	2,397,154
Unrestricted	484,166	(549,234)
Total Net Assets	<u>\$7,872,177</u>	<u>\$6,199,255</u>

Current and other assets increased by \$11,996,127 due to cash increases resulting from the issuance of notes. The issuance of notes also attributes to the increase in long-term liabilities in the amount of \$9,801,484.

* - Net assets of Governmental Activities were restated for June 30, 2003 due to the correction of accounting errors made in the prior year. See Note 3 for further detail of the restatement.

South Point Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited*

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004 as compared to 2003.

Table 2
Changes in Net Assets

	Governmental Activities	
	2004	2003*
Revenues		
Program Revenues		
Charges for Services	\$393,864	\$446,852
Operating Grants and Contributions	3,423,870	3,509,938
Total Program Revenues	3,817,734	3,956,790
General Revenues		
Property Taxes	2,806,301	2,576,501
Grants and Entitlements	8,074,496	7,604,425
Investment Earnings	71,718	33,305
Miscellaneous	285,877	163,985
Total General Revenues	11,238,392	10,378,216
Total Revenues	15,056,126	14,335,006
Program Expenses		
Instruction:		
Regular	5,853,025	5,594,182
Special	1,635,381	1,624,955
Vocational	0	7,059
Other	48,803	139,462
Support Services:		
Pupil	479,666	516,247
Instructional Staff	585,273	518,867
Board of Education	37,291	47,693
Administration	1,810,140	1,634,393
Fiscal	243,821	261,916
Operation and Maintenance of Plant	998,006	1,078,373
Pupil Transportation	762,689	708,905
Central	48,784	155,526
Operation of Non-Instructional Services	579,358	721,320
Extracurricular Activities	232,622	236,870
Interest and Fiscal Charges	68,345	60,414
Total Expenses	13,383,204	13,306,182
Increase in Net Assets	1,672,922	1,028,824
Net Assets at Beginning of Year	6,199,255	5,170,431
Net Assets at End of Year	\$7,872,177	\$6,199,255

* - Net assets of Governmental Activities were restated for June 30, 2003 due to the correction of accounting errors made in the prior year. See Note 3 for further detail of the restatement.

South Point Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited*

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
	2004	2004	2003	2003
Program Expenses				
Instruction:				
Regular	\$5,853,025	\$4,600,837	\$5,594,182	\$4,797,528
Special	1,635,381	300,017	1,624,955	361,200
Vocational	0	0	7,059	7,059
Other	48,803	40,201	139,462	58,762
Support Services:				
Pupil	479,666	468,807	516,247	434,651
Instructional Staff	585,273	393,455	518,867	386,356
Board of Education	37,291	36,853	47,693	47,220
Administration	1,810,140	1,758,324	1,634,393	1,564,769
Fiscal	243,821	241,193	261,916	258,629
Operation and Maintenance of Plant	998,006	960,801	1,078,373	933,351
Pupil Transportation	762,689	419,896	708,905	403,106
Central	48,784	48,237	155,526	155,526
Operation of Non-Instructional Services:				
Food Service Operations	579,358	62,320	721,320	(173,822)
Extracurricular Activities	232,622	179,057	236,870	54,643
Interest and Fiscal Charges	68,345	55,472	60,414	60,414
Total	\$13,383,204	\$9,565,470	\$13,306,182	\$9,349,392

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 69% of instruction activities are supported through taxes and intergovernmental revenues.

THE SCHOOL DISTRICT FUNDS

The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,846,207, expenditures of \$13,996,526, and other financing sources of \$10,318,170.

The most significant change in fund balance is in the School Districts Classroom Facilities major fund. The fund balance increase of \$10,334,296 was due primarily to the issuance of \$10,318,170 in notes.

South Point Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited*

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 2004, the School District amended its General Fund Budget, but not significantly.

For the General Fund, budget basis revenue was \$51,140 above original estimates of \$12,110,231.

The School District's ending unobligated General Fund balance was \$2,951,610.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2004, the School District had \$4,617,341 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2004 balances compared to 2003.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2004	2003
Land	\$484,300	\$484,300
Land Improvements	48,435	52,919
Buildings and Improvements	3,558,413	3,798,864
Furniture and Equipment	243,747	165,199
Vehicles	282,446	249,541
Totals	<u>\$4,617,341</u>	<u>\$4,750,823</u>

For additional information on capital assets, see note 8 to the basic financial statements.

Debt

At June 30, 2004, the School District had general obligation bonds outstanding of \$195,000. The bonds were issued for school construction. The School District also had \$10,318,170 in outstanding bond anticipation notes at June 30, 2004 with the entire amount due within one year. For additional information on debt, see note 13 to the basic financial statements.

South Point Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

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 citizen's, 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, Dan McDavid at (740) 377-9177.

South Point Local School District, Ohio

Statement of Net Assets

As of June 30, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$15,505,403
Cash and Cash Equivalents with Fiscal Agents	10,431
Restricted Cash and Cash Equivalents	900,552
Inventory Held for Resale	6,787
Materials and Supplies Inventory	1,600
Intergovernmental Receivable	594,386
Property Taxes Receivable	3,464,149
Nondepreciable Capital Assets	484,300
Depreciable Capital Assets, Net	<u>4,133,041</u>
<i>Total Assets</i>	<u>25,100,649</u>
Liabilities	
Accounts Payable	37,089
Accrued Wages and Benefits Payable	1,433,351
Intergovernmental Payable	444,821
Matured Bonds Payable	10,000
Matured Interest Payable	431
Accrued Interest Payable	9,488
Deferred Revenue	2,948,024
Long-Term Liabilities:	
Due Within One Year	10,817,743
Due In More Than One Year	<u>1,527,525</u>
<i>Total Liabilities</i>	<u>17,228,472</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	4,422,341
Restricted for:	
Capital Outlay	305,502
Debt Service	196,450
Other Purposes	1,563,166
Set-asides	834,598
Bus Purchases	65,954
Unrestricted	<u>484,166</u>
<i>Total Net Assets</i>	<u><u>\$7,872,177</u></u>

See accompanying notes to the basic financial statements

South Point Local School District, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2004

	Expenses	Program Revenues		Net (Expense)
		Charges for Services & Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities				
Instruction:				
Regular	\$5,853,025	\$171,565	\$1,080,623	(\$4,600,837)
Special	1,635,381	83,703	1,251,661	(300,017)
Other	48,803	1,291	7,311	(40,201)
Support Services:				
Pupil	479,666	5,985	4,874	(468,807)
Instructional Staff	585,273	23,673	168,145	(393,455)
Board of Education	37,291	438	0	(36,853)
Administration	1,810,140	22,573	29,243	(1,758,324)
Fiscal	243,821	2,628	0	(241,193)
Operation and Maintenance of Plant	998,006	12,392	24,813	(960,801)
Pupil Transportation	762,689	7,774	335,019	(419,896)
Central	48,784	547	0	(48,237)
Operation of Non-Instructional Services	579,358	54,031	463,007	(62,320)
Extracurricular Activities	232,622	7,264	46,301	(179,057)
Interest and Fiscal Charges	68,345	0	12,873	(55,472)
Totals	\$13,383,204	\$393,864	\$3,423,870	(9,565,470)
General Revenues				
Property Taxes Levied for:				
General Purposes				2,806,301
Grants and Entitlements not Restricted to Specific Programs				8,074,496
Investment Earnings				71,718
Miscellaneous				285,877
Total General Revenues				11,238,392
<i>Change in Net Assets</i>				1,672,922
<i>Net Assets Beginning of Year - See Note 3</i>				6,199,255
<i>Net Assets End of Year</i>				\$7,872,177

See accompanying notes to the basic financial statements

South Point Local School District, Ohio

*Balance Sheet
Governmental Funds
As of June 30,2004*

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,822,895	\$10,334,296	\$1,348,212	\$15,505,403
Cash and Cash Equivalents with Fiscal Agents	0	0	10,431	10,431
Receivables:				
Property Taxes	3,464,149	0	0	3,464,149
Interfund Receivable	451,691	0	0	451,691
Intergovernmental	0	0	594,386	594,386
Materials and Supplies Inventory	0	0	1,600	1,600
Inventory Held for Resale	0	0	6,787	6,787
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	<u>900,552</u>	<u>0</u>	<u>0</u>	<u>900,552</u>
<i>Total Assets</i>	<u>\$8,639,287</u>	<u>\$10,334,296</u>	<u>\$1,961,416</u>	<u>\$20,934,999</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$18,616	\$0	\$18,473	\$37,089
Accrued Wages and Benefits Payable	1,077,706	0	355,645	1,433,351
Interfund Payable	0	0	451,691	451,691
Intergovernmental Payable	377,388	0	67,433	444,821
Matured Bonds Payable	0	0	10,000	10,000
Matured Interest Payable	0	0	431	431
Deferred Revenue	<u>3,423,564</u>	<u>0</u>	<u>366,164</u>	<u>3,789,728</u>
<i>Total Liabilities</i>	<u>4,897,274</u>	<u>0</u>	<u>1,269,837</u>	<u>6,167,111</u>
Fund Balances				
Reserved for Encumbrances	165,796	0	81,310	247,106
Reserved for Property Taxes	40,585	0	0	40,585
Reserved for Textbooks and Materials	350,550	0	0	350,550
Reserved for Capital Improvements	416,467	0	0	416,467
Reserved for Budget Stabilization	67,581	0	0	67,581
Reserved for Bus Purchases	65,954	0	0	65,954
Unreserved, Undesignated, Reported in:				
General Fund	2,635,080	0	0	2,635,080
Special Revenue Funds	0	0	366,227	366,227
Debt Service Funds	0	0	212,257	212,257
Capital Projects Funds	<u>0</u>	<u>10,334,296</u>	<u>31,785</u>	<u>10,366,081</u>
<i>Total Fund Balances</i>	<u>3,742,013</u>	<u>10,334,296</u>	<u>691,579</u>	<u>14,767,888</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,639,287</u>	<u>\$10,334,296</u>	<u>\$1,961,416</u>	<u>\$20,934,999</u>

See accompanying notes to the basic financial statements

South Point Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 As of June 30, 2004*

Total Governmental Fund Balances		\$ 14,767,888
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,617,341
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	475,540	
Intergovernmental	366,164	
Total		841,704
Long-Term Liabilities, including notes, long-term portion of compensated absences and the long-term portion of pension obligations, are not due and payable in the current period and therefore are not reported in the funds.		
Interest Payable	(9,488)	
Compensated Absences	(1,598,595)	
Claims Servicing Pool Debt	(233,503)	
General Obligation Notes and Bonds	(10,513,170)	
Total		(12,354,756)
Net Assets of Governmental Activities		\$ 7,872,177

See accompanying notes to the basic financial statements

South Point Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$2,953,432	\$0	\$0	\$2,953,432
Intergovernmental	9,022,714	0	2,118,604	11,141,318
Investment Earnings	19,788	0	0	19,788
Tuition and Fees	43,082	0	0	43,082
Extracurricular Activities	64,000	0	106,916	170,916
Charges for Services	2,407	0	177,457	179,864
Miscellaneous	231,799	0	54,078	285,877
<i>Total Revenues</i>	<u>12,337,222</u>	<u>0</u>	<u>2,457,055</u>	<u>14,794,277</u>
Expenditures				
Current:				
Instruction:				
Regular	4,732,613	0	1,265,746	5,998,359
Special	784,789	0	777,485	1,562,274
Other	38,376	0	10,479	48,855
Support Services:				
Pupil	477,238	0	7,426	484,664
Instructional Staff	392,333	0	204,713	597,046
Board of Education	37,390	0	0	37,390
Administration	1,809,900	0	35,849	1,845,749
Fiscal	248,288	0	135	248,423
Operation and Maintenance of Plant	1,024,669	0	41,884	1,066,553
Pupil Transportation	767,826	0	115	767,941
Central	48,680	0	0	48,680
Operation of Non-Instructional Services	2,716	0	594,581	597,297
Extracurricular Activities	173,487	0	56,463	229,950
Debt Service:				
Principal	200,000	0	195,000	395,000
Interest and Fiscal Charges	0	35,804	32,541	68,345
<i>Total Expenditures</i>	<u>10,738,305</u>	<u>35,804</u>	<u>3,222,417</u>	<u>13,996,526</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,598,917</u>	<u>(35,804)</u>	<u>(765,362)</u>	<u>797,751</u>
Other Financing Sources (Uses)				
Transfers - In	0	0	32,266	32,266
Proceeds from Sale of Notes	0	10,318,170	0	10,318,170
Transfers - Out	(32,266)	0	0	(32,266)
Accrued Interest Received on Debt Issuance	0	51,930	0	51,930
<i>Total Other Financing Sources (Uses)</i>	<u>(32,266)</u>	<u>10,370,100</u>	<u>32,266</u>	<u>10,370,100</u>
<i>Net Change in Fund Balance</i>	1,566,651	10,334,296	(733,096)	11,167,851
<i>Fund Balances Beginning of Year -</i>				
<i> Restated (See Note 3)</i>				
	<u>2,175,362</u>	<u>0</u>	<u>1,424,675</u>	<u>3,600,037</u>
<i>Fund Balances End of Year</i>	<u>\$3,742,013</u>	<u>\$10,334,296</u>	<u>\$691,579</u>	<u>\$14,767,888</u>

See accompanying notes to the basic financial statements
See accountant's compilation report

South Point Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004*

Net Change in Fund Balances - Total Governmental Funds		\$ 11,167,851
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Fixed Asset Additions	186,381	
Current Year Depreciation	(319,863)	
Total		(133,482)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(147,131)	
Intergovernmental	357,048	
Total		209,917
Repayment of bond principal is recorded as expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.		
		195,000
Repayment of claims servicing pool principal is recorded as expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.		
		200,000
New note obligations in the statement of revenues, expenditures, and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.		
		(10,318,170)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	121,686	
Pension Obligations	230,120	
Total		351,806
Net Change in Net Assets of Governmental Activities		\$ 1,672,922

See accompanying notes to the basic financial statements

South Point Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
(Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Total Revenues and Other Sources	\$ 12,110,231	\$ 12,161,371	\$ 12,407,259	\$ 245,888
Total Expenditures and Other Uses	11,384,437	11,384,437	10,844,090	540,347
Net Change in Fund Balance	725,794	776,934	1,563,169	786,235
Fund Balance, July 1, 2003	2,951,610	2,951,610	2,951,610	-
Prior Year Encumbrances Appropriated	280,786	280,786	280,786	-
Fund Balance, June 30, 2004	<u>\$ 3,958,190</u>	<u>\$ 4,009,330</u>	<u>\$ 4,795,565</u>	<u>\$ 786,235</u>

See accompanying notes to the basic financial statements

South Point Local School District, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$24,911</u>
Liabilities	
Due to Others	\$3,337
Due to Student	<u>21,574</u>
Total Liabilities	<u>\$24,911</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, 2004

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 74 classified employees, 120 certified teaching personnel, and 11 administrators, who provide services to 1,843 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 insure 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, one insurance purchasing pool, and one claims servicing pool. These organizations are the South Central Ohio Computer Association, Lawrence County Joint Vocational School, the Pilasco-Ross Special Education Regional Resource Center, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Lawrence County School Employees Insurance Purchasing Consortium. These organizations are presented in Notes 14 and 15 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies Continued

Fund Accounting

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District functions or activities. The operation of each fund is accounted for within a separate set of self-balancing 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. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as 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 Fund - The Classroom Facilities Fund is provided to account for monies received and expended in connection with contracts entered into by the school district and the Ohio Department of Education 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. 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 Presentation

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 which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements ordinarily distinguish between activities that are governmental and those that are considered business-type; however, the School District has no activities that are classified as business-type.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies Continued

Government-wide Financial Statements Continued

The statement of net assets presents the financial condition of governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues 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. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements – During the 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.

Measurement Focus

Government-wide Financial Statements – The government-wide statements are prepared using the full accrual economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies Continued

Revenues-Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due, (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees, (3) the costs related to the workers compensation retrospective rating program are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period the costs were incurred. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies Continued

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 issued during fiscal year 2004.

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/expenses on a non-GAAP budgetary basis in the Required Supplemental Information.

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. 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" and represents Matured Bonds Payable and Matured Interest Payable.

During fiscal year 2004, investments were limited to certificates of deposit and repurchase agreements, which are reported at cost.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$19,788.

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.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies Continued

Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure when purchased.

Capital Assets and Depreciation

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District's capitalization threshold is \$5,000. The School District does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-25 years
Buildings and Improvements	10-50 years
Furniture and Equipment	5-20 years
Vehicles	7-15 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies Continued

Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the School District has identified as probable of receiving payment in the future. The accrual amount is based upon accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the School District's severance policy. The School District records a liability for accumulated, unused sick leave for classified and certified employees if they have either 15 years of current service with the School District or they have 5 years of service and are at least 55 years old.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statement, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employee will be paid.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities, that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds, long-term loans, and capital leases are recognized as a liability on the government-wide financial statements when due.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. 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 food service operations and federal and state grants restricted for specific purposes.

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

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 - Summary of Significant Accounting Policies Continued

Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, property tax revenue reserved by the Board for future year's appropriations, textbooks and materials, capital improvements, bus purchases and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America, but not available for appropriation under State statute. The unreserved, undesignated portions of fund equity reflected for Governmental Funds are available for use within the specific purpose of those funds.

Interfund Transactions

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

Estimates

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

Note 3 – Change in Accounting Principle and Restatement of Fund Balance/Net Assets

For fiscal year 2004, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 41, "Budgetary Comparison Schedules – Perspective Differences", GASB Statement No. 40, "Deposit and Investment Risk Disclosures", and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liability by Cost-Sharing Employers." GASB 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments. The implementation of GASB Statement Nos. 41 and 40 had no effect on the District's financial statements.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans. The implementation of this bulletin had no material effect on the School District's financial statements for fiscal year 2004.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 3 – Change in Accounting Principle and Restatement of Fund Balance Continued

Restatements were made to fund balances as previously stated to correct cash balances from receipts posted to incorrect funds.

	General	Non-Major	Total
Fund Balances, June 30, 2003	\$2,164,312	\$1,502,625	\$3,666,937
Cash Correction	11,050	(77,950)	(66,900)
Restated Fund Balances, June 30, 2003	\$2,175,362	\$1,424,675	\$3,600,037
Net Assets, June 30, 2003			\$6,266,155
Modified Cash Correction			(66,900)
Restated Net Assets, June 30, 2003			\$6,199,255

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 4 - Budgetary Basis of Accounting Continued

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

Net Change in Fund Balance

GAAP Basis	\$1,566,651
Revenue Accruals	70,037
Expenditure Accrual	110,893
Encumbrances	<u>(184,412)</u>
Budget Basis	<u><u>\$1,563,169</u></u>

Note 5 - Deposits and Investments

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

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

Inactive deposits are public deposits 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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies 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;

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 5 - Deposits and Investments Continued

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;
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.

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.

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

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 5 - Deposits and Investments Continued

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 The School District’s deposits are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes deposits that are insured or registered or for which the securities are held by the School District or its agent in the School District’s name. Category 2 includes uninsured and unregistered deposits which are held by the counterparty’s trust department or agent in the School District’s name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counterparty, or by its trust department or agent but not in the School District’s name. For deposits, custodial credit risk is the risk that in the even of a bank failure, the government’s deposits may not be returned to it.

At fiscal year end, the carrying amount of the School District's deposits was \$12,856,693 and the bank balance was \$16,682,034. Of the bank balance:

1. \$100,000 was covered by federal depository insurance (Category 1); and
2. \$16,582,034 was uninsured and uncollateralized (Category 3). Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

	Fair Value	Weighted Average Maturity (Yrs.)
Repurchase Agreements	\$3,574,173	0

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 that an issuer or other counterparty to an investment will not fulfill its obligations. The District limits their investments to repurchase agreements.

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’s investment policy allows investments in Repurchase Agreements, Certificates of Deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. The District has invested 100% in investments with no weighted maturity.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 5 - Deposits and Investments Continued

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

A reconciliation between the classifications of cash and investments and the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$16,441,297	\$0
Cash with Fiscal Agents	(10,431)	
Repurchase Agreements	(3,574,173)	3,574,173
GASB Statement 3	\$12,856,693	\$3,574,173

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Property tax revenue received during calendar 2004 for real and public utility property taxes represents collections of calendar 2003 taxes. Property tax payments received during calendar 2004 for tangible personal property (other than public utility property) are for calendar 2004 taxes.

2004 real property taxes are levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2004 real property taxes are collected in and intended to finance fiscal year 2005.

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. 2004 public utility property taxes became a lien December 31, 2002, are levied after April 1, 2004, and are collected in 2005 with real property taxes.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 6 - Property Taxes Continued

2004 tangible personal property taxes are levied after April 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$124,300,140	86%	\$121,433,886	83%
Public Utility Personal	9,833,430	7%	12,238,920	8%
Tangible Personal Property	10,891,800	7%	12,181,300	8%
Total	\$145,025,370	100%	\$145,854,106	100%
 Tax Rate per \$1,000 of assessed valuation	 \$20.40		 \$20.90	

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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable as of June 30, 2004, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations.

The amount available as an advance at June 30, 2004, was \$40,585 and is recognized as revenue in the General Fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 7 - Receivables

Receivables at June 30, 2004, consisted of property taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities	
Student Intervention - Grades 1-4	\$ 31,580
Special Education, Part B-IDEA	154,790
Title I	198,104
Innovative Programs, Title V	10,203
Title IV-A	10,904
Improving Teacher Quality	177,921
Technology, Title II-D	10,884
Total Governmental Activities	\$ 594,386

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance 6/30/2003	Additions	Deductions	Balance 6/30/2004
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$484,300	\$0	\$0	\$484,300
Total Capital Assets not being Depreciated	484,300	0	0	484,300
Depreciable Capital Assets:				
Land Improvements	556,305	0	0	556,305
Buildings and Improvements	9,305,027	0	0	9,305,027
Furniture and Equipment	682,228	108,574	0	790,802
Vehicles	929,893	77,807	0	1,007,700
Total Capital Assets being Depreciated	11,473,453	186,381	0	11,659,834
Less Accumulated Depreciation				
Land Improvements	(503,386)	(4,484)	0	(507,870)
Buildings and Improvements	(5,506,163)	(240,451)	0	(5,746,614)
Furniture and Equipment	(517,029)	(30,026)	0	(547,055)
Vehicles	(680,352)	(44,902)	0	(725,254)
Total Accumulated Depreciation	(7,206,930)	(319,863)	0	(7,526,793)
Total Capital Assets being Depreciated, Net	4,266,523	(133,482)	0	4,133,041
Capital Assets, Net	\$4,750,823	(\$133,482)	\$0	\$4,617,341

- Of the Total Capital Assets being depreciated, \$3,107,027 was fully depreciated at 6/30/04.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 8 - Capital Assets Continued

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$254,998
Support Services:	
Instructional Staff	4,128
Administration	6,385
Operation & Maintenance of Plant	800
Pupil Transportation	44,902
Operation of Non-Instructional Services:	
Food Service Operations	2,276
Extracurricular Activities	6,374
Total Depreciation Expense	<u>\$319,863</u>

Note 9 - 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 2004, 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 \$3,000,000 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 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 9 - Risk Management Continued

Employee Medical Benefits

The School District participates in the Lawrence County Schools Insurance Purchasing Consortium, an insurance purchasing pool (Note 15). 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.

Note 10 - 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% 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 Medical Mutual of Ohio for medical benefits and Medical Benefits for dental and vision benefits. The employees share the cost of the monthly premium with the Board. For fiscal year 2004, the School District's and the employees' premiums are listed below:

Cigna Healthcare		Medical Benefits Dental		Medical Benefits Vision	
Family	Single	Family	Single	Family	Single
\$1,071.59	\$434.15	\$75.64	\$20.67	\$15.90	\$6.15

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 (614) 222-5853.

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 rate is 14 percent of annual covered payroll. 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 adequacy of the contribution rates is determined annually. The School District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$204,167, \$164,520, and \$116,544, respectively; 48 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$106,469 representing the unpaid contribution for fiscal year 2004 is recorded as a liability within the basic financial statements.

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. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at 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, institution 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.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 11 - Defined Benefit Pension Plans Continued

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% 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%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% 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% instead of 2.2%. 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% 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% 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.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (SRP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

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.

Benefits are increased annually by 3% of the original base amount.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 11 - Defined Benefit Pension Plans (Continued)

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, 2004, plan members were required to contribute 10 percent of their annual covered salaries, and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$844,209, \$786,872, and \$599,893, respectively; 83 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$139,497 represents the unpaid contribution for fiscal year 2004 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, all members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

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

All retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year-ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$62,560 for fiscal year 2004.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 12 - Postemployment Benefits Continued

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year-ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. 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 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$126,047.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year-ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

Note 13 - Long Term Obligations

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

	Principal Outstanding 6/30/03	Additions	Reductions	Principal Outstanding 6/30/04	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
1982 School Building, 11.125%	\$390,000	\$0	\$195,000	\$195,000	\$195,000
Bond Anticipation Notes, 2.000%	0	10,318,170	0	10,318,170	10,318,170
Compensated Absences	1,720,281	1,598,595	1,720,281	1,598,595	104,573
Claims Servicing Pool Debt 0%	433,503	0	200,000	233,503	200,000
Total Governmental Activities					
Long-Term Liabilities	<u>\$2,543,784</u>	<u>\$11,916,765</u>	<u>\$2,115,281</u>	<u>\$12,345,268</u>	<u>\$10,817,743</u>

Bond anticipation notes in the amount of \$10,318,170 were issued in May 2004 and mature in October 2004. These notes will be repaid from proceeds from School Improvement Unlimited Tax General Obligation Bonds which were issued later in calendar year 2004.

The school improvement bond will be paid from the debt service fund. Compensated absences will be paid from the fund from which the employees' salaries are paid. The obligation to Westfall Local School District, fiscal agent for the Ross County claims servicing pool, which is due to large self insurance losses, will be paid from the general fund.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 13 - Long Term Obligations Continued

The School District's overall legal debt margin was \$12,931,870, with an unvoted debt margin of \$145,854 at June 30, 2004. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2004, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2005	\$ 10,513,170	\$ 10,847	\$ 10,524,017

Note 14 - 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 \$79,043 for all services provided during fiscal year 2004. 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.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 15 - Claims Servicing and Insurance Purchasing Pools

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

The School District participates in the Lawrence County 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 16 - 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.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance, June 30, 2003	\$385,098	\$450,070	\$67,581
Current Year Set-aside Requirement	259,006	259,006	0
Qualifying Disbursements	<u>(293,554)</u>	<u>(292,609)</u>	<u>0</u>
Total Set-aside Balance Carried Forward to Future Fiscal Years	<u>350,550</u>	<u>416,467</u>	<u>67,581</u>
Set-aside Reserve Balance June 30, 2004	<u><u>\$350,550</u></u>	<u><u>\$416,467</u></u>	<u><u>\$67,581</u></u>

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

The total amount for the three set-asides at the end of the fiscal year was \$834,598.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 17 – State School Funding Decision

On December 11, 2003, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

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

Note 18 - 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, 2004.

B. Litigation

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

Note 19 – Interfund Activity

Interfund Transfers

Transfers made during the year ended June 30, 2004, were as follows:

Fund	Transfer From	Transfer To
Major Fund:		
General	\$32,266	\$0
Other governmental funds	0	32,266
Total	\$32,266	\$32,266

The transfers were made from the General Fund (a major fund) to the other governmental funds to provide support for operating activities of that fund.

South Point Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 19 – Interfund Activity

Interfund balances at June 30, 2004, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2005 fiscal year:

Interfund Loans	Receivable	Payable
General fund	\$ 451,691	\$ -
Other Governmental Funds	-	451,691
Total Interfund Receivables/Payables	\$ 451,691	\$ 451,691

Note 20 – Subsequent Events

On October 12, 2004, the School District issued bond anticipation notes in the amount of \$10,318,170 at 2.50% and maturing on November 12, 2004 to repay the original bond anticipation note.

On November 12, 2004 the School District issued \$10,316,336 in bonded debt to repay the anticipation notes issued in October. The \$10,316,336 of issued debt is made up of: \$1,975,000 in serial bonds maturing in 2012 with interest rates ranging from 2%-3.25%; \$7,785,000 in term bonds with \$3,315,000 at 5% maturing in 2024 and \$4,470,000 at 4.5% maturing in 2031; and \$556,336 in capital appreciation bonds maturing in 2016.

South Point Local School District
Lawrence County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Donation Program	NA	10.550	\$0	\$73,038	\$0	\$73,038
School Breakfast Program	05PU	10.553	83,203	0	83,203	0
National School Lunch	LLP4	10.555	236,828	0	236,828	0
Total United States Department of Agriculture - Nutrition Cluster			320,031	73,038	320,031	73,038
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Education Agencies	C1S1	84.010	437,496	0	730,447	0
Special Education Grants to States	6BSF	84.027	86,153	0	192,661	0
Safe & Drug Free Schools and Communities - State Grants	DRS1	84.186	3,106	0	12,251	0
School Grants for Innovative Programs	C2S1	84.298	0	0	12,544	0
Education Technology State Grants	TJS1	84.318	4,179	0	61,031	0
Class Size Reduction		84.340	0	0	45,729	0
Improving Teacher Quality State Grants	TRS1	84.367	0	0	17,544	0
Total Passed through Ohio Department of Education			530,934	0	1,072,207	0
Total United States Department of Education			850,965	73,038	1,392,238	73,038
United States Department of Health and Human Services						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	N/A	93.778	37,589	0	37,589	0
Total Federal Financial Assistance			888,554	73,038	1,429,827	73,038

N/A - Not Available

See accompanying 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, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTIONS

Non monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District had no significant food commodities in inventory.

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**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, OH 45680

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 as of and for the year ended June 30, 2004 which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 31, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-006 and 2004-007.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider reportable conditions 2004-006 and 2004-007 listed above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 2004-001 through 2004-005.

We also noted certain additional matters that we reported to management of the District in a separate letter dated December 31, 2005

South Point Local School District

Lawrence County

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Page 2

This report is intended solely for the information and use of the audit committee, management, and members of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

December 31, 2005

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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

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

Compliance

We have audited the compliance of the South Point Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

As described in items 2004-009 through 2004-013 in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding allowable cost/cost principles, reporting, cash management and period of availability of federal funds that are applicable to its Title I Grants to Local Educational Agencies (CFDA #84.010). Compliance with such requirements is necessary, in our opinion, for the School District to comply with requirements applicable to that program.

In our opinion, because of those instances of noncompliance referred to in the preceding paragraph, the District did not comply, in all material respects, with the requirements referred to above that are applicable to each of its Title I Grants to Local Educational Agencies (CFDA #84.010) major federal program for the year ended June 30, 2004. Also in our opinion, the District complied, in all material respects with the requirements referred to above that are applicable to its other major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2004-008.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. However, we considered the reportable condition described above, item 2004-008, to be a material weakness.

This report is intended solely for the information and use of the audit committee, management, members of the Board, 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
December 31, 2005

SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
JUNE 30, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified – Nutrition Cluster CFDA #10.550, #10.553, & 10.555 Adverse – Title I, Grants to Local Agencies, CFDA 84.010
(d)(1)(vi)	Are there any reportable findings under section .510?	Yes
(d)(1)(vii)	Major Programs (list):	Title I, Grants to Local Agencies, CFDA#84.010 & Nutrition Cluster CFDA #10.550, #10.553, & #10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
JUNE 30, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

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

FINDING NUMBER 2004-001

Noncompliance Citation

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

Interest earnings were not allocated to the Food Service Fund for fiscal year 2004. Interest earnings not credited to the Food Service Fund from July 1, 2003 through June 30, 2004 amount to \$566.

We recommend the School District Treasurer begin posting interest revenue to the Food Service Fund on a monthly basis.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio rev. Code Section 3317.022(C)(5) indicates that Schools must spend their special education weighted funding from the State on special education related activities. The legislation requires the Ohio Department of Education (the Department) to accumulate financial data from each School District summarizing special education receipts and disbursements. The Department is annually required to report districts that have not met the spending goals to the Ohio Legislature. For the year ended June 30, 2004, the Department reported that the School District spent \$229,492 less than it received for special education.

The Department is working with School Districts to remedy these shortfalls in spending. Some shortfalls may have occurred due to the School District improperly coding disbursements. The Department and the Ohio Association of School Business Officials sponsored training and sent e-mails to School District Treasurers on how to code special education costs.

We recommend the School District review special education spending for miscoding and review the information provided at the training and in the e-mails to help assure the School District properly codes special education disbursements. Also, the School District can also contact the Department for additional information on this matter. We further recommend the School District review its spending level for special education and review whether the School District's IEPs (individual education plans) for special education students are up to date and accurate.

FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Rev. Code Section 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Although inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require repayment within the current or succeeding year. Cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;

SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
JUNE 30, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
(Continued)

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

**FINDING NUMBER 2004-003
(Continued)**

Noncompliance Citation (Continued)

- The reimbursement for the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include both a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

During our testing, we noted advances of funds which were not approved by a formal resolution of the Board of Education nor recorded in the minute record. This could lead to an inability to distinguish whether a transfer or advance of funds occurred and whether the transaction was properly approved by the Board of Education. Also, we noted advances which the Treasurer did not provide Board of Education member approval for in the amount of \$259,239 of which \$259,104 was paid back prior to the end of the fiscal year.

We also noted advances from the prior year which have not been repaid. The amount was recorded on the School District's financial statements as an inter-fund payable and receivable. This could result in the advances of funds going unpaid.

We recommend advances of funds made by the School District be approved by a formal resolution of the Board of Education and include specific indications of the purpose of the advance, and include a time frame for repayment. We further recommend that all advances of funds be listed and labeled as such in the minute record of the Board of Education. In addition, we recommend that if the School District no longer intends for an advance to be repaid, the School District take appropriate steps to convert the advance to a transfer. The School District should refer to Auditor of State Bulletin 97-003 for guidance when considering inter-fund cash advances.

FINDING NUMBER 2004-004

Noncompliance Citation

Ohio Rev. Code Section 5705.391 requires that the board is required to adopt as part of its annual appropriation measure a "spending plan" (to be amended as the appropriations are amended). The "spending plan", which is a defined term that does not mean the regular annual appropriation budget, should indicate expenses and expenditures of all appropriated funds for the fiscal year.

A copy of each appropriation measure and related spending plan is to be submitted to the superintendent of public instruction. This plan should indicate the following:

- All revenues available for appropriation and their source;
- The nature and amount of expenditures;
- Outstanding and unpaid expenses incurred on the date the appropriation measure is adopted;
- The schedule of payment, and
- Other information the superintendent of public instruction requires to determine whether the district will incur expenses that will impair its ability to operate its schools with the revenue available.

SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
JUNE 30, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
(Continued)

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

**FINDING NUMBER 2004-004
(Continued)**

Noncompliance Citation (Continued)

School districts are required to prepare 5 year projections of revenues and expenditures as part of the spending plans. The plan is required to be submitted to the Department of Education upon adoption of an annual appropriation measure, but no later than October 31 of any fiscal year. For fiscal years ended June 30, 2003 and later, the revised 5 year projection must be filed with the Department of Education between April 1 and May 31 of each fiscal year. Projections are also updated if the revenue assumption or revenue estimates used as a basis for a "412" certificate differ from the existing five year projection.

The School District did not provide evidence of preparing a spending plan or prepare a 5 year forecast.

We recommend the District adopt a spending plan and 5 year projection and file them with the Ohio Department of Education. We also recommend the District to follow the Ohio Admin. Code 3301-92-04 for guidance on preparing the plan.

FINDING NUMBER 2004-005

Noncompliance Citation

Ohio Rev. Code Sections 5705.14, 5705.15, & 5705.16 requires that no transfer can be made from one fund of a subdivision to any other fund, except as follow:

- The unexpended balance in a bond fund that is no longer needed for the purpose for which such fund was created shall be transferred to the sinking fund or bond retirement fund from which such bonds are payable.
- The unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision. However, if such money is not required to meet obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.
- The unexpended balance in the sinking fund or bond retirement fund of a subdivision, after all indebtedness, interest, and other obligations for the payment of which such fund exists have been paid and retired, shall be transferred, in the case of the sinking fund, to the sinking fund. However, if the transfer is impossible by reason of the nonexistence of the fund to receive the transfer, the unexpended balance may be transferred to any fund of the subdivision with the approval of the court of common pleas of the county in which such subdivision is located.
- The unexpended balance in any special fund, other than an improvement fund, may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such fund existed, but only after the payment of all obligations incurred and payable from such special fund.
- Money may be transferred for the general fund to any other fund of the subdivision by resolution of the taxing authority.

SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
JUNE 30, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
(Continued)

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

**FINDING NUMBER 2004-005
(Continued)**

Noncompliance Citation (Continued)

During testing of School District transfers, we noted on several occasion, that transfers were made from a special revenue funds to the general fund, which did not meet one of the allowed exceptions. Transfers were not properly approved by the Board of Education.

We recommend the District review all transfers for legality and properly approve them by resolution.

FINDING NUMBER 2004-006

Reportable Condition – 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 inquires 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?

In addition, there was no documentation in the minute record that the Board of Education reviewed the audit report for fiscal year 2003. The Board of Education should take a more active role in meeting with the independent auditors before and after each audit to evaluate the results of the financial and compliance audit to ensure that the internal control and legal compliance issues are promptly and effectively remedied.

The Board of Education could also 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.

SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
JUNE 30, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
(Continued)

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

**FINDING NUMBER 2004-006
(Continued)**

Reportable Condition – Financial Monitoring (Continued)

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 2004-007

Reportable Condition – 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 the Auditor of State, we note that code corrections were posted by the School District Treasurer to various accounts during fiscal year 2004. Code corrections were posted as reductions to expenditures to one account and posted as expenditures to another account for which supporting documentation was not maintained by the School District Treasurer. Many of these code corrections were the result of the School District maintaining numerous special cost centers within a fund.

This resulted in misrepresented financial statements, inaccurate book balances and cumbersome reconciliation procedures. 31 reconciling items were required to bring the financial statements into balance. The School District's financial statements were out of balance by a net amount of \$26,974. In addition, checks were outstanding for longer than six months in the School District's general operating account outstanding check list.

As a result, we make the following recommendations:

- We recommend that accurate reconciliations of the School District's bank accounts be performed by the School District Treasurer on a monthly basis. Any reconciling items should be documented and investigated to prevent unsupported adjustments from being recorded.
- We recommend the School District Treasurer 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.
- We recommend that monthly bank reconciliations 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.
- We recommend 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.
- We recommend the School District Treasurer maintain documentation to support 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.

SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
JUNE 30, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2004-008
CFDA Title and Number	Title I Grants to Local Education Agencies (Title I) 84.010
Federal Award Number/Year	C1S1 – 03/04
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Material Weakness – Project Cash Requests and Monitoring of Cash Flows

Project cash requests (PCR) are submitted to the Ohio Department of Education (ODE) for draw downs of monies for approved Federal programs. The first payment is initialed by the Ohio Department of Education. Subsequent payments must be requested by the School District. 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 exceed project cash received to date). We noted a negative fund balance of \$219,951 at June 30, 2004, which is evidence of poor cash management practices by the District Treasurer. This is also noncompliant with Ohio Rev. Code Section 5705.10.

In addition, supporting documentation was not maintained for the receipts and expenditures reported on the project cash requests. This resulted in errors going undetected.

We recommend the School District Treasurer monitor cash flows for each Federal program and submit timely project cash requests to minimize the time elapsing between the receipt of Federal monies and their disbursement. In addition, we recommend that the School District Treasurer maintain supporting documentation for receipts and disbursements reported to ODE.

We noted during review of the Title I grant, that proper cash management was not being maintained. The Project Cash Request forms were not supported by the accounting records. Below are the variances that were noted:

Date of Request	Expenditure per PCR	Expenditure per System	Variance	Grant
1/20/2004	\$375,045	\$408,756	(\$33,711)	Title I

Finding Number	2004-009
CFDA Title and Number	Title I Grants to Local Education Agencies (Title I) 84.010 and
Federal Award Number/Year	C1S1 – 03/04
Federal Agency	United States Department of Education
Pass-Through Agency	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)

SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
(Continued)

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

Finding Number	2004-009 (Continued)
CFDA Title and Number	Title I Grants to Local Education Agencies (Title I) 84.010
Federal Award Number/Year	C1S1 – 03/04
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation – Reporting (Continued)

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 03 was made to reflect what the budgeted figures were except for 572-400. The FER should have reported expenditures per the School District's accounting system. Below is a comparison of the reported figures and actual figures for the 2003 grant year final expenditure report.

Grant	Fund and Object Level	Expenditures per FER	Expenditures per system	Variance
Title I	572-100	\$423,761	\$493,025	(\$69,264)
Title I	572-200	\$101,449	\$122,269	(\$20,820)
Title I	572-400	\$18,268	\$13,995	\$4,273
Title I	572-500	\$33,650	\$45,353	(\$11,703)
Title I	572-600	\$15,430	\$15,420	\$10
			Total Title I	(\$97,504)

The Final Expenditure Reports submitted for Title I for grant year 04 were made to reflect what the budgeted figures were. Below is a comparison of the reported figures and actual figures for the 2004 grant year final expenditure report.

Grant	Fund and Object Level	Expenditures per FER	Expenditures per system	Variance
Title I	572-100	\$419,660	\$325,059	\$94,601
Title I	572-200	\$105,450	\$90,244	\$15,206
Title I	572-400	\$20,448	\$20,448	\$0
Title I	572-500	\$46,723	\$39,346	\$7,377
Title I	572-600	\$39,886	\$39,886	\$0
			Total Title I	\$117,184

For Title I, the variances for fund and object level codes 572-100, 572-200 and 572-500 are included in the questioned costs for period of availability in Finding Number 2004-016.

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.

SOUTH POINT LOCAL SCHOOL DISTRICT
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
(Continued)

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

Finding Number	2004-009 (Continued)
CFDA Title and Number	Title I Grants to Local Education Agencies (Title I) 84.010
Federal Award Number/Year	C1S1 – 03/04
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation – Reporting (Continued)

We recommend the School District report to the Ohio Department of Education only those expenditures that can be supported with the School District's accounting system. We would further recommend that the School District contact the Ohio Department of Education and submit an amended Final Expenditure Report for the 2004 grants.

Finding Number	2004-010
CFDA Title and Number	Title I Grants to Local Education Agencies (Title I) 84.010
Federal Award Number/Year	C1S1 – 03/04
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Costs – Allowable Costs/Cost Principles

The School District agreed to abide by the budget that was included as part of the 2004 Consolidated Application when they entered into the agreement with the Ohio Department of Education. The School District exceeded its approved budget for fringe benefits, purchased services, and capital outlay. They did not prepare a revised budget and submit it for approval to make such expenditures.

The School District overspent their 2004 grant year allowable budget as follows:

Object Code	100 Salaries	200 Fringe Benefits	400 Purchased Services	500 Supplies	600 Capital Outlay	Total
Grant Year 04 actual expenditures	\$325,059	\$90,244	\$20,448	\$39,346	\$39,886	\$514,983
Budget	\$385,581	\$97,699	\$21,220	\$89,717	\$40,000	\$634,217
10% Budget Allowance	\$38,558	\$9,770	\$2,122	\$8,972	\$4,000	\$63,422
Under/(Over) Budget plus Budget Allowance	\$21,964	(\$2,315)	(\$1,350)	\$41,399	(\$3,886)	\$55,812

SOUTH POINT LOCAL SCHOOL DISTRICT
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
(Continued)

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

Finding Number	2004-011
CFDA Title and Number	Title I Grants to Local Education Agencies (Title I) 84.010
Federal Award Number/Year	C1S1 – 03/04
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Costs – Period of Availability of Federal Funds

20 U.S.C. 1225 (b) (2) states that any funds under any applicable program which, pursuant to paragraph (1) are available for obligation and expenditure in the year succeeding the fiscal year for which they were appropriated shall be obligated and expended in accordance with

- a) The Federal statutory and regulatory provisions relating to such programs which are in effect for such succeeding fiscal year, and
- b) Any program plan or application submitted by such educational agencies or institutions for such program for such succeeding fiscal year.

In Ohio, programs included in ODE's Consolidated Application have a project period starting with the application approval date though June 30. Any carryover to the subsequent school district fiscal year must be approved by ODE. (OMB Circular A-133, Appendix B: Compliance Supplement)

Definition of Obligation: An obligation is not necessarily a liability in accordance with generally accepted accounting principles. When an obligation occurs (is made) depends on the type of property or services that the obligation is for. (OMB Circular A-133, Appendix B: Compliance Supplement)

The act of an SEA or other grantee awarding Federal funds to an LEA or other eligible entity within a State does not constitute a final obligation (GEPA Section 421(b)) (34 CFR sections 76.704 through 76.707)). (OMB Circular A-133, Appendix B: Compliance Supplement)

Obligations must be liquidated prior to submitting the Final Expenditure Report, which must be filed no later than 90 days after the end of the project period. (ODE Federal Fiscal Report Procedures #1 and ODE Superintendent Weekly E-mail, December 6, 2002)

The Title I funds had a net beginning balance on July 1, 2003 of \$26,539. The School District received \$592,558 for grant year 03. Grant year 03 disbursements totaled \$690,063. This overspending in the amount of \$97,505 indicates that grant year 03 expenditures were charged against grant year 03 monies after the expiration of the available 03 expenditure period.

The School District received \$635,600 for grant year 04. Grant year 04 disbursements totaled \$514,983. This represents total questioned costs in the amount of \$97,505. This is caused by improper use of special cost centers which are used to account for specific year grant funds.

The School District Treasurer should review each purchase order and ensure that it is properly account coded prior to certifying finds are available for expenditure. This would include reviewing the cost center to ensure that the expenditure is for the proper grant period.

SOUTH POINT LOCAL SCHOOL DISTRICT
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
(Continued)

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

Finding Number	2004-012
CFDA Title and Number	Title I Grants to Local Education Agencies (Title I) 84.010
Federal Award Number/Year	C1S1 – 03/04
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Material Weakness – Grant Accountability

Several deficiencies were noted while testing federal intergovernmental receipts. We have listed each deficiency below based on type of deficiency:

A. Posting of Funds

We noted several receipts which were posted to the wrong fund. This could result in an inability to account for amounts received and difficulty in monitoring the program. In addition, this could further lead to unallowable expenditures being made with the incorrectly posted funds.

We recommend the District Treasurer utilize the guidelines in the USAS Manual and thoroughly review receipts prior to posting to determine the proper source and description of funds which will aid the District Treasurer in posting funds to the proper account. We further recommend the District Treasurer review budget versus actual revenue reports to identify unusual relationships which will aid the Treasurer in identifying incorrectly posted funds. In addition, we recommend the Treasurer review accounts for which monies were improperly posted to ensure expenditures charged to those funds were allowable or for the proper public purpose to ensure grant monies are being used for the reasons intended.

B. System for Maintaining Records

While testing federal receipts, we found the District Treasurer does not utilize a centralized location/system for maintaining information concerning various grants received by the District. For example a separate file is not maintained for each grant which includes that various information and correspondence surrounding the grant or funding.

The Treasurer should utilize a central location/system for all grants received by the District. This system should include maintaining a separate file for each type of grant which includes the following: correspondence form granting/oversight agency; guidelines for administering the grant; assurances made to the granting/oversight agency; duplicate receipts with remittances attached and final expenditure reports.

C. Utilization of Cost Centers

The District did not properly utilize the special cost centers to track expenditures for all School District funds. There were several instances where expenditures were being posted to the incorrect cost center and resulted in improper reporting to their granting agencies. The District should utilize cost centers to separately track each grant year. This will allow for monitoring of each year and allow for proper reporting to their granting agencies.

We recommend the District monitor activities to ensure that posting of expenditures are made to the correct special cost center and utilize their system to perform all reporting to their granting agencies. We further recommend the Treasurer review and amend Federal Final Expenditure Reports if necessary.

SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
(Continued)

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

Finding Number	2004-012
CFDA Title and Number	Title I Grants to Local Education Agencies (Title I) 84.010
Federal Award Number/Year	C1S1 – 03/04
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Material Weakness – Grant Accountability (Continued)

D. Community Alternative Funding Program (CAFS)

The District received funding through the Community Alternative Funding Program (CAFS) for services provided by their employees to the various school districts' students. The funding, which is paid through Medicaid, is reimbursed based on paperwork filled out by the District Employees stating what services were given to each of the students. This paperwork is submitted by the employees to the Superintendent's office, who then forwards it onto Health Care Billing Services.

This company was hired by the District to do all the billing and reporting required by Medicaid for reimbursement. However, the District did not maintain documentation that they provided eligible services to eligible recipients. This could result in an inability to account for amounts received and difficulty in monitoring the CAFS program.

The District should maintain a copy of CAFS paperwork in the Administrative Offices for review purposes. We further recommend the District begin monitoring Health Care Billing Service reports to ensure monies received agree to the amounts billed. This process should include ensuring that the billings are in line with what was originally submitted.

Finding Number	2004-013
CFDA Title and Number	Title I Grants to Local Education Agencies (Title I) 84.010
Federal Award Number/Year	C1S1 – 03/04
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Non-compliance Citation – Report Submission

OMB Circular A-133 section .320 requires that the completed audit and the data collection form shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless longer period is agreed to in advance by the cognizant or oversight agency for audit.

The District's audit for fiscal year 2004 was not completed until December 31st, 2005 which is 18 months after the end of the audit period.

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
JUNE 30, 2004**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 SECTION .315(b)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Non-compliance Citation Ohio School Facilities Commission	Yes	
2003-002	Noncompliance Citation – Food Service Interest	No	Re-issued as finding number 2004-001
2003-003	Noncompliance Citation – Special Education Weighted Funding	No	Re-issued as finding number 2004-002
2003-004	Non-compliance citation – textbook set-asides	Yes	
2003-005	Non-compliance citation – capital improvement set-aside	Yes	
2003-006	Non-compliance citation – Interfund Advances	No	Re-issued as finding number 2004-003
2003-007	Non-compliance citation – ORC 5705.36	Yes	
2003-008	Non-compliance citation – ORC 5705.39	Yes	
2003-009	Non-compliance citation – 412 certificates	Yes	
2003-010	Reportable Condition – Financial Monitoring	No	Re-issued as finding number 2004-006
2003-011	Reportable Condition – Capital Asset Listing	Yes	
2003-012	Material Weakness – Payroll Account Reconciliation	No	Combined in current finding 2004-007
2003-013	Material Weakness – General Account Reconciliation	No	Combined in current finding 2004-007
2003-014	Non-compliance Citation – Federal Schedule	Yes	
2003-015	Material Weakness – Grant Accountability	No	Partially Corrected - Re-issued uncorrected as finding number 2004-012
2003-016	Material Weakness – Project Cash Requests and Monitoring of Cash Flows	No	Re-issued as finding number 2004-008
2004-017	Non-compliance citation – Reporting	No	Re-issued as finding number 2004-009
2004-018	Questioned Costs – Title I	No	Re-issued uncorrected as finding number 2004-010
2004-019	Questioned Costs – IDEA B	No	
2004-020	Questioned Costs – IDEA B Period of Availability	No	
2004-021	Questioned Costs – Title I Period of Availability	No	Re-issued as finding number 2004-011

**SOUTH POINT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
JUNE 30, 2004**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 SECTION .315(c)**

Finding Number	Planned Corrective Action	Anticipation Completion	Responsible Contact Person
2004-001	The Treasurer intends to properly allocate interest into the food service fund	3/31/06	Dan McDavid, Treasurer
2004-002	The treasurer intends to review special education spending for miscoding and contact the Ohio Department of Education for additional information	3/31/06	Dan McDavid, Treasurer
2004-003	The treasurer intends to take all advances to the Board of Education prior to making them	3/31/06	Dan McDavid, Treasurer
2004-004	The treasurer intends to file the five year forecast with the necessary parties	3/31/06	Dan McDavid, Treasurer
2004-005	The treasurer intends to monitor financial information more closely and make only allowable transfers	3/31/06	Dan McDavid, Treasurer
2004-006	The treasurer intends to take a more active role in monitoring the districts financial activities	3/31/06	Dan McDavid, Treasurer
2004-007	The treasurer is working with the Auditor of State to reconcile its balances for the upcoming fiscal year and intends to perform accurate and timely reconciliations in subsequent periods	3/31/06	Dan McDavid, Treasurer
2004-008	The treasurer intends to monitor cash flows for federal programs and submit timely project cash requests to the Ohio Department of Education	3/31/06	Dan McDavid, Treasurer
2004-009	The treasurer intends to use system generated reports to complete the final expenditure reports and maintain reports to support figures.	3/31/06	Dan McDavid, Treasurer
2004-010	The treasurer plans to monitor grant activities and balances to ensure posting to correct cost centers and use the system to report to the state.	3/31/06	Dan McDavid, Treasurer
2004-011	The treasurer intends to monitor Title I expenditures to ensure amounts are obligated within the proper periods.	3/31/06	Dan McDavid, Treasurer
2004-012	The treasurer intends to monitor grant activity and use separate funds and cost centers to track the revenue and expenditure activity for the grants.	3/31/06	Dan McDavid, Treasurer



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SOUTH POINT LOCAL SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 06, 2006**