



**Auditor of State  
Betty Montgomery**



**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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 Southeastern Local School District, Clark County, (the District), as of and for the year ended June 30, 2003, 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, 2003, and the results of its operations and the cash flows of its enterprise 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 January 15, 2004 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.

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

**Betty Montgomery**  
Auditor of State

January 15, 2004

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**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2003**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Assets and Other Debits</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,202,642	\$135,279		\$551,374
Cash and Cash Equivalents With Fiscal Agent			1,225	
Receivables:				
Property Taxes	2,343,998			223,646
Income Tax	267,798			
Accounts	3,572			
Intergovernmental	7,584	41,321		
Accrued Interest				932
Interfund Receivable	1,440			
Inventory of Supplies and Materials	15,453			
Inventory Held for Resale				
Prepaid Items	27,180			
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	59,341			
Fixed Assets (Net, where applicable of Accumulated Depreciation)				
<b>Other Debits:</b>				
Amount to be Provided for Retirement of General Long-Term Obligations				
<b>Total Assets and Other Debits</b>	<u>3,929,008</u>	<u>176,600</u>	<u>1,225</u>	<u>775,952</u>
<b>Liabilities, Fund Equity and Other Credits</b>				
<b>Liabilities:</b>				
Accounts Payable	21,599	8,027		
Contracts Payable				38,100
Accrued Wages and Benefits Payable	413,095	27,885		
Intergovernmental Payable	99,571	2,023		
Due to Students				
Undistributed Monies				
Deferred Revenue	2,178,885	15,687		207,649
Compensated Absences Payable	8,243			
Matured Interest Payable			1,225	
Capital Leases Payable				
Interfund Payable		1,440		
Notes Payable				
<b>Total Liabilities</b>	<u>2,721,393</u>	<u>55,062</u>	<u>1,225</u>	<u>245,749</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved (Deficit)				
Fund Balance:				
Reserved for Encumbrances	81,099	26,008		12,975
Reserved for Property Taxes	211,593			15,997
Reserved for Inventory of Supplies and Materials	15,453			
Reserved for Budget Stabilization	19,052			
Reserved for Textbooks and Instructional Materials	4,776			
Reserved for Bus Purchases	35,513			
Unreserved:				
Designated for Budget Stabilization	83,786			
Unreserved, Undesignated	756,343	95,530		501,231
<b>Total Fund Equity (Deficit) and Other Credits</b>	<u>1,207,615</u>	<u>121,538</u>		<u>530,203</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u>\$3,929,008</u>	<u>\$176,600</u>	<u>\$1,225</u>	<u>\$775,952</u>

See Accompanying Notes to the General Purpose Financial Statements.



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$8,964	\$20,534			\$1,918,793
				1,225
				2,567,644
				267,798
				3,572
				48,905
				932
				1,440
195				15,648
2,479				2,479
				27,180
				59,341
4,553		8,879,870		8,884,423
			349,930	349,930
<u>16,191</u>	<u>20,534</u>	<u>8,879,870</u>	<u>349,930</u>	<u>14,149,310</u>
				29,862
	236			38,100
13,269				454,249
14,459			49,401	165,454
	9,847			9,847
	1,903			1,903
				2,402,221
2,837			190,935	202,015
				1,225
			61,132	61,132
				1,440
			48,462	48,462
<u>30,565</u>	<u>11,986</u>	<u></u>	<u>349,930</u>	<u>3,415,910</u>
		8,879,870		8,879,870
(14,374)				(14,374)
				120,082
				227,590
				15,453
				19,052
				4,776
				35,513
				83,786
	8,548			1,361,652
<u>(14,374)</u>	<u>8,548</u>	<u>8,879,870</u>	<u></u>	<u>10,733,400</u>
<u>\$16,191</u>	<u>\$20,534</u>	<u>\$8,879,870</u>	<u>\$349,930</u>	<u>\$14,149,310</u>

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**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, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>Total (Memorandum Only)</u>
<b>Revenues:</b>					
Property Taxes	\$2,127,972		\$224,722		\$2,352,694
Income Tax	668,008				668,008
Intergovernmental	2,725,365	238,963	22,290		2,986,618
Interest			24,054	88	24,142
Tuition and Fees	155,413				155,413
Extracurricular Activities		113,881			113,881
Gifts and Donations		2,048			2,048
Miscellaneous	8,779	8,217			16,996
Total Revenues	<u>5,685,537</u>	<u>363,109</u>	<u>271,066</u>	<u>88</u>	<u>6,319,800</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	2,265,900	81,539	89,767		2,437,206
Special	414,290	148,018			562,308
Vocational	126,461				126,461
Support Services:					
Pupils	259,137	10			259,147
Instructional Staff	233,972	1,250			235,222
Board of Education	17,086				17,086
Administration	555,689	9,661	710		566,060
Fiscal	214,050		6,887		220,937
Operation and Maintenance of Plant	475,181		53,566		528,747
Pupil Transportation	319,180		1,295		320,475
Central	9,980	30,310			40,290
Extracurricular Activities	153,960	90,639			244,599
Capital Outlay	2,475		57,090		59,565
Debt Service:					
Principal Retirement	21,576		64,616		86,192
Interest and Fiscal Charges			2,920		2,920
Total Expenditures	<u>5,068,937</u>	<u>361,427</u>	<u>276,851</u>	<u>88</u>	<u>5,707,215</u>
Excess of Revenues Over (Under) Expenditures	<u>616,600</u>	<u>1,682</u>	<u>(5,785)</u>	<u>88</u>	<u>612,585</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Long-Term Notes			48,462		48,462
Operating Transfers In		44			44
Operating Transfers Out	(44)				(44)
Total Other Financing Sources (Uses)	<u>(44)</u>	<u>44</u>	<u>48,462</u>		<u>48,462</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	616,556	1,726	42,677	88	661,047
Fund Balances at Beginning of Year - Restated Note 3	586,583	119,812	487,526	8,460	1,202,381
Increase in Reserve for Inventory	4,476				4,476
Fund Balances at End of Year	<u>\$1,207,615</u>	<u>\$121,538</u>	<u>\$530,203</u>	<u>\$8,548</u>	<u>\$1,867,904</u>

See Accompanying Notes to the General Purpose Financial Statements.

**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, 2003**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$2,003,599	\$2,003,599				
Income Tax	706,835	706,835				
Intergovernmental	2,707,280	2,707,280		240,593	240,593	
Interest						
Tuition and Fees	155,988	155,988				
Extracurricular Activities				111,052	113,881	2,829
Gifts and Donations				165	2,048	1,883
Miscellaneous	6,060	6,060		6,960	8,289	1,329
Total Revenues	<u>5,579,762</u>	<u>5,579,762</u>		<u>358,770</u>	<u>364,811</u>	<u>6,041</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	2,335,567	2,335,567		88,280	88,280	
Special	465,219	465,219		153,872	153,872	
Vocational	126,730	126,730				
Other	1,454	1,454				
Support Services:						
Pupils	293,983	293,983		10	10	
Instructional Staff	239,875	239,875		1,250	1,250	
Board of Education	18,220	18,220				
Administration	571,627	571,627		11,464	11,464	
Fiscal	231,280	231,280				
Operation and Maintenance of Plant	494,866	494,866				
Pupil Transportation	322,506	322,506				
Central	9,980	9,980		26,994	33,031	(6,037)
Extracurricular Activities	154,022	154,022		102,926	102,926	
Capital Outlay	2,475	2,475				
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	<u>5,267,804</u>	<u>5,267,804</u>		<u>384,796</u>	<u>390,833</u>	<u>(6,037)</u>
Excess of Revenues Over (Under)						
Expenditures	<u>311,958</u>	<u>311,958</u>		<u>(26,026)</u>	<u>(26,022)</u>	<u>4</u>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Long-Term Notes						
Refund of Prior Year Expenditures	56,422	56,422				
Refund of Prior Year Receipts				(5,984)	(5,984)	
Operating Transfers In				44	44	
Operating Transfers Out	(44)	(44)				
Advances In	15,961	15,961		1,440	1,440	
Advances Out	(1,440)	(1,440)		(15,961)	(15,961)	
Total Other Financing Sources (Uses)	<u>70,899</u>	<u>70,899</u>		<u>(20,461)</u>	<u>(20,461)</u>	
Excess of Revenues and Other						
Financing Sources Over (Under)						
Expenditures and Other Financing Uses	382,857	382,857		(46,487)	(46,483)	4
Fund Balances at Beginning of Year	561,108	561,108		107,250	107,250	
Prior Year Encumbrances Appropriated	157,738	157,738		43,131	43,131	
Fund Balances at End of Year	<u>\$1,101,703</u>	<u>\$1,101,703</u>	<u>\$0</u>	<u>\$103,894</u>	<u>\$103,898</u>	<u>\$4</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)
\$215,561	\$215,561				
22,290	22,290				
24,725	24,725		88	88	
<u>262,576</u>	<u>262,576</u>		<u>88</u>	<u>88</u>	
93,575	93,575				
710	710				
7,967	7,967				
57,314	57,314				
1,295	1,295				
62,508	62,508				
16,154	64,616	(48,462)			
2,920	2,920				
<u>242,443</u>	<u>290,905</u>	<u>(48,462)</u>			
<u>20,133</u>	<u>(28,329)</u>	<u>(48,462)</u>	<u>88</u>	<u>88</u>	
	48,462	48,462			
	<u>48,462</u>	<u>48,462</u>			
20,133	20,133		88	88	
449,967	449,967		8,460	8,460	
22,799	22,799				
<u>\$492,899</u>	<u>\$492,899</u>	<u>\$0</u>	<u>\$8,548</u>	<u>\$8,548</u>	<u>\$0</u>

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<b>Food Service</b>
<b>Operating Revenues:</b>	
Sales	\$135,142
<b>Operating Expenses:</b>	
Salaries	72,002
Fringe Benefits	44,389
Purchased Services	2,164
Materials and Supplies	612
Cost of Sales	78,425
Depreciation	313
Other	258
Total Operating Expenses	198,163
Operating Loss	(63,021)
<b>Non-Operating Revenues:</b>	
Federal and State Subsidies	46,544
Federal Donated Commodities	11,839
Interest	6
Total Non-Operating Revenues	58,389
Net Loss	(4,632)
Retained Earnings (Deficit) at Beginning of Year	(9,742)
Retained Earnings (Deficit) at End of Year	(\$14,374)

*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  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<b>Food Service</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Sales	\$135,142	\$135,142	
Interest	6	6	
Federal and State Subsidies	46,544	46,544	
Total Revenues	181,692	181,692	
<b>Expenses:</b>			
Salaries	71,476	71,476	
Fringe Benefits	39,948	39,948	
Purchased Services	2,459	2,459	
Materials and Supplies	67,997	67,997	
Other	258	258	
Total Expenses	182,138	182,138	
Excess of Revenues Under Expenses	(446)	(446)	
Fund Equity at Beginning of Year	9,255	9,255	
Prior Year Encumbrances Appropriated	79	79	
Fund Equity at End of Year	\$8,888	\$8,888	\$0

*See Accompanying Notes to the General Purpose Financial Statements.*

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<b>Food Service</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$135,142
Cash Payments for Employee Services and Benefits	(111,424)
Cash Payments to Suppliers for Goods and Services	(70,380)
Cash Payments for Other Operating Expenses	(258)
Net Cash Used in Operating Activities	(46,920)
Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies Received	46,544
Cash Flows from Investing Activities:	
Interest	6
Net Decrease in Cash and Cash Equivalents	(370)
Cash and Cash Equivalents Beginning of Year	9,334
Cash and Cash Equivalents End of Year	\$8,964
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities:</b>	
Operating Loss	(\$63,021)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:</b>	
Depreciation	313
Donated Commodities Used	12,708
Changes in Assets and Liabilities:	
Decrease in Inventory of Supplies and Materials	119
Increase in Inventory Held for Resale	(1,787)
Decrease in Accounts Payable	(219)
Increase in Accrued Wages and Benefits Payable	585
Increase in Intergovernmental Payable	4,312
Increase in Compensated Absences Payable	70
Net Cash Used in Operating Activities	(\$46,920)

Non-Cash Transaction:

During fiscal year 2003, the food service enterprise fund received \$11,839 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 FISCAL YEAR ENDED JUNE 30, 2003**

**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, 49 certificated full-time teaching personnel and four administrative employees who provide services to 831 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 17 and 18 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 FISCAL YEAR ENDED JUNE 30, 2003  
(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.

**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).

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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:

**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.

**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.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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, 2003, but which were levied to finance fiscal year 2004 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.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 fiscal 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 fund level. 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.

**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.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 passed during the year, 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 2003, 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 2003 amounted to \$24,054, which includes \$17,189 assigned from other funds.

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."

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 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, 2003, 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 the purchase of buses, and amounts required by statute to be set-aside for budget stabilization and the purchase of textbooks and other instructional materials. See Note 20 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.

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.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences 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  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(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, textbooks and instructional materials, and bus purchases. A fund designation has been established for budget stabilization for amounts in excess of the statutory required amounts.

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. RESTATEMENT OF FUND BALANCES/ACCOUNT GROUP BALANCE**

Fund balance at June 30, 2002 increased in the capital projects funds by \$67,348 from \$420,178 to \$487,526 for a restatement of notes payable and accrued interest payable. Fund balance at June 30, 2002, increased in the Hazel Elliot scholarship expendable trust fund by \$1,725 from \$6,735 to \$8,460 for a restatement of accounts payable. Notes payable in the general long-term obligations account group increased by \$64,616 causing total liabilities to increase from \$331,004 to \$395,620 at June 30, 2002.

The effect of these changes on the excess of revenues and other financing sources over (under) expenditures at June 30, 2002 is as follows:

	<b>Capital Projects Fund</b>	<b>Expendable Trust Fund</b>
Excess as previously reported	\$248,446	(\$2,539)
Restatement for Notes Payable and Accrued Interest Payable	67,348	0
Restatement for Accounts Payable	0	1,725
Restated Amount at June 30, 2003	\$315,794	(\$814)

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

The following funds had a deficit fund balance/retained earnings at June 30, 2003:

	<b>Deficit Fund Balance/Retained Earnings</b>
Special Revenue Funds:	
Title VI-B	\$825
Title I	143
Enterprise Fund:	
Food Service	14,374

The general fund provides operating transfers to cover deficit balances; 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 or make transfers from the general fund to alleviate this deficit, if necessary.

**B. Compliance**

The principal's special revenue fund, central function other expenditure object had expenditures and encumbrances of \$31,155 in excess of appropriations of \$25,118 for an excess of \$6,037. The permanent improvement capital project fund, debt service function, principal retirement object had expenditures and encumbrances of \$64,616 in excess of appropriations of \$16,154 for an excess of \$48,462 for the fiscal year ended June 30, 2003.

**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, Enterprise 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).

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

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**

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Expendable Trust</b>
GAAP Basis	\$616,556	\$1,726	\$42,677	\$88
Revenue Accruals	19,147	1,702	(1,090)	
Expenditure Accruals	(118,390)	(4,009)	37,021	
Unrecorded Cash – FY 03	(68,500)		(7,400)	
Prepaid Items	11,303			
Advances	14,521	(14,521)		
Encumbrances	(91,780)	(31,381)	(51,075)	
Budget Basis	\$382,857	(\$46,483)	\$20,133	\$88

**Net Loss/Excess of Revenues Under Expenses  
Enterprise Fund Type**

	<b>Food Service</b>
GAAP Basis	(\$4,632)
Expense Accruals	2,281
Supplies and Materials Inventory	(119)
Inventory Held for Resale	1,787
Depreciation	313
Encumbrances	(76)
Budget Basis	(\$446)

**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.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

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;
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 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.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

**Cash on Hand** - At fiscal 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 \$1,978,934 and the bank balance was \$2,049,515. Of the bank balance:

1. \$101,225 of the bank balance was covered by federal depository insurance; and
2. \$1,948,290 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.

**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 (used in business) located in the School District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**7. PROPERTY TAXES (Continued)**

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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$211,593 in the general fund and \$15,997 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2002, was \$139,331 in the general fund and \$12,367 in the permanent improvement capital projects fund.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	<b>2002 Second- Half Collections</b>		<b>2003 First- Half Collections</b>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$62,789,350	75.35%	\$64,958,910	76.14%
Public Utility	4,208,560	5.05	4,599,140	5.39
Tangible Personal Property	16,332,055	19.60	15,757,940	18.47
Total Assessed Value	<u>\$83,329,965</u>	<u>100.00%</u>	<u>\$85,315,990</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$36.80		\$42.68	

The tax rate increase was due to an increase of the School District's operating levy passed in May of 2002.

**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 2003 was \$668,008.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**9. RECEIVABLES**

Receivables at June 30, 2003, 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:

<b>Intergovernmental Receivables</b>	<b>Amounts</b>
General Fund:	
Montgomery County Educational Service Center	\$7,584
Special Revenue Funds:	
Title VI-B	7,605
Title I	22,624
Title VI	1,440
Title II-A	9,652
Total Special Revenue Funds	41,321
Total All Funds	\$48,905

**10. FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$81,454
Less: Accumulated Depreciation	(76,901)
Net Fixed Assets	\$4,553

A summary of the changes in general fixed assets during fiscal year 2003 follows:

	<b>Balance 6/30/02</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6/30/03</b>
Land and Improvements	\$554,342	\$2,798	\$0	\$557,140
Buildings	5,007,340	32,297	0	5,039,637
Vehicles	911,001	1,295	0	912,296
Furniture and Equipment	1,862,296	125,825	27,135	1,960,986
Textbooks	409,811	0	0	409,811
Total General Fixed Assets	\$8,744,790	\$162,215	\$27,135	\$8,879,870

**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 2003, the School District contracted with Utica National Insurance Group for property and fleet, general liability, crime, and inland marine insurance.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

Insurance coverage provided is as follows:

Blanket Building and Contents-replacement cost (\$5,000 deductible)	\$14,371,800
Comprehensive Machinery (\$1,000 deductible)	14,371,800
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured Motorists (\$1,000 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000
Employee Liability	
Per occurrence	1,000,000
Total per year	1,000,000
Employee Benefits	
Per occurrence	1,000,000
Total per year	3,000,000
Umbrella	5,000,000

Settlement claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

**B. Workers' Compensation**

For fiscal year 2003, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). 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.

**12. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.



**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$83,318, \$44,515, and \$29,489, respectively; 56.84 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

**C. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$353,200, \$255,638, and \$291,74, respectively; 84.19 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$478 made by the School District and \$1,267 made by the plan members.

**D. 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, 2003, 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, 2003, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$27,169 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,679,000 and STRS had 105,300 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.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**13. POSTEMPLOYMENT BENEFITS (Continued)**

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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$74,291.

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, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 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.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**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 furniture and equipment that 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 2003 totaled \$21,576 in the general fund.

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, 2003.

<b>Fiscal Year Ending June 30,</b>	<b>General Long-Term Obligations</b>
2004	\$21,576
2005	21,576
2006	17,980
Total minimum lease payments	61,132
Less: amount representing interest	(0)
Present value of minimum lease payments	\$61,132

**16. LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during fiscal year 2003, were as follows:

	<b>Restated Amount Outstanding 6/30/02</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding 6/30/03</b>
Notes Payable:				
Tax Anticipation Note – 4.15%	\$64,616	\$48,462	\$64,616	\$48,462
Capital Lease Payable	82,708	0	21,576	61,132
Compensated Absences Payable	208,472	0	17,537	190,935
Intergovernmental Payable	39,824	49,401	39,824	49,401
<b>Total General Long-Term Obligations</b>	<b>\$395,620</b>	<b>\$97,863</b>	<b>\$143,553</b>	<b>\$349,930</b>

During fiscal year 2003, 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 \$48,462. 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 4.15 percent and matures on July 18, 2003.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**16. LONG-TERM OBLIGATIONS (Continued)**

The intergovernmental payable represents contractually required pension contributions paid outside the available period. Compensated absences and the intergovernmental payable will be paid from the funds 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 \$7,629,977 and the unvoted debt margin was \$85,316 at June 30, 2003.

Principal and interest requirements to retire the School District's outstanding long-term note at June 30, 2003, were:

Year	Principal	Interest	Total
2004	\$48,462	\$2,011	\$50,473

**17. 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. The School District made no financial contributions to the Council during fiscal year 2003. 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 2003. 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.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**17. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**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 \$22,782 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.

Payments to SOEPC are made from the general fund. During fiscal year 2003, the School District made no payments to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, 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 2003, the School District paid \$1,185 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.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**18. 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.

**19. 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 decision 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.

**20. 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, 2002	\$2,145	(\$477,964)	\$19,052
Current Year Set-aside Requirement	109,415	109,415	0
Current Year Offsets	0	(215,561)	0
Qualifying Disbursements	(106,784)	(2,783)	0
Totals	<u>\$4,776</u>	<u>(\$586,893)</u>	<u>\$19,052</u>
Set-aside Balances Carried Forward to Future Fiscal Years	\$4,776	(\$586,893)	\$19,052
Set-aside Reserve Balances as of June 30, 2003	<u>\$4,776</u>	<u>\$0</u>	<u>\$19,052</u>

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**20. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)**

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 \$23,828.

**21. INTERFUND TRANSACTIONS**

The general fund has "Interfund Receivables" in the amount of \$1,440 and the Title V special revenue fund had "Interfund Payables" in the amount of \$1,440 at June 30, 2003.

**22. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

**23. SUBSEQUENT EVENT**

On July 18, 2003, 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 \$32,308. The note carries an interest rate of 3.24 percent, and matures on July 16, 2004.

On September 18, 2003, the School District entered into an Installment Payment Contract for \$524,197 for the acquisition and installation of equipment and other improvements associated with Energy Conservation measures. The School District agreed to make monthly payments over a period of fifteen years.

On December 18, 2003, the School District entered into a Lease-Purchase agreement in the amount of \$242,560 for the purpose of acquiring four school buses and related equipment.





**Auditor of State  
Betty Montgomery**

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

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 financial statements of Southeastern Local School District, Clark County, (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated January 15, 2004. 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*.

**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.

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

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

**Betty Montgomery**  
Auditor of State

January 15, 2004



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**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  
FEBRUARY 5, 2004**