



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

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REPORT OF INDEPENDENT ACCOUNTANTS

Southeastern Local School District
Clark County
195 Jamestown Street
P.O. Box Z
South Charleston, Ohio 45368

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Southeastern Local School District, Clark County, (the District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Southeastern Local School District, Clark County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary 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 4, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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Jim Petro
Auditor of State

December 4, 2002, except for Note 20, as to which the date is December 11, 2002

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**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$697,650	\$150,380		\$472,767
Cash and Cash Equivalents With Fiscal Agent			1,225	
Receivables:				
Property Taxes	1,857,140			220,184
Income Tax	306,581			
Accounts	4,518	72		
Intergovernmental		40,073		
Accrued Interest				1,603
Interfund Receivable	15,961			
Inventory of Supplies and Materials	10,977			
Inventory Held for Resale				
Prepaid Items	15,877			
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	21,197			
Fixed Assets (Net, where applicable of Accumulated Depreciation)				
Other Debits:				
Amount to be Provided for Retirement of General Long-Term Obligations				
Total Assets and Other Debits	<u>2,929,901</u>	<u>190,525</u>	<u>1,225</u>	<u>694,554</u>
 Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	53,680	20,775		
Accrued Wages and Benefits Payable	430,058	15,340		
Intergovernmental Payable	110,595	3,027		1,080
Due to Students				
Undistributed Monies				
Deferred Revenue	1,748,985	15,610		205,948
Compensated Absences Payable				
Accrued Interest Payable				2,732
Matured Interest Payable			1,225	
Capital Leases Payable				
Interfund Payable		15,961		
Notes Payable				64,616
Total Liabilities	<u>2,343,318</u>	<u>70,713</u>	<u>1,225</u>	<u>274,376</u>
 Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved (Deficit)				
Fund Balance:				
Reserved for Encumbrances	111,311	22,596		22,800
Reserved for Property Taxes	139,331			12,367
Reserved for Inventory of Supplies and Materials	10,977			
Reserved for Budget Stabilization	19,052			
Reserved for Textbooks and Instructional Materials	2,145			
Unreserved:				
Designated for Budget Stabilization	83,786			
Unreserved, Undesignated	219,981	97,216		385,011
Total Fund Equity (Deficit) and Other Credits	<u>586,583</u>	<u>119,812</u>	<u>1,225</u>	<u>420,178</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$2,929,901</u>	<u>\$190,525</u>	<u>\$1,225</u>	<u>\$694,554</u>

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total (Memorandum only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$9,334	\$22,738			\$1,352,869
				1,225
				2,077,324
				306,581
				4,590
				40,073
				1,603
				15,961
314				11,291
1,561				1,561
				15,877
				21,197
4,866		8,744,790		8,749,656
			331,004	331,004
<u>16,075</u>	<u>22,738</u>	<u>8,744,790</u>	<u>331,004</u>	<u>12,930,812</u>
219	1,837			76,511
12,684				458,082
10,147			39,824	164,673
	11,676			11,676
	2,490			2,490
				1,970,543
2,767			208,472	211,239
				2,732
				1,225
			82,708	82,708
				15,961
				64,616
<u>25,817</u>	<u>16,003</u>		<u>331,004</u>	<u>3,062,456</u>
		8,744,790		8,744,790
(9,742)				(9,742)
				156,707
				151,698
				10,977
				19,052
				2,145
				83,786
	6,735			708,943
<u>(9,742)</u>	<u>6,735</u>	<u>8,744,790</u>		<u>9,868,356</u>
<u>\$16,075</u>	<u>\$22,738</u>	<u>\$8,744,790</u>	<u>\$331,004</u>	<u>\$12,930,812</u>

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>Total (Memorandum Only)</u>
Revenues:					
Property Taxes	\$1,786,482		\$215,591		\$2,002,073
Income Tax	654,013				654,013
Intergovernmental	2,490,656	361,262	44,807		2,896,725
Interest			38,101	202	38,303
Tuition and Fees	147,938				147,938
Extracurricular Activities	90	163,345			163,435
Gifts and Donations	2,910	7,730			10,640
Miscellaneous	10,944	4,590			15,534
Total Revenues	<u>5,093,033</u>	<u>536,927</u>	<u>298,499</u>	<u>202</u>	<u>5,928,661</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,361,800	241,486	24,015	2,741	2,630,042
Special	373,579	156,702			530,281
Vocational	122,575				122,575
Support Services:					
Pupils	199,526				199,526
Instructional Staff	313,321	6,195	155		319,671
Board of Education	16,294				16,294
Administration	593,080	2,634	2,099		597,813
Fiscal	212,828	120	4,393		217,341
Operation and Maintenance of Plant	407,100		16,062		423,162
Pupil Transportation	262,911		349		263,260
Central	9,629	36,114			45,743
Extracurricular Activities	153,908	104,231			258,139
Capital Outlay	2,250				2,250
Debt Service:					
Principal Retirement	25,172				25,172
Interest and Fiscal Charges			2,980		2,980
Total Expenditures	<u>5,053,973</u>	<u>547,482</u>	<u>50,053</u>	<u>2,741</u>	<u>5,654,249</u>
Excess of Revenues Over (Under) Expenditures	39,060	(10,555)	248,446	(2,539)	274,412
Other Financing Sources:					
Proceeds from Sale of Fixed Assets	1,354				1,354
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	40,414	(10,555)	248,446	(2,539)	275,766
Fund Balances at Beginning of Year	553,188	130,367	171,732	9,274	864,561
Decrease in Reserve for Inventory	(7,019)				(7,019)
Fund Balances at End of Year	<u>\$586,583</u>	<u>\$119,812</u>	<u>\$420,178</u>	<u>\$6,735</u>	<u>\$1,133,308</u>

See Accompanying Notes to the General Purpose Financial Statements.

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**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,762,195	\$1,778,900	\$16,705			
Income Tax	665,414	671,722	6,308			
Intergovernmental	2,465,150	2,488,519	23,369	358,535	343,400	(15,135)
Interest						
Tuition and Fees	148,380	149,787	1,407			
Extracurricular Activities	90	90		93,418	163,547	70,129
Gifts and Donations	2,882	2,910	28	6,034	7,730	1,696
Miscellaneous	2,039	2,058	19	4,598	4,642	44
Total Revenues	<u>5,046,150</u>	<u>5,093,986</u>	<u>47,836</u>	<u>462,585</u>	<u>519,319</u>	<u>56,734</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,608,469	2,400,585	207,884	314,881	253,105	61,776
Special	472,664	385,720	86,944	145,815	157,666	(11,851)
Vocational	180,543	133,527	47,016			
Other	1,182	5,482	(4,300)			
Support Services:						
Pupils	247,615	254,532	(6,917)	476		476
Instructional Staff	280,491	318,682	(38,191)	3,587	6,375	(2,788)
Board of Education	12,091	16,994	(4,903)			
Administration	621,305	608,603	12,702	2,418	2,540	(122)
Fiscal	203,774	199,553	4,221	120	120	
Operation and Maintenance of Plant	453,855	427,938	25,917			
Pupil Transportation	270,534	266,852	3,682			
Central	9,179	9,630	(451)	50,184	38,874	11,310
Extracurricular Activities	158,499	154,027	4,472	128,909	119,855	9,054
Capital Outlay	9,482	2,250	7,232			
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	<u>5,529,683</u>	<u>5,184,375</u>	<u>345,308</u>	<u>646,390</u>	<u>578,535</u>	<u>67,855</u>
Excess of Revenues Over (Under) Expenditures	<u>(483,533)</u>	<u>(90,389)</u>	<u>393,144</u>	<u>(183,805)</u>	<u>(59,216)</u>	<u>124,589</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	1,341	1,354	13			
Proceeds from Sale of Notes						
Refund of Prior Year Expenditures	10,327	10,425	98			
Refund of Prior Year Receipts					(6,601)	(6,601)
Advances In				18,009	15,961	(2,048)
Advances Out		(15,961)	(15,961)			
Total Other Financing Sources (Uses)	<u>11,668</u>	<u>(4,182)</u>	<u>(15,850)</u>	<u>18,009</u>	<u>9,360</u>	<u>(8,649)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(471,865)</u>	<u>(94,571)</u>	<u>377,294</u>	<u>(165,796)</u>	<u>(49,856)</u>	<u>115,940</u>
Fund Balances at Beginning of Year	484,808	484,808		132,079	132,079	
Prior Year Encumbrances Appropriated	170,871	170,871		25,027	25,027	
Fund Balances (Deficit) at End of Year	<u>\$183,814</u>	<u>\$561,108</u>	<u>\$377,294</u>	<u>(\$8,690)</u>	<u>\$107,250</u>	<u>\$115,940</u>

See Accompanying Notes to the General Purpose Financial Statements.

Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$227,212	\$214,503	(\$12,709)			
23,311	44,807	21,496			
41,389	39,074	(2,315)	360	202	(158)
<u>291,912</u>	<u>298,384</u>	<u>6,472</u>	<u>360</u>	<u>202</u>	<u>(158)</u>
43,118	46,815	(3,697)	1,500	1,016	484
158	155	3			
	2,099	(2,099)			
3,648	3,313	335			
42,642	16,062	26,580			
	349	(349)			
138,869		138,869			
55,763	80,770	(25,007)			
7,305	3,969	3,336			
<u>291,503</u>	<u>153,532</u>	<u>137,971</u>	<u>1,500</u>	<u>1,016</u>	<u>484</u>
409	144,852	144,443	(1,140)	(814)	326
	64,616	64,616			
	<u>64,616</u>	<u>64,616</u>			
409	209,468	209,059	(1,140)	(814)	326
234,204	234,204		9,274	9,274	
6,295	6,295				
<u>\$240,908</u>	<u>\$449,967</u>	<u>\$209,059</u>	<u>\$8,134</u>	<u>\$8,460</u>	<u>\$326</u>

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Enterprise
Operating Revenues:	
Sales	\$141,673
Operating Expenses:	
Salaries	67,872
Fringe Benefits	37,724
Purchased Services	2,834
Materials and Supplies	836
Cost of Sales	87,345
Depreciation	373
Other	258
Total Operating Expenses	197,242
Operating Loss	(55,569)
Non-Operating Revenues:	
Federal and State Subsidies	45,234
Federal Donated Commodities	14,459
Interest	167
Total Non-Operating Revenues	59,860
Net Income	4,291
Retained Earnings (Deficit) at Beginning of Year - Restated Note 3	(14,033)
Retained Earnings (Deficit) at End of Year	(\$9,742)

See Accompanying Notes to the General Purpose Financial Statements.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Enterprise</u>		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Sales	\$137,830	\$141,673	\$3,843
Interest	163	167	4
Federal and State Subsidies	44,007	45,234	1,227
Total Revenues	<u>182,000</u>	<u>187,074</u>	<u>5,074</u>
Expenses:			
Salaries	67,132	67,354	(222)
Fringe Benefits	39,040	39,052	(12)
Purchased Services	2,288	2,720	(432)
Materials and Supplies	74,098	74,257	(159)
Other	258	258	
Capital Outlay		188	(188)
Total Expenses	<u>182,816</u>	<u>183,829</u>	<u>(1,013)</u>
Excess of Revenues Over (Under) Expenses	(816)	3,245	4,061
Fund Equity at Beginning of Year	5,300	5,300	
Prior Year Encumbrances Appropriated	710	710	
Fund Equity at End of Year	<u>\$5,194</u>	<u>\$9,255</u>	<u>\$4,061</u>

See Accompanying Notes to the General Purpose Financial Statements.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$141,673
Cash Payments for Employee Services and Benefits	(106,406)
Cash Payments to Suppliers for Goods and Services	(77,086)
Cash Payments for Other Operating Expenses	(258)
Net Cash Used in Operating Activities	(42,077)
Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies Received	45,234
Cash Flows from Investing Activities:	
Interest	167
Net Increase in Cash and Cash Equivalents	3,324
Cash and Cash Equivalents Beginning of Year	6,010
Cash and Cash Equivalents End of Year	9,334
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	(55,569)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation	373
Donated Commodities Used	13,590
Changes in Assets and Liabilities:	
Decrease in Inventory of Supplies and Materials	526
Increase in Inventory Held for Resale	(376)
Increase in Accounts Payable	189
Increase in Accrued Wages and Benefits Payable	910
Decrease in Intergovernmental Payable	(1,998)
Increase in Compensated Absences Payable	278
Net Cash Used in Operating Activities	(\$42,077)

Non Cash Transaction:

During fiscal year 2002, the food service enterprise fund received \$14,459 in donated commodities.

See Accompanying Notes to the General Purpose Financial Statements.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Southeastern Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal guidelines. This Board of Education controls the School District's three instructional/support facilities staffed by 37 noncertified, 54 certificated full time teaching personnel and four administrative employees who provide services to 844 students and other community members.

A. Reporting Entity:

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Southeastern 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 jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Notes 18 and 19 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

- Clark County Family and Children First Council (the "Council")
- Springfield/Clark County Joint Vocational School (JVS)
- Miami Valley Educational Computer Association (MVECA)
- Southwestern Ohio Educational Purchasing Council (SOEPC)
- Southwestern Ohio Instructional Technology Association (SOITA)

Insurance Purchasing Pool:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP)

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types

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

General Fund

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

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than for the expendable trust fund or major capital projects) that are legally restricted to expenditure for specified purposes.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the expendable trust or the enterprise fund).

2. Proprietary Fund Type

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

Enterprise Fund

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

3. Fiduciary Fund Type

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an expendable trust fund and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

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

5. General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the enterprise fund.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the enterprise fund.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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

The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District has no contributed capital. The enterprise fund's operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental and fiduciary funds. The full accrual basis of accounting is followed for the enterprise fund.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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, income taxes, interest, tuition, grants and student fees.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred 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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations by fund cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget

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

2. Estimated Resources

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

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, three supplemental appropriations were legally enacted; however, these amendments were not significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device by the Board of Education during the year for all funds, other than agency funds at the object level, consistent with statutory provisions.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for the enterprise fund.

5. Lapsing of Appropriations

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

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including the enterprise fund, 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 combined balance sheet. The School District also utilizes a financial institution to service bonded debt as principal and interest come due. The balance in this account is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent" and represents deposits.

During fiscal year 2002, the School District did not have any investments.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the permanent improvement capital projects fund during fiscal year 2002 amounted to \$38,101, which includes \$29,086 assigned from other funds.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables."

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

H. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization and for textbooks and instructional materials. See Note 21 for additional information regarding set-asides.

I. Fixed Assets and Depreciation

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

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

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources.

Capital leases are recognized as a liability of the general long-term obligations account group until due.

Long-term obligations financed by the enterprise fund are reported as liabilities in that fund.

K. 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 termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after 15 years of service.

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

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves and Designation

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. The School District also designates a portion of fund balance to indicate tentative plans for future financial resource uses that reflect managerial plans or intent. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, inventory of supplies and materials, budget stabilization, and textbooks and instructional materials. A fund designation has been established for budget stabilization.

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

N. Estimates

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

O. Total Columns on General Purpose Financial Statements

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

3. PRIOR PERIOD ADJUSTMENTS

Capital leases payable increased in the general long-term obligations account group by \$86,708 from \$21,172 to \$107,880. Fixed assets in the general fixed assets account group increased by \$73,548. The increases were due to the replacement of an existing lease that was not included in the prior year financial statements.

The School District increased the fixed assets capitalization threshold for fiscal year 2002 from two hundred fifty to five hundred dollars. Retained earnings in the food service enterprise fund at June 30, 2001, decreased by \$450 from (\$13,583) to (\$14,033). Fixed assets in the general fixed assets account group decreased by \$364,537. The total effect of fixed assets in the general fixed assets account group was a decrease of \$290,989 from \$9,387,285 to \$9,096,296.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds had a deficit fund balance/retained earnings at June 30, 2002:

	Deficit Fund Balance/Retained Earnings
Special Revenue Funds:	
Title VI-B	\$621
Title I	885
Enterprise Fund:	
Food Service	9,742

The general fund provides operating transfers to cover deficit balances in special revenue funds; however, this is done when cash is required, not when accruals occur. The deficit in the food service enterprise fund is a result of lunch prices not covering operational costs. The School District will continue to monitor this deficit and raise lunch prices to alleviate this deficit, if necessary.

B. Compliance

The general fund had expenditures plus encumbrances over appropriations at the legal level of control for fiscal year ended June 30, 2002. Example amounts in the general fund are as follows:

General Fund:	Excess
Regular Instruction	
Purchased Services	\$16,588
Vocational Instruction	
Materials and Supplies	4,772

Similar non-compliance issues existed in other special revenue, capital projects, and enterprise funds where expenditures plus encumbrances were over appropriations at the legal level of control.

The district managed student activities, schoolnet professional development, title I, preschool grant, and raising the bar special revenue funds had appropriations in excess of estimated revenues and available balance for the fiscal year ended June 30, 2002, in the amounts \$23,395, \$142, \$2,027, \$166 and \$1,499, respectively.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and Expendable Trust Fund and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual, Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

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

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Fund			
	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	\$40,414	(\$10,555)	\$248,446	(\$814)
Revenue Accruals	11,378	(17,608)	(115)	0
Expenditure Accruals	22,836	5,476	91	0
Prepaid Items	4,501	0	0	0
Note Proceeds	0	0	64,616	0
Principal Retirement	0	0	(80,770)	0
Advances	(15,961)	15,961	0	0
Encumbrances	(157,739)	(43,130)	(22,800)	0
Budget Basis	<u>(\$94,571)</u>	<u>(\$49,856)</u>	<u>\$209,468</u>	<u>(\$814)</u>

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Income/Excess of Revenues Over Expenses Proprietary Fund Type	
	Enterprise
GAAP Basis	\$4,291
Revenue Accruals	869
Expense Accruals	(1,190)
Supplies and Materials Inventory	(526)
Inventory Held for Resale	376
Donated Commodities	(869)
Depreciation	373
Encumbrances	(79)
Budget Basis	\$3,245

6. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits 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, but not limited to, passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand - At year end, the School District had \$425 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

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

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$1,374,866 and the bank balance was \$1,519,608. Of the bank balance:

1. \$101,225 of the bank balance was covered by federal depository insurance; and
2. \$1,418,383 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

Investments - The School District's investments are categorized 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. The School District had no investments at year-end.

7. PROPERTY TAXES

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

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

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

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

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

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

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

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

7. PROPERTY TAXES (Continued)

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$56,524,720	70.57%	\$62,789,350	75.35%
Public Utility	5,219,230	6.52	4,208,560	5.05
Tangible Personal Property	18,354,240	22.91	16,332,055	19.60
Total Assessed Value	<u>\$80,098,190</u>	<u>100.00%</u>	<u>\$83,329,965</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$36.80		\$36.80	

The School District receives property taxes from Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding, real property, tangible personal property and public utility taxes which became measurable as of June 30, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The total amount available as an advance at June 30, 2002, was \$151,698 and is recognized as revenue. \$139,331 was available to the general fund and \$12,367 was available to the permanent improvement fund.

8. INCOME TAX

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue credited to the general fund during fiscal year 2002 was \$654,013.

9. RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, income tax, accounts (rent and tuition), intergovernmental grants, accrued interest and interfund. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Special Revenue Funds:	
Eisenhower Grant	\$382
Title VI-B Grant	2,468
Title I Grant	24,730
Title VI-R Grant	12,493
Total Special Revenue Funds	<u>\$40,073</u>

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

10. FIXED ASSETS

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

Furniture and Equipment	\$81,454
Less: Accumulated Depreciation	<u>76,588</u>
Net Fixed Assets	<u>\$4,866</u>

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

	Restated Balance 6/30/01	Additions	Deductions	Balance 6/30/02
Land and Improvements	\$554,342	\$0	\$0	\$554,342
Buildings	5,306,712	7,015	306,387	5,007,340
Vehicles	950,153	0	39,152	911,001
Furniture and Equipment	1,875,278	43,794	56,776	1,862,296
Textbooks	409,811	0	0	409,811
Total General Fixed Assets	<u>\$9,096,296</u>	<u>\$50,809</u>	<u>\$402,315</u>	<u>\$8,744,790</u>

11. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2002, the School District contracted with Nationwide Insurance for general liability insurance with a \$1,000,000 single occurrence limit and a \$5,000,000 aggregate. Property is protected by Nationwide Insurance and holds a \$500 deductible.

The School District's vehicles are covered under a business policy with Nationwide Insurance which carries a \$1,000,000 limit on any accident. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in insurance coverage from last year.

B. Workers' Compensation

For fiscal year 2002, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). 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 Integrated Comp Inc. provides administrative, cost control and actuarial services to the GRP.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

12. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$44,515, \$29,489 and \$33,768, respectively; 51.77 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$21,467 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$255,638, \$291,748 and \$167,277, respectively; 83.14 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$43,092 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

12. DEFINED BENEFIT PENSION PLANS

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining members of the board have elected SERS.

13. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$121,092 for fiscal year 2002.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, an decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$75,139.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

13. POSTEMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

14. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty-two days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 260 days for all certified and non-certified employees. Upon retirement, there are various limits for payment of unused sick leave credit as outlined in the School District's personnel policies.

B. Health Care Benefits

The School District has elected to provide employee medical/surgical benefits through United HealthCare. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Dental coverage is provided to employees through Coresource. Vision coverage is provided to employees through Vision Service Plan.

C. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to all employees through Medical Life Insurance.

15. CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the School District entered into a capital lease for copiers. This lease met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets consisting of copiers have been capitalized in the general fixed assets account group in the amount of \$107,880. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$25,172 in the general fund.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

15. CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2002.

Fiscal Year Ending June 30,	General Long-Term Obligations
2003	\$21,576
2004	21,576
2005	21,576
2006	17,980
Total minimum lease payments	82,708
Less: amount representing interest	0
Present value of minimum lease payments	<u>\$82,708</u>

16. NOTE OBLIGATION

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

	Amount Outstanding 6/30/01	Additions	Deductions	Amount Outstanding 6/30/02
Tax Anticipation Note – 4.46%	\$80,770	\$64,616	\$80,770	\$64,616

During fiscal year 2002, the School District refinanced the Tax Anticipation Note for the improvement, renovation, and furnishing of existing buildings, facilities and school sites in the amount of \$64,616. The note is backed by the full faith and credit of the School District, and is payable from the permanent improvement capital projects fund, the fund which received the proceeds. The note carries an interest rate of 4.46 percent and matures on July 19, 2002.

17. LONG-TERM OBLIGATIONS

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

	Restated Amount Outstanding 6/30/01	Additions	Deductions	Amount Outstanding 6/30/02
Capital Lease Payable	\$107,880	\$0	\$25,172	\$82,708
Compensated Absences Payable	218,621	0	10,149	208,472
Intergovernmental Payable	58,038	39,824	58,038	39,824
Total General Long-Term Obligations	<u>\$384,539</u>	<u>\$39,824</u>	<u>\$93,359</u>	<u>\$331,004</u>

The intergovernmental payable represents contractually required pension contributions paid outside the available period. Compensated absences and the intergovernmental payable will be paid from the fund from which the employees' salaries are paid. The capital lease obligation will be paid from the general fund.

The School District's overall legal debt margin was \$7,499,697 and the unvoted debt margin was \$83,330 at June 30, 2002.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

18. JOINTLY GOVERNED ORGANIZATIONS

Clark County Family and Children First Council - The Clark County Family and Children First Council (the "Council") is a voluntary association established with the purpose to coordinate and integrate those services within Clark County which are available for families and to establish a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of families and children.

The Board of Trustees is comprised of representatives of each of the members of the Council, and representatives of those additional entities required to be represented on the Council pursuant to Section 121.37 of the Ohio Revised Code. The school districts in Clark County must appoint a superintendent of one of the schools to represent them on the eighteen member Board. Currently, the superintendent of the Clark County Educational Service Center serves as this representative. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. The Southeastern Local School District does not pay any dues since the Clark County Educational Service Center represents the School District. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Marilyn Demma, who serves as Treasurer, at 6 West High Street, Suite 500, Springfield, Ohio 45502.

Springfield/Clark County Joint Vocational School - The Springfield/Clark County Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one or two representatives from each of the eight participating school districts' and educational service center's elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District. The School District made no financial contributions to the JVS during fiscal year 2002. To obtain financial information, write to the Springfield/Clark County Joint Vocational School, Pamela Ashbaugh, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

Miami Valley Educational Computer Association - The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark and Greene Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of one representative from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid MVECA \$37,926 for services provided during the year. Financial information can be obtained from Gary Bosserman, Director of MVECA at 330 Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

18. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Payments to SOEPC are made from the general fund. During fiscal year 2002, the School District paid \$5,770 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2002, the School District paid \$1,737 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

19. INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

20. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

21. SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based upon legislative changes, this is the only money still required to be set-aside for this purpose.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2001	\$0	\$0	\$19,052
Current Year Set-aside Requirement	99,449	99,449	0
Current Year Offsets	(4,360)	(524,278)	0
Qualifying Disbursements	(92,944)	(53,135)	0
Totals	<u>\$2,145</u>	<u>(\$477,964)</u>	<u>\$19,052</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$2,145</u>	<u>(\$477,964)</u>	<u>\$19,052</u>
Set-aside Reserve Balances as of June 30, 2002	<u>\$2,145</u>	<u>\$0</u>	<u>\$19,052</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital acquisitions amounts below zero. This extra amount may be used to reduce the set-aside requirements in future fiscal years. The total reserve balance for the set-asides at the end of the fiscal year was \$21,197.

22. INTERFUND TRANSACTIONS

The general fund has "Interfund Receivables" in the amount of \$15,961 and the title I special revenue fund had "Interfund Payables" in the amount of \$15,961 at June 30, 2002.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

23. CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

24. SUBSEQUENT EVENT

On July 19, 2002, the School District refinanced the Tax Anticipation Note for the improvement, renovation, and furnishing of existing buildings, facilities and school sites in the amount of \$64,616. The note carries an interest rate of 4.15 percent, and matures on July 18, 2003.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program - Commodities	N/A	10.550		\$14,459		\$13,247
National School Lunch Program	LL-P4-01 LL-P4-02	10.555	5,940 37,395		5,940 37,395	
Total National School Lunch Program			43,335		43,335	
Total U.S. Department of Agriculture - Nutrition Cluster			43,335	14,459	43,335	13,247
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Title VI-B Special Education Grants to States (IDEA Part B)	6B-SF-01 6B-SF-02	84.027			7,288 44,787	
Total Title VI-B			52,508		52,075	
<i>Passed through Clark County Educational Service Center:</i>						
Preschool Grant	N/A	84.173	3,880		3,880 639	
Total Preschool Grant			3,880		4,519	
Total Special Education Cluster			56,388		56,594	
<i>Passes through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)						
Total Title I	C1-S1-01 C1-S1-02	84.010	986 35,602 36,588		15,587 51,441 67,028	
Drug-Free Schools Grant	DR-S1-02	84.186	3,315		3,315	
Eisenhower Math and Science Grant	MS-S1-01 MS-S1-02	84.281			939 2,466	
Total Eisenhower Math and Science Grant			3,440		3,405	
Title VI - Innovative Educational Program Strategy Grant	C2-S1-02	84.298	4,368		4,037	
Raising the Bar Grant	TF-51-01 TF-52-01 TF-53-01	84.318	100,000 75,000 25,000		100,000 75,000 10,389	
Total Raising the Bar Grant			200,000		185,389	
Class Size Reduction Grant	CR-S1-01 CR-S1-02	84.340			2,066 4,866	
Total Class Size Reduction Grant			4,866		2,066	
Idea & Tech / Atip	AT-S1-02	84.352	1,499			
Total U.S. Department of Education			310,464		321,834	
Total Federal Financial Assistance			\$353,799	\$14,459	\$365,169	\$13,247

The accompanying notes to this schedule are an integral part of this schedule.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY
FISCAL YEAR ENDED JUNE 30, 2002**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - NUTRITION CLUSTER

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Southeastern Local School District
Clark County
135 Jamestown Street
P.O. Box Z
South Charleston, Ohio 45368

To the Board of Education:

We have audited the financial statements of the Southeastern Local School District, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 4, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 4, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 4, 2002.

Southeastern Local School District
Clark County
Report of Independent Accountants on Compliance and on
Internal Controls Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

December 4, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Southeastern Local School District
Clark County
135 Jamestown Street
P.O. Box Z
South Charleston, Ohio 45368

Compliance

We have audited the compliance of the Southeastern Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2002.

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 District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**Internal Control Over Compliance
(Continued)**

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

JIM PETRO
Auditor of State

December 4, 2002

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FISCAL YEAR END JUNE 30, 2002**

1. 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)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: CFDAs #84.027 & #84.173 Raising the Bar : CFDA #84.318
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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OFFICE OF THE AUDITOR

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SOUTHEASTERN LOCAL SCHOOL DISTRICT

CLARK 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
DECEMBER 31, 2002**