

**Southeastern Local School District  
Clark County, Ohio**

Basic Financial Statements  
June 30, 2008 and 2007  
with Independent Auditors' Report





Mary Taylor, CPA  
Auditor of State

Board of Education  
Southeastern Local School District  
195 E. Jamestown Street  
PO Box Z  
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We have reviewed the *Independent Auditors' Report* of the Southeastern Local School District, Clark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2006 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 2, 2009

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## **INDEPENDENT AUDITORS' REPORT**

Board of Education  
Southeastern Local School District  
195 E. Jamestown Street  
South Charleston, Ohio 45368

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern Local School District (the District) as of and for the years ended June 30, 2008 and 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2008 and 2007, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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The management's discussion and analysis on pages 3 – 11 and 41 – 49 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Clark, Schaefer, Hachett & Co.*

Springfield, Ohio  
December 18, 2008

**Southeastern Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

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

**Financial Highlights**

Key financial highlights for 2007 are as follows:

- Assets exceeded liabilities at the close of the most recent fiscal year by \$7.08 million. Of this amount, \$3.21 million is unrestricted for the School District's discretionary use.
- General revenues accounted for \$6.82 million in revenue or 85.58 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$1.15 million or 14.42 percent of total revenues of \$7.97 million.
- The School District had \$7.49 million in expenses related to governmental activities; only \$1.15 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$6.82 million, were adequate to provide for these programs.
- Among major funds, the general fund had \$6.75 million in revenues and \$6.66 million in expenditures. The permanent improvement fund had \$0.48 million in revenues and \$0.23 million in expenditures.

**Overview of the Financial Statements**

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all the School District's assets and liabilities, with the difference between the two is reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

**Southeastern Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

The *statement of activities* presents information showing how the School District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The government-wide financial statements can be found after the MD & A of this report.

**Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

*Governmental funds:* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School District's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net assets and statement of activities.

The School District maintains twenty-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of fund revenues, expenditures and changes in fund balance for the general fund and permanent improvement fund which are considered major funds. Data from the other twenty-one governmental funds are combined into a single, aggregate presentation.

**Southeastern Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

The School District adopts an annual appropriation budget for all of its governmental funds. A budgetary comparison statement has been provided for the major governmental funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found immediately following the government-wide statement of this report.

*Fiduciary Funds:* Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statement can be found after the budget and actual changes in the general fund of this report.

*Notes to the Financial Statements:* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting after the fiduciary fund statement of this report.

**Government-Wide Financial Analysis**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net assets for 2006 to 2007.

*Table 1*  
*Net Assets*

	<u>2006</u>	<u>2007</u>	<u>Change</u>
<b>Assets</b>			
Current and Other Assets	\$6,872,514	\$7,547,844	\$675,330
Capital Assets (Net of Depreciation)	<u>3,487,196</u>	<u>3,381,020</u>	<u>(106,176)</u>
<i>Total Assets</i>	<u>10,359,710</u>	<u>10,928,864</u>	<u>569,154</u>
<b>Liabilities</b>			
Long-Term Liabilities	1,333,584	1,221,893	(111,691)
Other Liabilities	<u>2,426,133</u>	<u>2,627,326</u>	<u>201,193</u>
<i>Total Liabilities</i>	<u>3,759,717</u>	<u>3,849,219</u>	<u>89,502</u>

**Southeastern Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

*Table 1*  
*Net Assets*

	<u>2006</u>	<u>2007</u>	<u>Change</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	\$2,596,070	\$2,655,717	\$59,647
Restricted for:			
Grants	1,922	122,581	120,659
State Mandates	40,112	56,028	15,916
Capital Improvements	741,298	1,034,783	293,485
Unrestricted	<u>3,220,591</u>	<u>3,210,536</u>	<u>(10,055)</u>
<i>Total Net Assets</i>	<u><u>\$6,599,993</u></u>	<u><u>\$7,079,645</u></u>	<u><u>\$479,652</u></u>

Table 2 provides a comparison of the revenue for fiscal years 2006 and 2007.

*Table 2*  
*Revenues*

	<u>2006</u>	<u>2007</u>	<u>Change</u>
<b>Revenues</b>			
<i>Program Revenues</i>			
Charges for Services	\$685,889	\$670,693	(\$ 15,196)
Operating Grants	393,242	467,754	74,512
Capital Grants	0	11,169	11,169
<i>General Revenues</i>			
Property Taxes	2,347,534	2,261,974	(85,560)
Income Taxes	780,606	896,204	115,598
Unrestricted Grants	3,390,672	3,400,381	9,709
Investment Earnings	163,539	242,176	78,637
Other	<u>19,762</u>	<u>21,098</u>	<u>1,336</u>
<i>Total Revenues</i>	<u><u>\$7,781,244</u></u>	<u><u>\$7,971,449</u></u>	<u><u>\$190,205</u></u>

**Southeastern Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2007**

Table 3 compares total program expenses from 2006 to 2007.

*Table 3*  
*Total Program Expenses*

	<u>2006</u>	<u>2007</u>	<u>Change</u>
<b>Program Expenses</b>			
<i>Instruction:</i>			
Regular	\$3,301,530	\$3,394,707	\$93,177
Special	792,844	898,453	105,609
Other	148,631	169,805	21,174
<i>Support Services:</i>			
Pupil/Staff	617,301	682,445	65,144
Board/Admin/Fiscal	861,106	830,979	(30,127)
Maintenance	533,662	517,598	(16,064)
Transportation	479,038	447,755	(31,283)
Central	38,617	29,843	(8,774)
Food			
Services/Latchkey	205,964	205,734	(230)
Extracurricular			
Activities	279,547	274,737	(4,810)
Interest and Fiscal			
Charges	34,176	39,741	5,565
Total Expenses	<u>7,292,416</u>	<u>7,491,797</u>	<u>199,381</u>
Net Change	488,828	479,652	(9,176)
Beginning Net Assets	<u>6,111,165</u>	<u>6,599,993</u>	<u>488,828</u>
Ending Net Assets	<u>\$6,599,993</u>	<u>\$7,079,645</u>	<u>\$479,652</u>

**Southeastern Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

***The Major Funds***

The School District's major funds are accounted for using the modified accrual basis of accounting, focusing on the near-term financial resources of the District. The major funds are the general fund and the permanent improvement fund. Both accounted for 91.35% of the \$7.91 million in total revenue and 91.13% of the \$7.55 million in total expenditures. The general fund and permanent improvement fund received a majority of their revenues from property taxes and intergovernmental revenues. Revenues exceeded expenditures in the general fund and permanent improvement fund, creating a year end fund balance of \$3.53 million and \$1.03 million, respectively.

The general fund recognized \$0.78 million in current liabilities for fiscal year 2007. Accrued salaries and benefits accounted for 73.74% of those liabilities. Taxes receivable accounted for 98.61% of the \$2.39 million receivables in the general fund. However, a portion of the taxes receivable is offset by deferred revenue because those taxes are not intended to finance the 2007 fiscal year.

***General Fund Budgetary***

Table 4 depicts the change from the final budget to the actual revenue for the fiscal year ended June 30, 2007.

*Table 4*  
Original and Final Budget versus Actual General Fund Revenues

	Original Budget	Budget Final	Actual
<b>Revenues</b>			
Property Taxes	\$2,067,248	\$2,161,807	\$2,244,906
Intergovernmental	3,245,746	3,394,212	3,394,212
Tuition and Fees	414,238	433,186	433,186
Income Tax	786,756	822,743	822,743
Other	13,195	13,799	13,799
<b>Total Revenues</b>	<u>\$6,527,182</u>	<u>\$6,825,746</u>	<u>\$6,908,846</u>

The original/final revenue estimates come from the Tax Budget completed in January 2007. The County Auditor completes the tax estimates. The property tax actual amounts are higher due to tax advances not budgeted related to 2006 and 2007. The District was able to more accurately predict revenue throughout the fiscal year from more consistency in the revenue sources.

**Southeastern Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2007**

Table 5 depicts the change from the original to the final general fund expenditure budgets for the fiscal year ended June 30, 2007.

*Table 5*  
*Original Budget versus for Actual General Fund Expenditures*

<b>Expenditures</b>	<u>Budget Original</u>	<u>Actual</u>
Instruction	\$4,013,300	\$3,699,040
Support Services	2,768,635	2,375,451
Other	289,490	237,921
<b>Total Expenditures</b>	<u><u>\$7,071,425</u></u>	<u><u>\$6,312,412</u></u>

The original budget comes from the Tax Budget filed in January of 2006. Traditionally the tax budget expenditures include all possible needs for the future year. A line in the budget is included for contingencies in the original budget. Although this money is not spent, it still shows in the original budget. The variance from the original and final budget is created due to the assumption that the Federal and State Grants are not available until monies are received. Southeastern is continually striving to hold expenditures down to ensure that the burden on the tax payers is held to a minimum, thus cutting planned expenditures where acceptable. The District's final expenditures are \$661,544 less than final budgeted amounts due in part to federal grants paying a portion of salaries and benefits, no severances paid out for retirement and not having audit expenses because of bi-annual audits.

**Southeastern Local School District**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2007

**Capital Assets**

At the end of the year, the School District had \$3,381,020 invested in land, buildings, equipment, textbooks, and vehicles less accumulated depreciation. Table 6 shows the breakdown of the individual classes for capital assets (see note 9 for more detailed information):

*Table 6*  
*Capital Assets*

Class	2006	2007	Percentage Change
Land and Land Improvements	\$1,036,117	\$1,095,033	6%
Buildings and Improvements	5,686,435	5,646,666	(1%)
Furniture and Equipment	931,563	949,145	(4%)
Vehicles	1,054,856	1,121,856	6%
Sub-Total	8,708,971	8,812,700	1%
Accumulated Depreciation	(5,221,775)	(5,431,680)	3%
Net Capital Assets	<u>\$3,487,196</u>	<u>\$3,381,020</u>	<u>(3%)</u>

**Debt Administration**

A long-term note was issued in September, 2003 for \$524,197 to update mechanical/energy conservation of both buildings. The final principal and interest payment for the HB264 note is August 15, 2018, all payments coming from the permanent improvement fund.

Southeastern Local School District issued bonds in November of 2003 to purchase four new buses for \$248,000 of which the principal will be paid out of the general fund and the interest will be paid out of permanent improvement fund. The final principal and interest payment for the bond will be due on January 1, 2009. For further information on the School District's obligations, refer to note 15 of the financial statements.

The District entered into a sixty month capital lease with Pro-Copy Technologies commencing March 2005 to lease six copiers for \$101,195 of which the principal and interest will be paid out of the general fund. The final principal and interest payment for the lease will be due February 11, 2010. For further information on the School District's lease obligations, refer to note 14 of the financial statements.

**Southeastern Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

**For the Future**

At this time, the Southeastern Local School District is financially stable. The District is proud of its community support of the public schools. However, as the State budget consistently decreases, the necessity for community support needs to increase.

The District renewed a \$490,000 emergency levy in May of 2007. The District will also need to receive additional local monies in some fashion in 2009 so that it can stay out of the impending deficit while maintaining our consistently increasing test scores and academic excellence. The District valuation consists mostly of a residential tax base, thus shifting more of the financial responsibility to our taxpayers.

The latest budget bill from the State of Ohio (HB66) includes the gradual elimination of most personal property taxes. Under current legislation, the school district should receive an increase in revenue from the state to nearly equal the loss in the local revenue from the elimination of the personal property taxes. It is too soon to tell the true effects of this change over the next several years.

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward School Districts with little property tax wealth. The legislators and government officials continue to negotiate the plan for improvement of the financing of public schools in the State of Ohio.

In conclusion, the Southeastern Local School District has committed itself to financial excellence for many years. The District's primary goal is to be proactive in dealing with the financial woes of the State and the current economy. The School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Treasurer, Southeastern Local Schools, 195 Jamestown St., South Charleston, OH, 45368. Also see: [www.sels.us](http://www.sels.us)

**Southeastern Local School District**  
**Clark County, Ohio**  
**Statement of Net Assets**  
**June 30, 2007**

	Governmental Activities
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$4,728,003
Cash with Fiscal Agents	1,225
Receivables:	
Property and Other Taxes	2,206,742
Income Tax	408,576
Accounts	2,252
Intergovernmental	49,569
Materials and Supplies Inventory	27,754
Prepaid Items	67,695
Restricted Cash and Cash Equivalents	56,028
Nondepreciable Capital Assets	1,095,033
Depreciable Capital Assets, net	2,285,987
Total Assets	10,928,864
 <b><u>Liabilities</u></b>	
Payables:	
Accounts	7,685
Intergovernmental	211,016
Salaries and Employee Benefits	620,822
Matured Interest	1,225
Unearned Revenue	1,786,578
Noncurrent Liabilities:	
Due Within One Year	226,377
Due in More Than One Year	995,516
Total Liabilities	3,849,219
 <b><u>Net Assets</u></b>	
Invested in Capital Assets, Net of Related Debt	2,655,717
Restricted for:	
Grants	122,581
State Mandates	56,028
Capital Improvements	1,034,783
Unrestricted	3,210,536
Total Net Assets	\$7,079,645

See accompanying notes to the basic financial statements

**Southeastern Local School District  
Clark County, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2007**

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$3,394,707	\$432,943	\$118,136	\$0	(\$2,843,628)
Special	898,453	0	261,546	0	(636,907)
Vocational	156,946	0	22,116	0	(134,830)
Other	12,859	0	0	0	(12,859)
Support Services:					
Pupils	371,263	0	0	0	(371,263)
Instructional Staff	311,182	0	1,135	0	(310,047)
Board of Education	18,565	0	0	0	(18,565)
Administration	560,865	0	5,000	0	(555,865)
Fiscal	251,549	0	0	0	(251,549)
Operation and Maintenance of Plant	517,598	0	0	0	(517,598)
Pupil Transportation	447,755	0	0	11,169	(436,586)
Central	29,843	14,987	552	0	(14,304)
Operation of Non-Instructional Services	205,734	137,421	54,258	0	(14,055)
Extracurricular Activities	274,737	85,342	5,011	0	(184,384)
Interest and Fiscal Charges	39,741	0	0	0	(39,741)
Total Governmental Activities	<u>\$7,491,797</u>	<u>\$670,693</u>	<u>\$467,754</u>	<u>\$11,169</u>	<u>(6,342,181)</u>

General Revenues:

Property Taxes, Levied for General Purposes	2,067,194
Property Taxes, Levied for Capital Outlay	194,780
Income Taxes	896,204
Grants and Contributions not Restricted to Specific Programs	3,400,381
Unrestricted Investment Earnings	242,176
Miscellaneous	21,098
Total General Revenues	<u>6,821,833</u>
Changes in Net Assets	479,652
Net Assets-Beginning	<u>6,599,993</u>
Net Assets-Ending	<u>\$7,079,645</u>

See accompanying notes to the basic financial statements

**Southeastern Local School District**  
**Clark County, Ohio**  
**Balance Sheet - Governmental Funds**  
**June 30, 2007**

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$3,568,314	\$1,012,004	\$147,685	\$4,728,003
Cash with Fiscal Agents	0	0	1,225	1,225
Receivables:				
Property and Other Taxes	1,951,213	255,529	0	2,206,742
Income Taxes	408,576	0	0	408,576
Accounts	2,252	0	0	2,252
Interfund	31,036	0	0	31,036
Intergovernmental	0	0	49,569	49,569
Prepaid Items	64,362	0	3,333	67,695
Materials and Supplies Inventory	24,922	0	2,832	27,754
Restricted Assets:				
Cash and Cash Equivalents	56,028	0	0	56,028
<b>Total Assets</b>	<b>\$6,106,703</b>	<b>\$1,267,533</b>	<b>\$204,644</b>	<b>\$7,578,880</b>
<b><u>Liabilities and Fund Balances</u></b>				
<b><u>Liabilities</u></b>				
Payables:				
Accounts	\$5,545	\$0	\$2,140	\$7,685
Intergovernmental	199,311	0	11,705	211,016
Salaries and Employee Benefits	575,158	0	45,664	620,822
Interfund	0	0	31,036	31,036
Matured Interest	0	0	1,225	1,225
Matured Compensated Absences	56,155	0	0	56,155
Notes Payable				0
Deferred Revenue	1,743,715	232,749	24,288	2,000,752
<b>Total Liabilities</b>	<b>2,579,884</b>	<b>232,749</b>	<b>116,058</b>	<b>2,928,691</b>
<b><u>Fund Balances:</u></b>				
Designated for:				
Budget Stabilization	83,786	0	0	83,786
Reserved for:				
Encumbrances	4,036	84,202	1,169	89,407
Property Taxes	257,289	22,780	0	280,069
Textbook and Instructional Materials	31,383	0	0	31,383
Bus Purchase Allowance	5,593	0	0	5,593
Budget Stabilization	19,052	0	0	19,052
Unreserved, reported in:				
General	3,125,680	0	0	3,125,680
Special Revenue	0	0	87,417	87,417
Capital Projects	0	927,802	0	927,802
<b>Total Fund Balances</b>	<b>3,526,819</b>	<b>1,034,784</b>	<b>88,586</b>	<b>4,650,189</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$6,106,703</b>	<b>\$1,267,533</b>	<b>\$204,644</b>	<b>\$7,578,880</b>

See accompanying notes to the basic financial statements

**Southeastern Local School District**  
**Clark County, Ohio**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net asset of Governmental Activities**  
**June 30, 2007**

<b>Total Governmental Fund Balances</b>	\$4,650,189
 <b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,381,020
Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds	214,174
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,165,738)</u>
 <b>Net Assets of Governmental Activities</b>	 <u><u>\$7,079,645</u></u>

See accompanying notes to the basic financial statements

**Southeastern Local School District**  
**Clark County, Ohio**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2007**

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property and Other Taxes	\$2,005,689	\$201,757	\$0	\$2,207,446
Intergovernmental	3,394,213	33,877	435,723	3,863,813
Charges for Services	0	0	137,421	137,421
Tuition and Fees	433,186	0	0	433,186
Interest	0	240,907	1,269	242,176
Income Tax	896,204	0	0	896,204
Gifts and Donations	0	0	5,563	5,563
Extracurricular Activities	0	0	100,329	100,329
Miscellaneous	16,866	0	3,932	20,798
<b>Total Revenues</b>	<b>6,746,158</b>	<b>476,541</b>	<b>684,237</b>	<b>7,906,936</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	3,143,113	79,868	97,293	3,320,274
Special	596,916	0	271,373	868,289
Vocational	161,615	0	0	161,615
Other	12,859	0	0	12,859
Support Services:				
Pupils	368,263	0	0	368,263
Instructional Staff	306,612	4,377	1,135	312,124
Board of Education	18,565	0	0	18,565
Administration	566,551	2,063	3,304	571,918
Fiscal	239,558	5,776	0	245,334
Operation and Maintenance of Plant	492,631	271	0	492,902
Pupil Transportation	471,247	752	0	471,999
Central	12,112	0	17,456	29,568
Operation of Non-Instructional Services	0	0	205,025	205,025
Extracurricular Activities	192,240	0	74,084	266,324
Capital Outlay	2,750	0	0	2,750
Debt Service:				
Principal Retirement	68,550	97,273	0	165,823
Interest and Fiscal Charges	2,915	36,920	0	39,835
<b>Total Expenditures</b>	<b>6,656,497</b>	<b>227,300</b>	<b>669,670</b>	<b>7,553,467</b>
Net Change in Fund Balances	89,661	249,241	14,567	353,469
Fund Balances - beginning	3,437,158	785,543	74,019	4,296,720
Fund Balances - ending	<u>\$3,526,819</u>	<u>\$1,034,784</u>	<u>\$88,586</u>	<u>\$4,650,189</u>

See accompanying notes to the basic financial statements

**Southeastern Local School District  
Clark County, Ohio  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the Fiscal Year Ended June 30, 2007**

<b>Net Change in Governmental Fund Balances</b>	<b>\$353,469</b>
 <b>Amounts reported in governmental activities in the statement of activities are different because:</b>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(106,176)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	64,513
Repayment of long-term obligations is reported as an expenditure in governmental funds, the the repayment reduces long-term liabilities in the statement of net assets. In the current year, this amount is:	165,823
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures/revenues in governmental funds.	<u>2,023</u>
<b>Change in net assets of governmental activities</b>	<b><u><u>\$479,652</u></u></b>

See accompanying notes to the basic financial statements

**Southeastern Local School District**  
**Clark County, Ohio**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (Non-GAAP Basis) and Actual -**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property and Other Local Taxes	\$2,067,248	\$2,161,807	\$2,244,906	\$83,099
Intergovernmental	3,245,746	3,394,212	3,394,212	0
Tuition and Fees	414,238	433,186	433,186	0
Income Tax	786,756	822,743	822,743	0
Miscellaneous	13,195	13,799	13,799	0
<b>Total Revenues</b>	<b>6,527,183</b>	<b>6,825,747</b>	<b>6,908,846</b>	<b>83,099</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	3,289,640	3,131,475	2,980,333	151,142
Special	531,653	648,200	550,828	97,372
Vocational	178,828	172,401	155,477	16,924
Other	13,179	13,104	12,402	702
Support Services:				
Pupils	390,837	426,755	360,940	65,815
Instructional Staff	396,660	389,370	288,762	100,608
Board of Education	32,268	20,907	17,812	3,095
Administration	696,442	629,604	541,950	87,654
Fiscal	278,588	257,422	224,855	32,567
Operation and Maintenance of Plant	530,253	533,656	477,897	55,759
Pupil Transportation	430,354	475,264	451,553	23,711
Central	13,233	12,299	11,682	617
Extracurricular Activities	205,267	211,750	186,269	25,481
Capital Outlay	2,969	2,750	2,652	98
Debt Service:				
Principal Retirement	81,254	49,000	49,000	0
<b>Total Expenditures</b>	<b>7,071,425</b>	<b>6,973,957</b>	<b>6,312,412</b>	<b>661,545</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(544,242)	(148,210)	596,434	744,644
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	2,933	3,067	3,067	0
Advances In	16,657	17,418	17,418	0
Advances Out	(15,000)	(35,000)	(31,036)	3,964
<b>Total Other Financing Sources (Uses)</b>	<b>4,590</b>	<b>(14,515)</b>	<b>(10,551)</b>	<b>3,964</b>
<b>Net Change in Fund Balance</b>	<b>(539,652)</b>	<b>(162,725)</b>	<b>585,883</b>	<b>748,608</b>
Fund Balances at Beginning of Year	2,901,674	2,901,674	2,901,674	0
Prior Year Encumbrances Appropriated	53,920	53,920	53,920	0
<b>Fund Balance at End of Year</b>	<b>\$2,415,942</b>	<b>\$2,792,869</b>	<b>\$3,541,477</b>	<b>\$748,608</b>

See accompanying notes to the basic financial statements

**Southeastern Local School District**  
**Clark County, Ohio**  
**Statement of Fiduciary Assets and Liabilities**  
**Fiduciary Fund**  
**June 30, 2007**

	<u>Agency</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$19,630</u>
Total Assets	<u>19,630</u>
<b><u>Liabilities</u></b>	
Accounts Payable	601
Due to Students	<u>19,029</u>
Total Liabilities	<u>\$19,630</u>

See accompanying notes to the basic financial statements

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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

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 thirty-eight non-certified, fifty-seven certificated full-time teaching personnel and four administrative employees who provide services to eight hundred sixty-four students and other community members.

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 four jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Notes 17 and 18 to the basic 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)

Insurance Purchasing Pool:

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

**Note 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 more significant of the School District's accounting policies are described below.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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

**A. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**B. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within sixty days of the end of the fiscal period. Expenditures generally are recorded when a liability is expected to be liquidated with expendable, available resources. However, debt service expenditures, as well as compensated absences, are recorded only when payment is due.

Property taxes, grants and entitlements, tuition, fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

*Fund Accounting*

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

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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**Note 2 – Summary of Significant Accounting Policies** (continued)

*Governmental Funds*

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The School District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *permanent improvement* capital projects fund is used to account for all transaction related to the acquiring, constructing, or improving such permanent improvements as are authorized in ORC Chapter 5705.

*Fiduciary Fund*

*Fiduciary fund* reporting focuses on net assets and changes in net assets. The School District maintains two fiduciary funds: agency funds known as the Cafeteria Employee Plan and the Students Activities Fund. The Cafeteria Employee Plan was established to account for activity related to certain employee requested benefits. The Student Activities Fund was established to account for revenues generated by student managed activities. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use the restricted resources first, and then unrestricted resources, as they are needed.

**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 for all funds other than the general fund which is at the fund/function level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**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.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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**Note 2 – Summary of Significant Accounting Policies** (continued)

***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.

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, eight 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 fund level for all funds other than the general fund which is set at the fund/function level.

***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.

***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.

**Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the statement of net assets and governmental fund 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 statement of net assets and governmental fund balance sheet as "Cash with Fiscal Agent" and represents deposits. During fiscal year 2007, 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 2007 includes \$240,907 assigned from other funds. The other governmental funds also were credited \$1,269.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**Interfund Assets/Liabilities**

Short-term interfund loans are classified as “interfund receivables” and “interfund payables”. These amounts are eliminated in the statement of net assets.

**Inventory**

Inventories are stated at cost and determined on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2007, 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.

**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 19 for additional information regarding set-asides.

**Capital Assets and Depreciation**

Capital assets, which include property, plant, equipment, and vehicles are reported on the government-wide statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold \$1,500. The School District does not have 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.

Depreciation is computed using the straight-line method over the following useful life of three to ten years, with building improvements being depreciated over twenty years and buildings over fifty years. Improvements to fund capital assets are depreciated over the remaining useful lives of the related assets.

**Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities are reported on the governmental fund financial statements as an obligation whether they will be liquidated with current resources. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they have matured. Capital leases payable and other long-term debt are reported as a liability on the statement of net assets.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**Compensated Absences**

Vacation benefits are accrued 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. 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 vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after fifteen years of current service with the School District.

For governmental funds, unpaid compensated absences due and payable at the end of the fiscal year are recorded as matured leave payable in the fund financial statements. These amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements for the fiscal year, the School District's fund liability was \$56,155 at June 30, 2007. The entire compensated absences liability is reported on the government-wide statement of net assets.

**Interfund Activity**

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

**Exchange/Non-Exchange Transactions**

Revenues 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.

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 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**Deferred Revenues**

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, 2007, but which were levied to finance fiscal year 2008 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.

**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, textbooks and instructional materials, bus purchase allowance and budget stabilization. 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.

**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.

**Net Assets**

Net assets represent the difference between assets and liabilities in the statements of net assets. Net assets invested in capital assets are calculated, net of accumulated depreciation and reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At year end, the School District had no net assets restricted by enabling legislation.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

**Note 2 – Summary of Significant Accounting Policies** (continued)

**Reconciliation of Government-wide and Fund Financial Statements**

*Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.*

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds”. The details of this (\$1,165,738) difference are as follows:

Capital Lease Payable	(\$56,592)
Compensated Absences	(440,435)
Energy Conservation Notes Payable	(424,711)
Long Term Notes Payable	(140,000)
School Bus Note Payable	(104,000)
Net Adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	(\$1,165,738)

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund”. The details of \$3,381,020 difference are as follows:

Capital Assets	\$8,812,700
Accumulated Depreciation	(5,431,680)
Net Adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$3,381,020

*Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.*

An element of that reconciliation states that “The issuance of long-term debt (e.g notes and leagues) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes financial resources of government funds.”. The details of this (\$165,922) are as follows:

Principal reduction on lease obligation	\$19,649
Principal reduction on long term notes	119,000
Principal reduction on the energy conservation obligation	27,174
Net Adjustment – current financial resources focus to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	(\$165,823)

Another element of that reconciliation states that “capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.” The details of this (\$106,176) are as follows:

Current Capital Additions	\$176,349
Depreciation Expense	(282,525)
Net Adjustment – capital assets to increase <i>fund balance – total governmental</i> to arrive at <i>net assets – governmental activities</i>	(\$106,176)

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

**Note 3 - Accountability**

The following funds had a deficit fund balance at June 30, 2007:

	Deficit Fund Balance
Nonmajor Special Revenue Funds	
Food Service	\$27,434
Project Lead The Way	3,602

The general fund provides transfers to cover deficit balances; however, this is done when cash is required, not when accruals occur. The deficit in the food service 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. The deficits in the grant funds were created by application of generally accepted accounting principles.

**Note 4 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP 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 (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statement for the General Fund:

GAAP Net Change	\$89,661
Revenue Accruals	165,755
Expenditure Accruals	426,961
Advances	(13,618)
Encumbrances	(82,876)
Budgetary Net Change	\$585,883

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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**Note 5 - Deposits and Investments**

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.

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

At fiscal year-end, the carrying value of the School District's deposits was \$4,804,461 and the bank balance was \$4,856,866. \$102,374 of the School District's deposits was insured by federal depository insurance. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$4,754,492 of the School District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

**Southeastern Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2007**

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**Note 5 - Deposits and Investments** (continued)

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2006, were levied after April 1, 2006, and are collected in 2007 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 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. 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.

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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007, 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, 2007, was \$257,289 in the general fund and \$22,780 in the permanent improvement capital projects fund.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

**Note 6 - Property Taxes** (continued)

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

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$74,529,680	82.38%	\$75,725,680	85.73%
Public Utility	4,104,610	4.54	4,110,110	4.65
Tangible Personal Property	11,841,450	13.08	8,497,116	9.62
<b>Total Assessed Value</b>	<b>\$90,475,740</b>	<b>100.00%</b>	<b>\$88,332,906</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$42.40		\$42.35	

**Note 7 - 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 2007 was \$896,204.

**Note 8 - Receivables**

Receivables at June 30, 2007, consisted of property taxes, income tax, accounts (rent and tuition), intergovernmental grants, accrued interest and interfund. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Non-Major Funds:	
Food Service	\$5,715
Project Lead The Way	3,603
Core Grant	23,223
IDEA	8,098
Title I	5,541
Title II-A	3,384
Title II-D	5
<b>Totals</b>	<b>\$49,569</b>

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

**Note 9 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

<b>Governmental Activities</b>	Balance 7/1/2006	Increases	Decreases	Balance 6/30/2007
<i>Capital Assets, not depreciation</i>				
Land and Land Improvements	\$ 1,036,117	\$ 60,948	\$ (2,032)	\$ 1,095,033
 <i>Capital Assets, being depreciated</i>				
Building and Improvements	5,686,435	11,853	(51,622)	5,646,666
Furniture and Equipment	931,563	36,548	(18,966)	949,145
Vehicles	1,054,856	67,000	-	1,121,856
Total at historical cost	8,708,971	176,349	(72,620)	8,812,700
Less accumulated depreciation	(5,221,775)	(282,525)	72,620	(5,431,680)
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<b>\$ 3,487,196</b>	<b>\$ (106,176)</b>	<b>\$ -</b>	<b>\$ 3,381,020</b>

Depreciation expense was charged to functions of the primary government as follows:

Instruction:	
Regular	\$ 161,200
Special	27,460
Vocational	601
Support Services:	
Pupils	1,639
Instructional Staff	1,078
Administration	7,174
Fiscal	2,053
Operation and Maintenance of Plant	20,545
Pupil transportation	52,069
Central	293
Extracurricular	8,413
Total Depreciation Expense	<b>\$ 282,525</b>

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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**Note 10 - Risk Management**

**Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2007, the School District contracted with Marsh Insurance Group for property and fleet, general liability, crime, and inland marine insurance.

Insurance coverage provided is as follows:

Building and Contents-replacement cost (\$2,500 deductible)	\$50,000,000
Boiler and Machinery (\$2,500 deductible)	50,000,000
Automobile Liability (\$1,000 deductible)	1,000,000
Professional Liability (\$5,000 deductible)	
Single Occurrence	1,000,000
Aggregate	3,000,000
General Liability (no deductible)	
Per occurrence	1,000,000
Total per year (per member)	1,000,000

Settlement claims have not exceeded this commercial coverage in any of the past three years. Southeastern Local School's bus garage did sustain a power surge to the underground fuel tax measuring device which amounted to a \$10,931 claim in 2007. There have been no significant reductions in insurance coverage from last year.

**Workers' Compensation**

For fiscal year 2007, 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.

**Note 11 - Defined Benefit Pension Plans**

**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, by calling (800) 878-5853 or by visiting the SERS website at [ohsers.org](http://ohsers.org).

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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**Note 11 - Defined Benefit Pension Plans** (continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$ 97,323, \$85,366 and \$110,724 respectively; 48% percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

**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, by calling (614) 227-4090, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

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 divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 of 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.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 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 percent for members and 14 percent 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 STRS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$413,699, \$380,472 and \$377,565, respectively; 83% percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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**Note 11 - Defined Benefit Pension Plans** (continued)

DC and Combined Plans for fiscal year 2007 were \$228 made by the School District and \$218 made by the plan members.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2007, 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.

**Note 12 - Post-employment Benefits**

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$31,823 for fiscal year 2007.

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

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2008, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$50,843.

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 projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2007 were \$178,221,113. At June 30, 2007, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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**Note 13 - Other Employee Benefits**

**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.

**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.

**Life Insurance**

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

**Note 14 - 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.

During 2006, the school district recorded capital assets consisting of furniture and equipment that have been capitalized on the statement of net assets in the amount of \$101,195, with a corresponding liability recorded. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2007 totaled \$19,649 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, 2007.

Fiscal Year Ending June 30,	Governmental Activities
2008	\$22,466
2009	22,465
2010	14,971
Total minimum lease payments	59,902
Less: amount representing interest	(3,310)
Present value of minimum lease payments	\$56,592

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

**Note 14 - Capitalized Leases - Lessee Disclosure** (continued)

The following is a detailed schedule for the future principal/interest payments for the lease obligation:

Year	Principal	Interest	Total
2008	\$20,448	\$1,978	\$22,466
2009	21,361	1,104	22,465
2010	14,743	228	14,971
Total	\$56,592	\$3,310	\$59,902

**Note 15 – Changes in Long-Term Liabilities**

Changes in long-term obligations of the School District during fiscal year 2007 were as follows:

	Amount Outstanding 6/30/06	Additions	Reductions	Amount Outstanding 6/30/07	Due within one year
Notes Payable:					
HB 264	\$451,885	\$0	\$27,174	\$424,711	\$28,734
School Bus Purchases	153,000	0	49,000	104,000	51,000
TAN Bleacher Purchase – 4.35%	210,000	0	70,000	140,000	70,000
Capital Lease Payable	76,241	0	19,649	56,592	20,488
Compensated Absences Payable	442,458	85,924	31,792	496,590	56,155
Total Governmental Activities	\$1,333,584	\$85,924	\$197,615	\$1,221,893	\$226,377

*Energy Conservation Loans* -In 2004, the School District issued \$524,197 in unvoted general obligation loans for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The loans were issued for a fifteen year period with final maturity at August 18, 2018. The loan will be retired from the debt service fund.

*School Bus Purchase Notes Payable* – In 2004, the School District issued \$248,000 in long term notes for the purpose of acquiring additional buses for the School District. The notes were issued for a five year period with final maturity at January 1, 2009. The bonds will be retired from the general fund during the fiscal year.

*Tax Anticipation Notes Payable* - During fiscal year 2006, the School District financed the Tax Anticipation Note for the improvement of the High School Facilities bleachers in the amount \$210,000. 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 4.35 percent and is set to mature on March 1, 2009.

Compensated absences 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 \$7,898,817, the unvoted debt margin was \$90,476 and energy conservation debt margin of \$389,665 at June 30, 2007.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

**Note 15 – Changes in Long-Term Liabilities** (continued)

Principal and interest requirements to retire the School District's outstanding long-term notes at June 30, 2007, were:

Year	Principal	Interest	Total
2008	\$149,734	31,660	181,394
2009	153,279	25,195	178,474
2010	31,908	18,439	50,347
2011	33,623	16,723	50,346
2012	35,432	14,914	50,346
2013-2017	207,880	43,853	251,733
2018-2019	56,855	1,883	58,738
	<u>\$668,711</u>	<u>\$152,667</u>	<u>\$821,378</u>

**Note 16 – Interfund Transactions**

Interfund balances at June 30, 2007, consist of the following individual receivables as reported in the governmental fund balance sheet, such amounts are removed from the statement of net assets:

	Interfund	
	Receivable	Payable
General Fund	\$ 31,036	\$ 0
Non-major Funds		
Special Revenue	0	31,036
Total All Funds	<u>\$ 31,036</u>	<u>\$ 31,036</u>

The general fund advances monies to the grant special revenue funds at year end that are in a negative cash position. The advances will be repaid within one year once the special revenue fund receives reimbursement from federal or state agency.

**Note 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.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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**Note 17 - Jointly Governed Organizations** (continued)

The School District made no financial contributions to the Council during fiscal year 2007. 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 2007. To obtain financial information, write to the Springfield/Clark County Joint Vocational School, Pamela Mustovich, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

*Miami Valley Educational Computer Association* - The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark and Greene Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of one representative from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid MVECA \$23,415 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.

During fiscal year 2007, 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 303 Corporate Center Dr., Suite 208, Vandalia, OH 45377.

**Note 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.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007**

**Note 19 - 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>	<u>Total</u>
Set-aside Reserve Balance as of June 30, 2006	\$16,946	(\$227,707)	\$19,052	(\$191,709)
Current Year Set-aside Requirement	128,615	128,615	0	257,230
Current Year Offsets	0	(215,122)	0	(215,122)
Qualifying Disbursements	(114,178)	0	0	(114,178)
Totals	<u>31,383</u>	<u>(314,214)</u>	<u>19,052</u>	<u>(263,779)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>31,383</u>	<u>(314,214)</u>	<u>19,052</u>	<u>(263,779)</u>
Sub-total Restricted Assets	<u>31,383</u>	<u>\$0</u>	<u>\$19,052</u>	50,435
School Bus Purchase Allowance				5,593
Total Restricted Assets as of June 30, 2007				<u>\$56,028</u>

The negative amount for capital acquisitions may only be carried forward to the extent of proceeds from a property tax levy.

**Note 20 - Contingencies**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

**Southeastern Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008

The discussion and analysis of Southeastern Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for 2008 are as follows:

- Assets exceeded liabilities at the close of the most recent fiscal year by \$7.83 million. Of this amount, \$3.87 million is unrestricted for the School District's discretionary use.
- General revenues accounted for \$7.20 million in revenue or 86.07 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$1.16 million or 13.93 percent of total revenues of \$8.36 million.
- The School District had \$7.61 million in expenses related to governmental activities; only \$1.16 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$7.20 million, along with cash balances, were adequate to provide for these programs.
- Among major funds, the general fund had \$7.25 million in revenues and \$6.66 million in expenditures. The permanent improvement fund had \$0.45 million in revenues and \$0.41 million in expenditures.

### **Overview of the Financial Statements**

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all the School District's assets and liabilities, with the difference between the two is reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

**Southeastern Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008

The *statement of activities* presents information showing how the School District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The government-wide financial statements can be found after the MD & A of this report.

**Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

*Governmental funds:* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School District's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net assets and statement of activities.

The School District maintains twenty-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of fund revenues, expenditures and changes in fund balance for the general fund and permanent improvement fund which are considered major funds. Data from the other twenty-one governmental funds are combined into a single, aggregate presentation.

**Southeastern Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008

The School District adopts an annual appropriation budget for all of its governmental funds. A budgetary comparison statement has been provided for the major governmental funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found immediately following the government-wide statement of this report.

*Fiduciary Funds:* Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statement can be found after the budget and actual changes in the general fund of this report.

*Notes to the Financial Statements:* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting after the fiduciary fund statement of this report.

**Government-Wide Financial Analysis**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net assets for 2007 to 2008.

*Table 1*  
*Net Assets*

	<u>2007</u>	<u>2008</u>	<u>Change</u>
<b>Assets</b>			
Current and Other Assets	\$7,547,844	\$8,105,822	\$557,978
Capital Assets (Net of Depreciation)	<u>3,381,020</u>	<u>3,262,627</u>	<u>(118,393)</u>
<i>Total Assets</i>	<u>10,928,864</u>	<u>11,368,449</u>	<u>439,585</u>
<b>Liabilities</b>			
Long-Term Liabilities	1,221,893	972,369	(249,524)
Other Liabilities	<u>2,627,326</u>	<u>2,561,379</u>	<u>(65,947)</u>
<i>Total Liabilities</i>	<u>3,849,219</u>	<u>3,533,748</u>	<u>(315,471)</u>

**Southeastern Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008

*Table 1*  
*Net Assets*

	<u>2007</u>	<u>2008</u>	<u>Change</u>
<b>Net Assets</b>			
Invested in Capital Assets, net of Related Debt	\$2,655,717	\$2,707,645	\$51,928
Restricted for:			
Grants	122,581	78,008	(44,573)
State Mandates	56,028	104,317	48,289
Capital Improvements	1,034,783	1,074,652	39,869
Unrestricted	<u>3,210,536</u>	<u>3,870,079</u>	<u>659,543</u>
<i>Total Net Assets</i>	<u><u>\$7,079,645</u></u>	<u><u>\$7,834,701</u></u>	<u><u>\$775,056</u></u>

Table 2 provides a comparison of the revenue for fiscal years 2007 and 2008.

*Table 2*  
*Revenues*

	<u>2007</u>	<u>2008</u>	<u>Change</u>
<b>Revenues</b>			
<i>Program Revenues</i>			
Charges for Services	\$670,693	\$775,413	\$104,720
Operating Grants	467,754	385,568	(82,186)
Capital Grants	11,169	3,784	(7,385)
<i>General Revenues</i>			
Property Taxes	2,261,974	2,249,900	(12,074)
Income Taxes	896,204	985,274	89,070
Unrestricted Grants	3,400,381	3,735,041	334,660
Investment Earnings	242,176	212,202	(29,974)
Other	<u>21,098</u>	<u>17,823</u>	<u>(3,275)</u>
<i>Total Revenues</i>	<u><u>\$7,971,449</u></u>	<u><u>\$8,365,005</u></u>	<u><u>\$393,556</u></u>

**Southeastern Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008

Table 3 compares total program expenses from 2007 to 2008.

*Table 3*  
*Total Program Expenses*

	<u>2007</u>	<u>2008</u>	<u>Change</u>
<b>Program Expenses</b>			
<i>Instruction:</i>			
Regular	\$3,394,707	\$3,344,379	(\$50,328)
Special	898,453	891,916	(6,537)
Other	169,805	228,759	58,954
<i>Support Services:</i>			
Pupil/Staff	682,445	679,995	(2,450)
Board/Admin/Fiscal	830,979	933,307	102,328
Maintenance	517,598	551,268	33,670
Transportation	447,755	377,491	(70,264)
Central	29,843	31,317	1,474
Food Services/Latchkey	205,734	221,843	16,109
Extracurricular Activities	274,737	316,941	42,204
Interest and Fiscal Charges	39,741	32,733	(7,008)
Total Expenses	<u>7,491,797</u>	<u>7,609,949</u>	<u>118,152</u>
Net Change	479,652	755,056	275,404
Beginning Net Assets	<u>6,599,993</u>	<u>7,079,645</u>	<u>479,652</u>
Ending Net Assets	<u>\$7,079,645</u>	<u>\$7,834,701</u>	<u>\$755,056</u>

**Southeastern Local School District**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2008

***The Major Funds***

The School District's major funds are accounted for using the modified accrual basis of accounting, focusing on the near-term financial resources of the District. The major funds are the general fund and the permanent improvement fund. Both accounted for 92.12% of the \$8.35 million in total revenue and 91.21% of the \$7.75 million in total expenditures. The general fund and permanent improvement fund received a majority of their revenues from property taxes and intergovernmental revenues. Revenues exceeded expenditures in the general fund and permanent improvement fund, creating a year end fund balance of \$4.11 million and \$1.07 million, respectively.

The general fund recognized \$0.77 million in current liabilities for fiscal year 2008. Accrued salaries and benefits accounted for 75.09% of those liabilities. Taxes receivable accounted for 99.87% of the \$2.39 million receivables in the general fund. However, a portion of the taxes receivable is offset by deferred revenue because those taxes are not intended to finance the 2008 fiscal year.

***General Fund Budgetary***

Table 4 depicts the change from the final budget to the actual revenue for the fiscal year ended June 30, 2008.

*Table 4*  
*Original and Final Budget versus Actual General Fund Revenues*

	Original Budget	Budget Final	Actual
<b>Revenues</b>			
Property Taxes	\$2,109,563	\$2,198,024	\$2,077,724
Intergovernmental	3,543,159	3,691,736	3,691,736
Tuition and Fees	506,335	527,567	527,567
Income Tax	919,643	958,207	958,207
Other	11,960	12,462	12,462
<b>Total Revenues</b>	<u>\$7,090,660</u>	<u>\$7,387,996</u>	<u>\$7,267,696</u>

The original/final revenue estimates come from the Tax Budget completed in January 2008. The County Auditor completes the tax estimates. The property tax actual amounts are lower due to tax advances not budgeted related to 2007 and 2008. The District was able to more accurately predict revenue throughout the fiscal year from more consistency in the revenue sources.

**Southeastern Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008

Table 5 depicts the change from the original to the final general fund expenditure budgets for the fiscal year ended June 30, 2008.

*Table 5*  
*Original Budget versus Actual General Fund Expenditures*

<b>Expenditures</b>	<u>Original Budget</u>	<u>Actual</u>
Instruction	\$4,218,220	\$3,957,788
Support Services	2,889,563	2,486,974
Other	266,326	251,102
<b>Total Expenditures</b>	<u><u>\$7,374,109</u></u>	<u><u>\$6,695,864</u></u>

The original budget comes from the Tax Budget filed in January of 2007. Traditionally the tax budget expenditures include all possible needs for the future year. A line in the budget is included for contingencies in the original budget. Although this money is not spent, it still shows in the original budget. The variance from the original and final budget is created due to the assumption that the Federal and State Grants are not available until monies are received. Southeastern is continually striving to hold expenditures down to ensure that the burden on the tax payers is held to a minimum, thus cutting planned expenditures where acceptable. The District's final expenditures are \$645,392 less than final budgeted amounts due in part to federal grants paying a portion of salaries and benefits, no severances paid out for retirement and not having audit expenses because of bi-annual audits.

**Southeastern Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008

**Capital Assets**

At the end of the year, the School District had \$3,262,627 invested in land, buildings, equipment, textbooks, and vehicles less accumulated depreciation. Table 6 shows the breakdown of the individual classes for capital assets (see note 9 for more detailed information):

*Table 6*  
*Capital Assets*

Class	2007	2008	Percentage Change
Land and Land Improvements	\$1,095,033	\$1,018,670	(7%)
Buildings and Improvements	5,646,666	6,271,898	11%
Furniture and Equipment	949,145	901,534	(5%)
Vehicles	1,121,856	763,887	(32%)
Sub-Total	8,812,700	8,955,989	2%
Accumulated Depreciation	(5,431,680)	(5,693,362)	5%
Net Capital Assets	<u>\$3,381,020</u>	<u>\$3,262,627</u>	<u>(4%)</u>

**Debt Administration**

A long-term note was issued in September, 2003 for \$524,197 to update mechanical/energy conservation of both buildings. The final principal and interest payment for the HB264 note is August 15, 2018, all payments coming from the debt service fund.

Southeastern Local School District issued bonds in November of 2003 to purchase four new buses for \$248,000 of which the principal will be paid out of the general fund and the interest will be paid out of permanent improvement fund. The final principal and interest payment for the bond will be due on January 1, 2009. For further information on the School District's obligations, refer to note 15 of the financial statements.

The District entered into a sixty month capital lease with Pro-Copy Technologies commencing March 2005 to lease six copiers for \$101,195 of which the principal and interest will be paid out of the general fund. The final principal and interest payment for the lease will be due February 11, 2010. For further information on the School District's lease obligations, refer to note 14 of the financial statements.

**Southeastern Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008

**For the Future**

At this time, the Southeastern Local School District is financially stable. The District is proud of its community support of the public schools. However, as the State budget consistently decreases, the necessity for community support needs to increase.

The District will need to receive additional local monies in some fashion in 2011 or 2012 so that it can stay out of the impending deficit while maintaining our consistently increasing test scores and academic excellence. The District valuation consists mostly of a residential tax base, thus shifting more of the financial responsibility to our taxpayers.

The latest budget bill from the State of Ohio (HB66) includes the gradual elimination of most personal property taxes. Under current legislation, the school district should receive an increase in revenue from the state to nearly equal the loss in the local revenue from the elimination of the personal property taxes. It is too soon to tell the true effects of this change over the next several years.

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward School Districts with little property tax wealth. The legislators and government officials continue to negotiate the plan for improvement of the financing of public schools in the State of Ohio.

In conclusion, the Southeastern Local School District has committed itself to financial excellence for many years. The District's primary goal is to be proactive in dealing with the financial woes of the State and the current economy. The School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Treasurer, Southeastern Local Schools, 195 Jamestown St., South Charleston, OH, 45368. Also see: [www.sels.us](http://www.sels.us)

**Southeastern Local School District**  
**Clark County, Ohio**  
**Statement of Net Assets**  
**June 30, 2008**

	Governmental Activities
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$5,304,374
Cash with Fiscal Agents	1,225
Receivables:	
Property and Other Taxes	2,142,228
Income Tax	435,643
Accounts	3,055
Intergovernmental	25,444
Materials and Supplies Inventory	25,257
Prepaid Items	64,279
Restricted Cash and Cash Equivalents	104,317
Nondepreciable Capital Assets	1,018,670
Depreciable Capital Assets, net	2,243,957
Total Assets	11,368,449
 <b><u>Liabilities</u></b>	
Payables:	
Accounts	12,763
Intergovernmental	188,333
Salaries and Employee Benefits	611,637
Matured Interest	1,225
Unearned Revenue	1,747,421
Noncurrent Liabilities:	
Due Within One Year	242,522
Due in More Than One Year	729,847
Total Liabilities	3,533,748
 <b><u>Net Assets</u></b>	
Invested in Capital Assets, Net of Related Debt	2,707,645
Restricted for:	
Grants	78,008
State Mandates	104,317
Capital Improvements	1,074,652
Unrestricted	3,870,079
Total Net Assets	\$7,834,701

See accompanying notes to the basic financial statements

**Southeastern Local School District**  
**Clark County, Ohio**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2008**

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
				<u>Governmental Activities</u>	
Governmental Activities:					
Instruction:					
Regular	\$3,344,379	\$528,370	\$43,415	\$0	(\$2,772,594)
Special	891,916	0	259,524	0	(632,392)
Vocational	216,493	0	0	0	(216,493)
Other	12,266	0	0	0	(12,266)
Support Services:					
Pupils	425,498	0	0	0	(425,498)
Instructional Staff	254,497	0	1,793	0	(252,704)
Board of Education	25,279	0	0	0	(25,279)
Administration	636,439	0	0	0	(636,439)
Fiscal	271,589	0	0	0	(271,589)
Operation and Maintenance of Plant	551,268	0	0	0	(551,268)
Pupil Transportation	377,491	0	0	3,784	(373,707)
Central	31,317	13,409	6,421	0	(11,487)
Operation of Non-Instructional Services	221,843	135,082	61,603	0	(25,158)
Extracurricular Activities	316,941	98,552	12,812	0	(205,577)
Interest and Fiscal Charges	32,733	0	0	0	(32,733)
<b>Total Governmental Activities</b>	<b>\$7,609,949</b>	<b>\$775,413</b>	<b>\$385,568</b>	<b>\$3,784</b>	<b>(\$6,445,184)</b>

General Revenues:

Property Taxes, Levied for General Purposes	2,055,220
Property Taxes, Levied for Capital Outlay	194,680
Income Taxes	985,274
Grants and Contributions not Restricted to Specific Programs	3,735,041
Unrestricted Investment Earnings	212,202
Miscellaneous	17,823
<b>Total General Revenues</b>	<b>7,200,240</b>
Changes in Net Assets	755,056
Net Assets-Beginning	7,079,645
<b>Net Assets-Ending</b>	<b>\$7,834,701</b>

See accompanying notes to the basic financial statements

**Southeastern Local School District**  
**Clark County, Ohio**  
**Balance Sheet - Governmental Funds**  
**June 30, 2008**

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$4,117,743	\$1,054,725	\$131,906	\$5,304,374
Cash with Fiscal Agents	0	0	1,225	1,225
Receivables:				
Property and Other Taxes	1,946,650	195,578	0	2,142,228
Income Taxes	435,643	0	0	435,643
Accounts	3,055	0	0	3,055
Interfund	43,608	0	0	43,608
Intergovernmental	0	0	25,444	25,444
Prepaid Items	61,050	0	3,229	64,279
Materials and Supplies Inventory	23,705	0	1,552	25,257
Restricted Assets:				
Cash and Cash Equivalents	104,317	0	0	104,317
<b>Total Assets</b>	<b>\$6,735,771</b>	<b>\$1,250,303</b>	<b>\$163,356</b>	<b>\$8,149,430</b>
<b><u>Liabilities and Fund Balances</u></b>				
<b><u>Liabilities</u></b>				
Payables:				
Accounts	\$9,154	\$0	\$3,609	\$12,763
Intergovernmental	173,957	0	14,376	188,333
Salaries and Employee Benefits	582,813	0	28,824	611,637
Interfund	0	0	43,608	43,608
Matured Interest	0	0	1,225	1,225
Matured Compensated Absences	67,882	0	0	67,882
Deferred Revenue	1,788,376	176,686	6,985	1,972,047
<b>Total Liabilities</b>	<b>2,622,182</b>	<b>176,686</b>	<b>98,627</b>	<b>2,897,495</b>
<b><u>Fund Balances:</u></b>				
Designated for:				
Budget Stabilization	83,786	0	0	83,786
Reserved for:				
Encumbrances	28,341	0	1,244	29,585
Property Taxes	219,248	18,892	0	238,140
Textbook and Instructional Materials	81,481	0	0	81,481
Bus Purchase Allowance	3,784	0	0	3,784
Budget Stabilization	19,052	0	0	19,052
Unreserved, reported in:				
General	3,677,897	0	0	3,677,897
Special Revenue	0	0	63,484	63,484
Capital Projects	0	1,054,725	1	1,054,726
<b>Total Fund Balances</b>	<b>4,113,589</b>	<b>1,073,617</b>	<b>64,729</b>	<b>5,251,935</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$6,735,771</b>	<b>\$1,250,303</b>	<b>\$163,356</b>	<b>\$8,149,430</b>

See accompanying notes to the basic financial statements

**Southeastern Local School District**  
**Clark County, Ohio**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net asset of Governmental Activities**  
**June 30, 2008**

Total Governmental Fund Balances \$5,251,935

***Amounts reported for governmental activities in  
the statement of net assets are different because:***

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds 3,262,627

Some of the School District's revenues will be collected after fiscal  
year-end, but are not available soon enough to pay for the current  
period's expenditures and therefore are deferred in the funds 224,626

Long-term liabilities are not due and payable in the current period  
and therefore are not reported in the funds. (904,487)

**Net Assets of Governmental Activities \$7,834,701**

See accompanying notes to the basic financial statements

**Southeastern Local School District**  
**Clark County, Ohio**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2008**

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property and Other Taxes	\$2,039,683	\$193,645	\$0	\$2,233,328
Intergovernmental	3,691,736	44,658	388,536	4,124,930
Charges for Services	0	0	135,082	135,082
Tuition and Fees	527,567	0	0	527,567
Interest	0	211,433	769	212,202
Income Tax	974,894	0	0	974,894
Gifts and Donations	0	0	16,766	16,766
Extracurricular Activities	0	0	111,961	111,961
Miscellaneous	13,170	0	4,653	17,823
<b>Total Revenues</b>	<b>7,247,050</b>	<b>449,736</b>	<b>657,767</b>	<b>8,354,553</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	3,076,646	273,531	72,513	3,422,690
Special	627,209	0	256,300	883,509
Vocational	216,408	0	0	216,408
Other	12,266	0	0	12,266
Support Services:				
Pupils	424,597	0	538	425,135
Instructional Staff	250,040	570	2,123	252,733
Board of Education	25,279	0	0	25,279
Administration	625,996	679	2,641	629,316
Fiscal	266,670	4,178	0	270,848
Operation and Maintenance of Plant	498,979	0	0	498,979
Pupil Transportation	348,132	300	0	348,432
Central	14,147	0	17,170	31,317
Operation of Non-Instructional Services	0	0	218,138	218,138
Extracurricular Activities	200,446	2,150	112,201	314,797
Debt Service:				
Principal Retirement	71,587	98,734	0	170,321
Interest and Fiscal Charges	1,878	30,761	0	32,639
<b>Total Expenditures</b>	<b>6,660,280</b>	<b>410,903</b>	<b>681,624</b>	<b>7,752,807</b>
Net Change in Fund Balances	586,770	38,833	(23,857)	601,746
Fund Balances - beginning	3,526,819	1,034,784	88,586	4,650,189
Fund Balances - ending	<b>\$4,113,589</b>	<b>\$1,073,617</b>	<b>\$64,729</b>	<b>\$5,251,935</b>

See accompanying notes to the basic financial statements

**Southeastern Local School District**  
**Clark County, Ohio**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2008**

<b>Net Change in Governmental Fund Balances</b>	<b>\$601,746</b>
 <i>Amounts reported in governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(86,349)
The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets is removed from the capital assets account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the Statement of Activities Loss on Disposal of Capital Assets	(32,044)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	10,452
Repayment of long-term obligations is reported as an expenditure in governmental funds, the repayment reduces long-term liabilities in the statement of net assets. In the current year, this amount is:	170,321
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures/revenues in governmental funds.	<hr style="width: 100%;"/> 90,930
<b>Change in net assets of governmental activities</b>	<hr style="width: 100%;"/> <b>\$755,056</b> <hr style="width: 100%;"/>

See accompanying notes to the basic financial statements

**Southeastern Local School District**  
**Clark County, Ohio**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (Non-GAAP Basis) and Actual -**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property and Other Local Taxes	\$2,109,563	\$2,198,024	\$2,077,724	(\$120,300)
Intergovernmental	3,543,159	3,691,736	3,691,736	0
Tuition and Fees	506,335	527,567	527,567	0
Income Tax	919,643	958,207	958,207	0
Miscellaneous	11,960	12,462	12,462	0
<b>Total Revenues</b>	<b>7,090,660</b>	<b>7,387,996</b>	<b>7,267,696</b>	<b>(120,300)</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	3,444,572	3,276,111	3,076,371	199,740
Special	591,637	711,312	659,181	52,131
Vocational	170,946	219,298	209,970	9,328
Other	11,065	12,660	12,266	394
Support Services:				
Pupils	368,003	451,507	416,511	34,996
Instructional Staff	353,402	324,664	263,708	60,956
Board of Education	23,538	29,339	25,913	3,426
Administration	634,614	692,396	621,539	70,857
Fiscal	517,417	307,783	262,570	45,213
Operation and Maintenance of Plant	566,637	604,797	533,516	71,281
Pupil Transportation	413,780	402,888	349,070	53,818
Central	12,172	15,616	14,147	1,469
Extracurricular Activities	197,089	236,789	197,352	39,437
Capital Outlay	3,029	2,946	2,750	196
Debt Service:				
Principal Retirement	66,208	53,150	51,000	2,150
<b>Total Expenditures</b>	<b>7,374,109</b>	<b>7,341,256</b>	<b>6,695,864</b>	<b>645,392</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(283,449)	46,740	571,832	525,092
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	3,069	708	708	0
Advances In	17,431	31,036	31,036	0
Advances Out	(23,000)	(56,000)	(43,608)	12,392
<b>Total Other Financing Sources (Uses)</b>	<b>(2,500)</b>	<b>(24,256)</b>	<b>(11,864)</b>	<b>12,392</b>
<b>Net Change in Fund Balance</b>	<b>(285,949)</b>	<b>22,484</b>	<b>559,968</b>	<b>537,484</b>
Fund Balances at Beginning of Year	3,541,478	3,541,478	3,541,478	0
Prior Year Encumbrances Appropriated	82,876	82,876	82,876	0
<b>Fund Balance at End of Year</b>	<b>\$3,338,405</b>	<b>\$3,646,838</b>	<b>\$4,184,322</b>	<b>\$537,484</b>

See accompanying notes to the basic financial statements

**Southeastern Local School District  
Clark County, Ohio  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Fund  
June 30, 2008**

	<u>Agency</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$21,323</u>
Total Assets	<u><u>21,323</u></u>
<b><u>Liabilities</u></b>	
Accounts Payable	751
Due to Students	<u>20,572</u>
Total Liabilities	<u><u>\$21,323</u></u>

See accompanying notes to the basic financial statements

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

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**Note 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 thirty-eight non-certified, fifty-seven certificated full-time teaching personnel and four administrative employees who provide services to eight hundred sixty-four students and other community members.

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 four jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Notes 17 and 18 to the basic 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)

Insurance Purchasing Pool:

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

**Note 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 more significant of the School District's accounting policies are described below.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

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

**A. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**B. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within sixty days of the end of the fiscal period. Expenditures generally are recorded when a liability is expected to be liquidated with expendable, available resources. However, debt service expenditures, as well as compensated absences, are recorded only when payment is due.

Property taxes, grants and entitlements, tuition, fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

*Fund Accounting*

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

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

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

*Governmental Funds*

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The School District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *permanent improvement* capital projects fund is used to account for all transaction related to the acquiring, constructing, or improving such permanent improvements as are authorized in ORC Chapter 5705.

*Fiduciary Fund*

*Fiduciary fund* reporting focuses on net assets and changes in net assets. The School District maintains two fiduciary funds: agency funds known as the Cafeteria Employee Plan and the Students Activities Fund. The Cafeteria Employee Plan was established to account for activity related to certain employee requested benefits. The Student Activities Fund was established to account for revenues generated by student managed activities. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use the restricted resources first, and then unrestricted resources, as they are needed.

**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 for all funds other than the general fund which is at the fund/function level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**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.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

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

***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.

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, eight 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 fund level for all funds other than the general fund which is set at the fund/function level.

***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.

***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.

**Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the statement of net assets and governmental fund 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 statement of net assets and governmental fund balance sheet as "Cash with Fiscal Agent" and represents deposits. During fiscal year 2008, 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 2008 includes \$211,433 assigned from other funds. The other governmental funds also were credited \$769.

**Southeastern Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2008**

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**Interfund Assets/Liabilities**

Short-term interfund loans are classified as “interfund receivables” and “interfund payables”. These amounts are eliminated in the statement of net assets.

**Inventory**

Inventories are stated at cost and determined on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, 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.

**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 19 for additional information regarding set-asides.

**Capital Assets and Depreciation**

Capital assets, which include property, plant, equipment, and vehicles are reported on the government-wide statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold \$1,500. The School District does not have 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.

Depreciation is computed using the straight-line method over the following useful life of three to ten years, with building improvements being depreciated over twenty years and buildings over fifty years. Improvements to fund capital assets are depreciated over the remaining useful lives of the related assets.

**Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities are reported on the governmental fund financial statements as an obligation whether they will be liquidated with current resources. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they have matured. Capital leases payable and other long-term debt are reported as a liability on the statement of net assets.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

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

**Compensated Absences**

Vacation benefits are accrued 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. 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 vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after fifteen years of current service with the School District.

For governmental funds, unpaid compensated absences due and payable at the end of the fiscal year are recorded as matured leave payable in the fund financial statements. These amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements for the fiscal year, the School District's fund liability was \$67,882 at June 30, 2008. The entire compensated absences liability is reported on the government-wide statement of net assets.

**Interfund Activity**

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

**Exchange/Non-Exchange Transactions**

Revenues 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.

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 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

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

**Deferred Revenues**

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, 2008, but which were levied to finance fiscal year 2009 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.

**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, textbooks and instructional materials, bus purchase allowance and budget stabilization. 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.

**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.

**Net Assets**

Net assets represent the difference between assets and liabilities in the statements of net assets. Net assets invested in capital assets are calculated, net of accumulated depreciation and reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At year end, the School District had no net assets restricted by enabling legislation.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

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

**Reconciliation of Government-wide and Fund Financial Statements**

*Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.*

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds”. The details of this (\$904,487) difference are as follows:

Capital Lease Payable	(\$36,099)
Compensated Absences	(349,505)
Energy Conservation Notes Payable	(395,883)
Long Term Notes Payable	(70,000)
School Bus Note Payable	(53,000)
Net Adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	(\$904,487)

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund”. The details of \$3,262,627 difference are as follows:

Capital Assets	\$8,955,989
Accumulated Depreciation	(5,693,362)
Net Adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$3,262,627

*Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.*

An element of that reconciliation states that “The issuance of long-term debt (e.g notes and leagues) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes financial resources of government funds.”. The details of this (\$170,321) are as follows:

Principal reduction on lease obligation	\$20,493
Principal reduction on long term notes	121,000
Principal reduction on the energy conservation obligation	28,828
Net Adjustment – current financial resources focus to reduce <i>fund balance – total government funds</i> to arrive at <i>net assets – governmental activities</i>	(\$170,321)

Another element of that reconciliation states that “capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.” The details of this (\$86,349) are as follows:

Current Capital Additions	\$268,434
Depreciation Expense	(354,783)
Net Adjustment – capital assets to increase <i>fund balance – total governmental</i> to arrive at <i>net assets – governmental activities</i>	(\$86,349)

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

**Note 3 - Accountability**

The following funds had a deficit fund balance at June 30, 2008:

	Deficit Fund Balance
Nonmajor Special Revenue Funds	
Food Service	\$43,608

The general fund provides transfers to cover deficit balances; however, this is done when cash is required, not when accruals occur. The deficit in the food service 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. The deficits in the grant funds were created by application of generally accepted accounting principles.

**Note 4 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP 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 (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statement for the General Fund:

GAAP Net Change	\$586,770
Revenue Accruals	21,354
Expenditure Accruals	2,139
Advances	(12,572)
Encumbrances	(37,723)
Budgetary Net Change	\$559,968

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

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**Note 5 - Deposits and Investments**

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.

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

At fiscal year-end, the carrying value of the School District's deposits was \$5,430,814 and the bank balance was \$5,550,467. \$102,030 of the School District's deposits was insured by federal depository insurance. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$5,448,437 of the School District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

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**Note 5 - Deposits and Investments** (continued)

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2007, were levied after April 1, 2007, and are collected in 2008 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 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. 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.

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, 2008, are available to finance fiscal year 2008 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, 2008, 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, 2008, was \$219,248 in the general fund and \$18,892 in the permanent improvement capital projects fund.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

**Note 6 - Property Taxes** (continued)

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$75,725,680	85.73%	\$85,267,140	89.69%
Public Utility	4,110,110	4.65	4,008,560	4.22
Tangible Personal Property	8,497,116	9.62	5,791,560	6.09
<b>Total Assessed Value</b>	<b>\$88,332,906</b>	<b>100.00%</b>	<b>\$95,067,260</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$42.35		\$41.96	

**Note 7 - 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 earned during fiscal year 2008 was \$985,274.

**Note 8 - Receivables**

Receivables at June 30, 2008, consisted of property taxes, income tax, accounts (rent and tuition), intergovernmental grants, accrued interest and interfund. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Non-Major Funds:	
Food Service	\$ 7,015
Title I	18,152
Title II-D	277
<b>Totals</b>	<b>\$25,444</b>

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

<b>Governmental Activities</b>	Balance 7/1/2007	Adjustment*	Increases	Decreases	Balance 6/30/2008
<i>Capital Assets, not depreciation</i>					
Land and Land Improvements	\$ 1,095,033	\$ (76,363)	\$ -	\$ -	\$ 1,018,670
<i>Capital Assets, being depreciated</i>					
Building and Improvements	5,646,666	393,410	255,772	(23,950)	6,271,898
Furniture and Equipment	949,145	40,922	12,662	(101,195)	901,534
Vehicles	1,121,856	(357,969)	-	-	763,887
Total at historical cost	8,812,700	-	268,434	(125,145)	8,955,989
Less accumulated depreciation	(5,431,680)	-	(354,783)	93,101	(5,693,362)
Governmental Activities Capital Assets, Net	<u>\$ 3,381,020</u>	<u>\$ -</u>	<u>\$ (86,349)</u>	<u>\$ (32,044)</u>	<u>\$ 3,262,627</u>

\*Adjustment represents a correction in classification between categories.

Depreciation expense was charged to functions of the primary government as follows:

Instruction:	
Regular	218,000
Special	38,412
Vocational	2,581
Support Services:	
Instructional Staff	2,102
Administration	4,141
Fiscal	2,501
Operation and Maintenance of Plant	27,728
Pupil transportation	46,762
Central	410
Extracurricular	12,146
Total Depreciation Expense	<u>354,783</u>

**Note 10 - Risk Management**

**Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2008, the School District contracted with Marsh for property and fleet, general liability, crime, and inland marine insurance.

**Southeastern Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2008**

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**Note 10 - Risk Management** (continued)

Insurance coverage provided is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$300,000,000
Boiler and Machinery (\$3,500 deductible)	1,000,000
Automobile Liability (\$0 deductible)	1,000,000
Professional Liability (\$5,000 deductible)	
Single Occurrence	1,000,000
Aggregate	3,000,000
General Liability (no deductible)	
Per occurrence	1,000,000
Total per year (per member)	1,000,000

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.

**Workers' Compensation**

For fiscal year 2008, 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.

**Note 11 - Defined Benefit Pension Plans**

**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, by calling (800) 878-5853 or by visiting the SERS website at [ohsers.org](http://ohsers.org).

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$102,397, \$97,323 and \$85,366 respectively.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

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**Note 11 - Defined Benefit Pension Plans** (continued)

**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, by calling (614) 227-4090, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

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 divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 of 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.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 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 percent for members and 14 percent 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 STRS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$425,679, \$413,699 and \$380,472, respectively.

**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, 2008, 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.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

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**Note 12 - Post-employment 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).

**School Employees Retirement System**

The School Employees Retirement System (SERS) administers two postemployment benefit plans, Medicare Part B and Health Care Plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Forms and Publications*.

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contributions of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

The amount of the School District's contributions to SERS allocated to the Health Care Plan for the years ended June 30, 2008, 2007, and 2006 were \$53,328, \$50,843, and \$46,185, respectively.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$4,974, \$4,727, and \$4,146 respectively.

**School Teachers Retirement System**

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan. Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the years ended June 30, 2008, 2007 and 2006 were \$32,745, \$31,823, and \$29,267, respectively.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

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**Note 13 - Other Employee Benefits**

**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.

**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.

**Life Insurance**

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

**Note 14 - 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.

During 2006, the school district recorded capital assets consisting of furniture and equipment that have been capitalized on the statement of net assets in the amount of \$101,195, with a corresponding liability recorded. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2008 totaled \$20,493 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, 2008.

Fiscal Year Ending June 30,	Governmental Activities
2009	22,465
2010	14,971
Total minimum lease payments	37,436
Less: amount representing interest	(1,337)
Present value of minimum lease payments	<u>\$36,099</u>

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

**Note 14 - Capitalized Leases - Lessee Disclosure** (continued)

The following is a detailed schedule for the future principal/interest payments for the lease obligation:

Year	Principal	Interest	Total
2009	21,361	1,104	22,465
2010	14,738	232	14,970
Total	\$36,099	\$1,336	\$37,435

**Note 15 - Changes in Long-Term Liabilities**

Changes in long-term obligations of the School District during fiscal year 2008 were as follows:

	Amount Outstanding			Amount Outstanding		Due within one year
	6/30/07	Additions	Reductions	6/30/08		
Notes Payable:						
HB 264	\$424,711	\$0	\$28,828	\$395,883		\$30,279
School Bus Purchases	104,000	0	51,000	53,000		53,000
TAN Bleacher Purchase – 4.35%	140,000	0	70,000	70,000		70,000
Capital Lease Payable	56,592	0	20,493	36,099		21,361
Compensated Absences Payable	496,590	11,437	90,640	417,387		67,882
Total Governmental Activities	\$1,221,893	\$11,437	\$260,961	\$972,369		\$242,522

*Energy Conservation Loans* -In 2004, the School District issued \$524,197 in unvoted general obligation loans for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The loans were issued for a fifteen year period with final maturity at August 18, 2018. The loan will be retired from the debt service fund.

*School Bus Purchase Notes Payable* – In 2004, the School District issued \$248,000 in long term notes for the purpose of acquiring additional buses for the School District. The notes were issued for a five year period with final maturity at January 1, 2009. The bonds will be retired from the general fund during the fiscal year.

*Tax Anticipation Notes Payable* - During fiscal year 2006, the School District financed the Tax Anticipation Note for the improvement of the High School Facilities bleachers in the amount \$210,000. 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 4.35 percent and is set to mature on March 1, 2009.

The District has pledged a portion of future property tax revenues to repay \$210,000 in a tax anticipation note issued in March 2006 for the purpose of providing necessary funds for improving, renovating, remodeling, equipping, and furnishing existing buildings and facilities. The note is payable solely from the additional property tax receipts generated by the passing of the permanent improvement levy on May 3, 2005. Total principal and interest remaining on the note is \$73,087, payable through March 2009. For the current year, principal and interest paid and total Permanent Improvement Fund property tax receipts were \$76,191 and \$210,334, respectively.

Compensated absences will be paid from the funds from which the employees' salaries are paid. The capital lease obligation will be paid from the general fund.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

**Note 15 - Changes in Long-Term Liabilities** (continued)

The School District's overall legal debt margin was \$8,679,053, the unvoted debt margin was \$95,067 and energy conservation debt margin of \$459,626 at June 30, 2008.

Principal and interest requirements to retire the School District's outstanding long-term notes at June 30, 2008, were:

Year	Principal	Interest	Total
2009	153,279	25,195	178,474
2010	31,908	18,439	50,347
2011	33,623	16,723	50,346
2012	35,432	14,914	50,346
2013	37,338	13,009	50,347
2014-2018	219,060	32,673	251,733
2019	8,243	55	8,298
	<u>\$518,883</u>	<u>\$121,006</u>	<u>\$639,891</u>

**Note 16 - Interfund Transactions**

Interfund balances at June 30, 2008, consist of the following individual receivables as reported in the governmental fund balance sheet, such amounts are removed from the statement of net assets:

	Interfund	
	Receivable	Payable
General Fund	\$ 43,608	\$ 0
Non-major Funds		
Special Revenue	0	43,608
Total All Funds	<u>\$ 43,608</u>	<u>\$ 43,608</u>

The general fund advances monies to the grant special revenue funds at year end that are in a negative cash position. The advances will be repaid within one year once the special revenue fund receives reimbursement from federal or state agency.

**Note 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.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

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**Note 17 - Jointly Governed Organizations** (continued)

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 2008. 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 2008. To obtain financial information, write to the Springfield/Clark County Joint Vocational School, Pamela Mustovich, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

*Miami Valley Educational Computer Association* - The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark and Greene Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of one representative from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid MVECA \$28,212 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.

During fiscal year 2008, 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 303 Corporate Center Dr., Suite 208, Vandalia, OH 45377.

**Note 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

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

**Note 18 - Insurance Purchasing Pool** (continued)

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.

**Note 19 - 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>	<u>Total</u>
Set-aside Reserve Balance as of June 30, 2007	\$31,383	(\$314,214)	\$19,052	(\$263,779)
Current Year Set-aside Requirement	128,891	128,891	0	257,782
Current Year Offsets	0	(210,334)	0	(210,334)
Qualifying Disbursements	(78,793)	0	0	(78,792)
Totals	<u>81,481</u>	<u>(395,657)</u>	<u>19,052</u>	<u>(295,123)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>81,481</u>	<u>(395,657)</u>	<u>19,052</u>	<u>(295,123)</u>
Sub-total Restricted Assets	<u>81,481</u>	<u>\$0</u>	<u>\$19,052</u>	<u>100,533</u>
School Bus Purchase Allowance				3,784
Total Restricted Assets as of June 30, 2008				<u>\$104,317</u>

The negative amount for capital acquisitions may only be carried forward to the extent of proceeds from a property tax levy.

**Note 20 - Contingencies**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

**Southeastern Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

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**Note 21 - Change in Accounting Principles**

For fiscal year ended June 30, 2008, the School District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions", which establishes the reporting disclosure requirements for governments related to benefits offered to employments after employment ends other than pensions. This statement modifies the required disclosures for OPEB and can be found in Note 12.

In addition, the School District implemented GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfer of Assets and Future Revenues" which establishes criteria that governments should use to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings. The Statement also includes disclosure requirements for future revenues that are pledged or sold. This Statement had no effect on the School Districts financial statements for fiscal year 2008, however, it did modify the disclosure required with the pledged revenue borrowing which can be found in Note 15.

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

Board of Education  
Southeastern Local School District  
195 E. Jamestown Street  
South Charleston, Ohio 45368

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern Local School District (the District), as of and for the years ended June 30, 2008 and 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 18, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting, which are referenced as finding numbers 2008-1 and 2008-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessary disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance and Other Matters**

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

A handwritten signature in cursive script that reads "Clark, Schaefer, Hachett & Co." The signature is written in black ink and is positioned above the typed name and date.

Springfield, Ohio  
December 18, 2008

Southeastern Local School District  
Schedule of Findings  
Fiscal Years Ended June 30, 2008 and 2007

**Finding Number 2008-1**

The Athletic Department completes gate receipts/presale pay-in reports for all athletic events in which admission is charged. During our testing, we noted these reports were not completed in a manner in which the total number of sequential tickets could be accounted for properly.

We recommend that the District implement cash collection procedures at athletic events that will ensure proper accountability for the number of tickets sold. In addition, the gate receipts/presale pay-in reports should be properly completed and reviewed by a responsible employee to ensure the ticket sequence is properly accounted for, including, but not limited to attaching ticket stubs to these reports. The District should ensure new employees and volunteers are adequately trained in the appropriate policies and procedures prior to assuming duties associated with cash and ticket collection.

*Management Response: The District implemented the cash collection procedures exactly how the auditors recommend upon the audit finding. The auditors observed the proper manner in which the District changed the process on 10/03/2008 at a home football game. The auditor verified that the District was now in compliance and informed the Treasurer that a proper process put in place.*

**Finding Number 2008-2**

The segregation of financial duties is important to adequately protect the District's assets and ensure accurate financial reporting. Presently there is not an adequate number of personnel available to properly segregate duties to provide reasonable assurance that no one employee would have access to both physical assets and related accounting records, or to all phases of a transaction. Without proper segregation of duties, the risk increases that errors and fraud could occur and not be detected within a timely basis. The District's limited population and resources result in the inability to provide sufficient staffing to fully segregate duties. Efficient segregation of duties in a small environment is often difficult; however, the District's board should be aware of the risk associated with this lack of duty segregation and attempt to exercise as much oversight control in these areas as possible and feasible.

*Management Response: The District agrees that there is risk involved; however, the cost/benefit of hiring another person in the Treasurer's office would unnecessarily deplete funds because the current staff takes on the added responsibilities due to the District's limited resources.*



**Mary Taylor, CPA**  
Auditor of State

**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  
JANUARY 15, 2009**