

**SOUTHEAST LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

Southeast Local School District
Portage County
8423 Tallmadge Road
Ravenna, Ohio 44266-9232

To the Board of Education :

We have audited the accompanying general-purpose financial statements of the Southeast Local School District, Portage County, (the Government) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Government's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Southeast Local School District, Portage County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2000 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Government, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. The Statement of Changes in Assets and Liabilities - Agency Fund is also presented for purposes of additional analysis and is not a required part of the financial statements.

Southeast Local School District

Southeast Local School District
Report of Independent Accountant
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Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.



Jim Petro
Auditor of State

January 4, 2000

***SOUTHEAST LOCAL
SCHOOL DISTRICT, OHIO***

PORTAGE COUNTY

GENERAL PURPOSE
FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 1999

Prepared by:
Mr. Jeffrey W. Hostetler
Treasurer

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Assets and Other Debits:				
Assets:				
Cash and Cash Equivalents	\$2,134,882	\$158,710	\$195,646	\$1,171,413
Receivables (net of allowance for doubtful accounts):				
Taxes	4,288,781	0	0	0
Accounts	1,971	2,381	0	0
Intergovernmental	3,400	0	0	0
Prepaid Items	2,642	0	0	0
Inventory of Supplies at Cost	7,348	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	41,193	0	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$6,480,217	\$161,091	\$195,646	\$1,171,413
Liabilities, Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$76,345	\$11,441	\$0	\$3,464
Accrued Wages and Benefits	1,341,463	41,314	0	0
Intergovernmental Payables	205,545	1,017	0	5
Due to Students	0	0	0	0
Accrued Interest Payable	0	0	0	8,817
Deferred Revenue - Taxes	3,815,988	0	0	0
Deferred Revenue	0	0	0	0
General Obligation Note Payable	0	0	0	200,000
Compensated Absences Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Total Liabilities	5,439,341	53,772	0	212,286
Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	26,316	6,290	0	5,130
Reserved for Prepaid Items	2,642	0	0	0
Reserved for Property Taxes	472,793	0	0	0
Statutory Reserves	41,193	0	0	0
Reserved for Supplies Inventory	7,348	0	0	0
Reserved for Debt Service	0	0	195,646	0
Unreserved:				
Undesignated	490,584	101,029	0	953,997
Total Equity and Other Credits	1,040,876	107,319	195,646	959,127
Total Liabilities, Equity and Other Credits	\$6,480,217	\$161,091	\$195,646	\$1,171,413

The notes to the general purpose financial statements are an integral part of this statement.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

<i>Proprietary</i> <u>Fund Type</u>	<i>Fiduciary</i> <u>Fund Type</u>	<i>Account</i> <u>Groups</u>		Totals (Memorandum Only)
Enterprise Funds	Agency Fund	General Fixed Assets	General Long-Term Obligations	
\$63,586	\$27,466	\$0	\$0	\$3,751,703
0	0	0	0	4,288,781
0	0	0	0	4,352
16,754	0	0	0	20,154
0	0	0	0	2,642
22,378	0	0	0	29,726
0	0	0	0	41,193
62,057	0	10,014,678	0	10,076,735
0	0	0	195,646	195,646
0	0	0	573,204	573,204
<u>\$164,775</u>	<u>\$27,466</u>	<u>\$10,014,678</u>	<u>\$768,850</u>	<u>\$18,984,136</u>
\$460	\$339	\$0	\$0	\$92,049
43,904	0	0	0	1,426,681
29,360	0	0	76,565	312,492
0	27,127	0	0	27,127
0	0	0	0	8,817
0	0	0	0	3,815,988
8,780	0	0	0	8,780
0	0	0	0	200,000
18,780	0	0	670,093	688,873
0	0	0	22,192	22,192
<u>101,284</u>	<u>27,466</u>	<u>0</u>	<u>768,850</u>	<u>6,602,999</u>
0	0	10,014,678	0	10,014,678
63,491	0	0	0	63,491
0	0	0	0	37,736
0	0	0	0	2,642
0	0	0	0	472,793
0	0	0	0	41,193
0	0	0	0	7,348
0	0	0	0	195,646
0	0	0	0	1,545,610
<u>63,491</u>	<u>0</u>	<u>10,014,678</u>	<u>0</u>	<u>12,381,137</u>
<u>\$164,775</u>	<u>\$27,466</u>	<u>\$10,014,678</u>	<u>\$768,850</u>	<u>\$18,984,136</u>

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**SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<i>Governmental Fund Types</i>				Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	
Revenues:					
Local Sources:					
Taxes	\$3,925,346	\$0	\$0	\$0	\$3,925,346
Tuition	4,576	0	0	0	4,576
Investment Earnings	142,635	0	0	23,408	166,043
Extracurricular Activities	0	151,755	0	0	151,755
Class Material and Fees	46,445	0	0	0	46,445
Intergovernmental - State	8,081,148	49,199	0	369,657	8,500,004
Intergovernmental - Federal	405,410	269,917	0	0	675,327
All Other Revenues	34,362	0	0	0	34,362
Total Revenues	12,639,922	470,871	0	393,065	13,503,858
Expenditures:					
Current:					
Instruction	6,896,828	229,956	0	85,154	7,211,938
Supporting Services:					
Pupils	495,151	76,626	0	0	571,777
Instructional Staff	311,398	113,852	0	26,418	451,668
Board of Education	24,257	0	0	0	24,257
Administration	794,194	39,129	0	0	833,323
Fiscal Services	288,691	0	0	0	288,691
Business	108,941	0	0	0	108,941
Operation and Maintenance of Plant	991,538	0	0	486,930	1,478,468
Pupil Transportation	1,008,273	6,025	0	0	1,014,298
Extracurricular Activities	315,380	137,853	0	0	453,233
Capital Outlay	106,500	0	0	0	106,500
Debt Service:					
Interest and Fiscal Charges	0	0	4,354	9,778	14,132
Total Expenditures	11,341,151	603,441	4,354	608,280	12,557,226
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	1,298,771	(132,570)	(4,354)	(215,215)	946,632
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	2,504	0	0	0	2,504
Refunds of Prior Years' Expenditures	558	110	0	0	668
Refunds of Prior Years' Receipts	(100)	(1,114)	0	0	(1,214)
Operating Transfers In	112,189	5,674	0	623,392	741,255
Operating Transfers Out	(606,215)	0	(135,040)	0	(741,255)
Total Other Financing Sources (Uses)	(491,064)	4,670	(135,040)	623,392	1,958
Excess (Deficiency) of Revenues					
and Other Financing Sources Over (Under)					
Expenditures and Other Financing Uses	807,707	(127,900)	(139,394)	408,177	948,590
Fund Balance Beginning of Year Restated	239,882	235,219	335,040	550,950	1,361,091
Decrease in Inventory Reserve	(6,713)	0	0	0	(6,713)
Fund Balance End of Year	\$1,040,876	\$107,319	\$195,646	\$959,127	\$2,302,968

The notes to the general purpose financial statements are an integral part of this statement

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$3,624,032	\$3,724,373	\$100,341	\$0	\$0	\$0
Tuition	8,600	4,576	(4,024)	0	0	0
Investment Earnings	125,000	143,779	18,779	0	0	0
Extracurricular Activities	0	0	0	156,948	151,923	(5,025)
Class Material and Fees	43,925	46,445	2,520	0	0	0
Intergovernmental - State	7,244,309	8,111,791	867,482	49,259	49,199	(60)
Intergovernmental - Federal	120,600	405,410	284,810	391,180	396,614	5,434
All Other Revenues	183,747	33,927	(149,820)	0	0	0
Total Revenues	11,350,213	12,470,301	1,120,088	597,387	597,736	349
Expenditures:						
Current:						
Instruction	7,168,286	6,827,065	341,221	336,336	233,311	103,025
Supporting Services:						
Pupils	496,702	473,218	23,484	77,380	76,626	754
Instructional Staff	532,635	330,912	201,723	82,494	115,283	(32,789)
Board of Education	32,325	26,899	5,426	0	0	0
Administration	881,135	787,861	93,274	47,847	39,123	8,724
Fiscal Services	330,312	284,138	46,174	0	0	0
Business	126,670	106,461	20,209	0	0	0
Operation and Maintenance of Plant	1,600,825	972,891	627,934	0	0	0
Pupil Transportation	1,242,326	979,002	263,324	9,772	5,993	3,779
Extracurricular Activities	344,720	317,154	27,566	179,388	131,974	47,414
Capital Outlay	110,000	106,500	3,500	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	12,865,936	11,212,101	1,653,835	733,217	602,310	130,907
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,515,723)	1,258,200	2,773,923	(135,830)	(4,574)	131,256
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	2,504	2,504	0	0	0
Refunds of Prior Years' Expenditures	553	558	5	0	110	110
Refunds of Prior Years' Receipts	(500)	(100)	400	(1,114)	(1,114)	0
Operating Transfers In	0	112,189	112,189	0	5,674	5,674
Operating Transfers Out	(610,000)	(606,215)	3,785	0	0	0
Advances In	12,266	12,266	0	0	0	0
Advances Out	(5,000)	0	5,000	0	(8,342)	(8,342)
Total Other Financing Sources (Uses)	(602,681)	(478,798)	123,883	(1,114)	(3,672)	(2,558)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,118,404)	779,402	2,897,806	(136,944)	(8,246)	128,698
Fund Balance at Beginning of Year	1,294,012	1,294,012	0	155,099	155,099	0
Fund Balance at End of Year	(\$824,392)	\$2,073,414	\$2,897,806	\$18,155	\$146,853	\$128,698

The notes to the general purpose financial statements are an integral part of this statement.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 1999

<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>			<i>Totals (Memorandum Only)</i>		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0	\$3,624,032	\$3,724,373	\$100,341
0	0	0	0	0	0	8,600	4,576	(4,024)
0	0	0	0	23,408	23,408	125,000	167,187	42,187
0	0	0	0	0	0	156,948	151,923	(5,025)
0	0	0	0	0	0	43,925	46,445	2,520
0	0	0	360,434	369,657	9,223	7,654,002	8,530,647	876,645
0	0	0	0	0	0	511,780	802,024	290,244
0	0	0	0	0	0	183,747	33,927	(149,820)
0	0	0	360,434	393,065	32,631	12,308,034	13,461,102	1,153,068
0	0	0	60,084	87,081	(26,997)	7,564,706	7,147,457	417,249
0	0	0	0	0	0	574,082	549,844	24,238
0	0	0	29,431	29,616	(185)	644,560	475,811	168,749
0	0	0	0	0	0	32,325	26,899	5,426
0	0	0	0	0	0	928,982	826,984	101,998
0	0	0	0	0	0	330,312	284,138	46,174
0	0	0	0	0	0	126,670	106,461	20,209
0	0	0	753,789	486,930	266,859	2,354,614	1,459,821	894,793
0	0	0	0	0	0	1,252,098	984,995	267,103
0	0	0	0	0	0	524,108	449,128	74,980
0	0	0	0	0	0	110,000	106,500	3,500
320,000	120,000	200,000	0	0	0	320,000	120,000	200,000
19,394	19,394	0	0	0	0	19,394	19,394	0
339,394	139,394	200,000	843,304	603,627	239,677	14,781,851	12,557,432	2,224,419
(339,394)	(139,394)	200,000	(482,870)	(210,562)	272,308	(2,473,817)	903,670	3,377,487
0	0	0	0	0	0	0	2,504	2,504
0	0	0	0	0	0	553	668	115
0	0	0	0	0	0	(1,614)	(1,214)	400
13,554	0	(13,554)	220,000	488,352	268,352	233,554	606,215	372,661
0	0	0	0	0	0	(610,000)	(606,215)	3,785
0	0	0	0	0	0	12,266	12,266	0
0	0	0	(3,924)	(3,924)	0	(8,924)	(12,266)	(3,342)
13,554	0	(13,554)	216,076	484,428	268,352	(374,165)	1,958	376,123
(325,840)	(139,394)	186,446	(266,794)	273,866	540,660	(2,847,982)	905,628	3,753,610
335,040	335,040	0	888,953	888,953	0	2,673,104	2,673,104	0
\$9,200	\$195,646	\$186,446	\$622,159	\$1,162,819	\$540,660	(\$174,878)	\$3,578,732	\$3,753,610

**SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Enterprise Funds</u>
<u>Operating Revenues:</u>	
Tuition and Fees	\$15,083
Sales	333,108
Total Operating Revenues	<u>348,191</u>
<u>Operating Expenses:</u>	
Salaries and Wages	186,568
Fringe Benefits	99,884
Contractual Services	11,343
Materials and Supplies	270,435
Depreciation	6,179
Other Operating Expenses	378
Total Operating Expenses	<u>574,787</u>
Operating Loss	(226,596)
<u>Non-Operating Revenues:</u>	
Operating Grants	107,271
Federally Donated Commodities	62,827
Investment Earnings	2,646
Total Non-Operating Revenues	<u>172,744</u>
Net Income (Loss)	(53,852)
Retained Earnings at Beginning of Year	<u>117,343</u>
Retained Earnings at End of Year	<u>\$63,491</u>

The notes to the general purpose financial statements are an integral part of this statement.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<u>Enterprise Funds</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$333,108
Cash Received from Tuition and Fee Payments	15,083
Cash Payments for Goods and Services	(229,728)
Cash Payments to Employees for Services and Benefits	(280,794)
Net Cash Used by Operating Activities	<u>(162,331)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	<u>105,362</u>
Net Cash Provided by Noncapital Financing Activities	<u>105,362</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Equipment	<u>(10,251)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(10,251)</u>
<u>Cash Flows from Investing Activities:</u>	
Receipt of Interest	<u>2,646</u>
Net Cash Provided by Investing Activities	<u>2,646</u>
Net Decrease in Cash and Cash Equivalents	(64,574)
Cash and Cash Equivalents at Beginning of Year	<u>128,160</u>
Cash and Cash Equivalents at End of Year	<u>\$63,586</u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used by Operating Activities:</u>	
Operating Loss	(\$226,596)
Adjustments to Reconcile Operating Loss to	
Net Cash Used by Operating Activities:	
Depreciation Expense	6,179
Donated Commodities Used During the Year	62,827
Changes in Assets and Liabilities:	
Increase in Inventory	(10,681)
Increase in Accounts Payable	460
Increase in Accrued Wages and Benefits	16,043
Increase in Intergovernmental Payables	849
Decrease in Deferred Revenue	(178)
Increase in Compensated Absences	<u>(11,234)</u>
Total Adjustments	<u>64,265</u>
Net Cash Used by Operating Activities	<u>(\$162,331)</u>

The notes to the general purpose financial statements are an integral part of this statement.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 75 non-certified and approximately 144 certified teaching personnel and administrative employees providing education to 2,322 students.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

Southeast Local School District participates in two jointly governed organizations, the Stark-Portage Area Computer Consortium (SPARCC) and the Portage County School Consortium. SPARCC provides the data processing services needed by the participating school districts. The Portage County School Consortium is an insurance group purchasing consortium. Information regarding these organizations is presented in Note 18.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are summarized by type in the general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The following fund types and account groups are used by the District:

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's governmental fund types:

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

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This fund is used for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than that financed by proprietary funds).

Proprietary Funds - The proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. Fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises in which the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

Agency Funds - These funds are used to account for assets held by a government as an agent for individuals, private organizations, other governmental units, and/or other funds. The District maintains an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

General Fixed Assets Account Group - This account group is established to account for fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt and other long-term liabilities of the District except those accounted for in the proprietary funds.

C. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Revenue considered susceptible to accrual at year end includes property taxes available for advance, tuition, grants, student fees, and interest on investments.

Current property taxes measurable at June 30, 1999, and which are intended to finance fiscal 1999 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

Prior to March 15, the Board 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 District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 1999.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund, department and object level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	\$807,707	(\$127,900)	(\$139,394)	\$408,177
Increase (Decrease):				
Accrued Revenues at June 30, 1999, received during FY 2000	(478,164)	(2,381)	0	0
Accrued Revenues at June 30, 1998, received during FY 1999	320,809	129,603	0	0
Accrued Expenditures at June 30, 1999, paid during FY 2000	1,623,353	53,772	0	12,286
Accrued Expenditures at June 30, 1998, paid during FY 1999	(1,389,000)	(49,483)	0	(18,003)
FY 1998 Prepays for FY 1999	0	0	0	0
FY 1999 Prepays for FY 2000	(2,642)	0	0	0
Fund Debt:				
Note Retirement	0	0	0	(120,000)
Encumbrances Outstanding at June 30, 1999	(102,661)	(11,857)	0	(8,594)
Budget Basis	<u>\$779,402</u>	<u>(\$8,246)</u>	<u>(\$139,394)</u>	<u>\$273,866</u>

E. Cash and Cash Equivalents

During fiscal year 1999, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the general purpose financial statements.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 4, Cash and Cash Equivalents.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements and certificates of deposit) which are reported at cost. See Note 4, Cash and Cash Equivalents.

The District has invested funds in the State Treasury Asset Reserve of Ohio during 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

G. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and as expenses in the proprietary funds when used.

H. Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

I. Property, Plant and Equipment - General Governmental Purposes

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received. The District does not possess any infrastructure.

General fixed asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

The District has elected not to record depreciation in the General Fixed Assets Account Group.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

2. Property, Plant and Equipment - Proprietary Fund

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost for assets not purchased in recent years), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (in years)
Machinery, Equipment, Furniture and Fixtures	5-20

I. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
Compensated Absences	General Fund, Food Services Fund

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year up to a maximum of 75 days. Upon retirement, a percentage of unused sick leave is paid based upon years of experience. The percentages are 10% for 0-5 years, 25% for 6-15 years and 30% for 16 years and up. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

K. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred. Pension liabilities expected to be paid from current available financial resources are recorded as a fund liability. The remaining pension liability, if any, is recorded in the General Long-Term Obligations Account Group for governmental funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.
- Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. There were no residual equity transfers during the fiscal year.

Transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the District are similarly treated when involving other funds of the District.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve, a reserve for textbook purchases and a reserve for capital maintenance. These reserves are required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. Fund balance reserves have also been established for these amounts.

N. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for debt service, prepaid items, endowments, property taxes, budget stabilization, textbook purchase, capital maintenance and encumbered amounts which have not been accrued at year end. 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, textbook purchase and capital maintenance are required by State statute.

O. Total Columns on Combined Financial Statements - Overview

Total columns on the "Combined Financial Statements-Overview" are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

A. Fund Deficits

The fund deficits at June 30, 1999 of \$2 in the Venture Capital Grant Fund and \$31 in the Professional Development Block Grant Fund (special revenue funds) arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. A deficit does not exist under the cash basis of accounting.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 1999, expenditures exceeded appropriations as follows:

<u>Fund/Function</u>	<u>Excess</u>
Special Revenue Funds:	
Venture Capital Grant Fund:	
Instruction	\$2,998
Pupils	850
Professional Development Block Grant Fund:	
Instructional Staff	1,736
Emergency Management Information Systems Fund:	
Pupils	4,099
Title VI-B Fund:	
Instructional Staff	15,593
Advances Out	8,342
Chapter I Fund:	
Instructional Staff	21,655
Capital Projects Funds:	
Schoolnet Fund:	
Instruction	22,382
Instructional Staff	6,094
Technology Equity Fund:	
Instruction	4,615

The excess expenditures were funded from available fund balances.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 3 - RESTATEMENT AND PRIOR PERIOD ADJUSTMENT

Adjustments were made to the beginning fund balances of the capital projects funds and special revenue funds. The adjustments were made due to the reclassification of an interfund loan payable from the special revenue funds to the capital project funds. The adjustments resulted in the following changes to the fund balances at June 30, 1998:

Special Revenue Funds:

Fund Balance - June 30, 1998 (as reported)	\$231,295
Adjustment due to reclassification of interfund loan payable	3,924
Fund Balance - July 1, 1998 (restated)	<u>\$235,219</u>

Capital Projects Funds:

Fund Balance - June 30, 1998 (as reported)	\$554,874
Adjustment due to reclassification of interfund loan payable	(3,924)
Fund Balance - July 1, 1998 (restated)	<u>\$550,950</u>

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "near cash" status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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 or interest by the United States;
- 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent, in the District's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Investments:

- Category 1 Insured or registered, or securities held by the District or its agent in the District's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

A. Deposits

At year end the carrying amount of the District's deposits was an overdraft of \$30,285 and the bank balance was \$144,027. Federal depository insurance covered \$100,000 of the bank balance and all remaining deposits were classified as Category 3.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

B. Investments

The District's investments at June 30, 1999 were as follows:

	Carrying Amount	Fair Value
<u>Non-Categorized Investments</u>		
Star Ohio	\$3,823,181	\$3,823,181

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	Cash and Cash Equivalents	Investments
Per Combined Balance Sheet	\$3,792,896	\$0
STAR Ohio	(3,823,181)	3,823,181
Per GASB Statement No. 3	<u>(\$30,285)</u>	<u>\$3,823,181</u>

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 1999 were levied after October 1, 1998 on assessed values as of January 1, 1998, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 1994, and equalization adjustments were made in 1997. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Southeast Local School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed value upon which the fiscal year 1999 receipts were based are:

	1998 Second Half Collections	1999 First Half Collections
Agricultural/Residential and Other Real Estate	\$109,585,370	\$113,239,320
Public Utility Personal	130,150	141,660
Tangible Personal Property	21,320,335	22,525,884
Total Assessed Value	<u>\$131,035,855</u>	<u>\$135,906,864</u>
Tax rate per \$1,000 of assessed valuation	\$42.93	\$42.93

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 6 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts receivable and intergovernmental receivables.

NOTE 7 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds at June 30, 1999:

Fund	Transfer In	Transfer Out
General Fund	\$112,189	\$606,215
Special Revenue Fund:		
District Managed Student Activity Fund	5,674	0
Debt Service Fund:		
Bond Retirement Fund	0	135,040
Capital Project Funds:		
Permanent Improvement Fund	605,040	0
Schoolnet Fund	15,600	0
Technology Equity Fund	2,752	0
Total Capital Projects Funds	<u>623,392</u>	<u>0</u>
Total All Funds	<u>\$741,255</u>	<u>\$741,255</u>

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 8 - FIXED ASSETS

A. General Fixed Assets

Summary by category of changes in general fixed assets at June 30, 1999:

<u>Class</u>	<u>June 30, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 1999</u>
Land and Improvements	\$1,389,538	\$92,740	\$0	\$1,482,278
Buildings and Improvements	4,771,266	11,632	0	4,782,898
Machinery and Equipment	1,698,316	261,240	(8,105)	1,951,451
Vehicles	1,432,489	179,920	(12,464)	1,599,945
Construction In Progress	90,606	107,500	0	198,106
Totals	<u>\$9,382,215</u>	<u>\$653,032</u>	<u>(\$20,569)</u>	<u>\$10,014,678</u>

B. Proprietary Fixed Assets

Summary by Category at June 30, 1999:

<u>Category</u>	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Machinery and Equipment	\$204,434	(\$142,377)	\$62,057
Total Property, Plant and Equipment	<u>\$204,434</u>	<u>(\$142,377)</u>	<u>\$62,057</u>

NOTE 9 - DEFINED BENEFIT PENSION PLANS

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

A. School Employees Retirement System of Ohio (SERS of Ohio)

All non-certified employees of the District, with minor exceptions, performing duties that do not require a certificate issued by the Ohio Department of Education are eligible to participate in the School Employees Retirement System of Ohio, a cost-sharing multiple employer public employee retirement system.

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 1998, (the latest information available) 9.02% was allocated to fund the pension and 4.98% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 1999, 1998, and 1997 were \$213,180, \$134,874, and \$128,085, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 1998 employer contribution rate (identified above) that was used to fund health care for the year 1998 was 4.98%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 1999, the minimum pay has been established as \$12,400 and the surcharge amounted to \$29,432.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. Net assets available for payment of benefits at June 30, 1998 was \$160.3 million, at cost.

B. State Teachers Retirement System of Ohio (STRS of Ohio)

All certified employees of the District are eligible to participate in the State Teachers Retirement System of Ohio, a cost-sharing multiple employer public employee retirement system.

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to the STRS of Ohio for the years ending June 30, 1999, 1998, and 1997 were \$814,397, \$609,225, and \$669,044, respectively, which were equal to the required contributions for each year.

STRS provides postemployment health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions, equal to 3.5% of covered payroll, to a health care reserve fund. The balance of the Health Care Reserve Fund was \$2,156 million at June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999 will be 8% of covered payroll. For the fiscal year ended June 30, 1998, the net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 10 - COMPENSATED ABSENCES

The District provides a liability for accumulated unpaid sick leave and vacation time benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. At June 30, 1999, the total accumulated unpaid sick and vacation time recorded in the General Long-Term Obligations Account Group was:

	Sick Leave	Vacation	Personal Time	Total
Liability	<u>\$592,722</u>	<u>\$29,671</u>	<u>\$47,700</u>	<u>\$670,093</u>

The portion attributable to the enterprise funds has been recorded within the respective fund and is not included in the figures presented above.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 11 - NOTES PAYABLE

Notes Payable activity of the District for the year ended June 30, 1999, was as follows:

	Balance June 30, 1998	Additions	Deletions	Balance June 30, 1999
Energy Conservation Note - 4.60%	\$320,000	\$0	(\$120,000)	\$200,000
Totals	<u>\$320,000</u>	<u>\$0</u>	<u>(\$120,000)</u>	<u>\$200,000</u>

NOTE 12 - OTHER GENERAL LONG-TERM OBLIGATIONS

Detail of the changes in the long-term intergovernmental payable, capital leases and compensated absences of the District for the year ended June 30, 1999 is as follows:

	Balance June 30, 1998	Issued (Retired)	Balance June 30, 1999
Other General Long-Term Obligations:			
Intergovernmental Payable	\$74,669	\$1,896	\$76,565
Capital Leases Payable	29,129	(6,937)	22,192
Compensated Absences	737,913	(67,820)	670,093
Total Other General Long-Term Obligations	<u>\$841,711</u>	<u>(\$72,861)</u>	<u>\$768,850</u>

NOTE 13 - CAPITAL LEASE COMMITMENTS

The District is obligated under two leases accounted for as capital leases. The cost of the leased assets (copiers) is accounted for in the General Fixed Assets Account Group and the related liability in the General Long-Term Obligations Account Group.

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 1999

Year Ending June 30,	Capital Leases
2000	\$7,512
2001	8,136
2002	6,544
Present value of minimum lease payments	<u>\$22,192</u>

NOTE 14 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Budget Stabilization Reserve	Total
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$64,857	\$64,857
Current Year Set-Aside Requirement	177,050	177,050	88,525	442,625
Current Year Offset Credits	0	0	0	0
Qualifying Disbursements	(230,258)	(645,000)	(112,189)	(987,447)
Total	<u>(\$53,208)</u>	<u>(\$467,950)</u>	<u>\$41,193</u>	<u>(\$479,965)</u>
Cash Balance Carried Forward to FY 2000	<u>0</u>	<u>0</u>	<u>41,193</u>	\$41,193
Amount Restricted for Budget Stabilization				<u>\$41,193</u>
Total Restricted Assets				<u>\$41,193</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 15 – CONSTRUCTION COMMITMENTS

As of June 30, 1999, the District had the following commitments with respect to capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Replacement of Carpet	\$85,511	August 1999
Classroom Remodeling	37,820	August 1999
Fire Alarm Systems	84,499	August 1999
Total	<u>\$207,830</u>	

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two Enterprise Funds to account for the operation of Food Services and Uniform School Supply Sales. The key financial information for the year ended June 30, 1999 for these enterprise activities is as follows:

	Food Services	Uniform School Supply	Total
Operating Revenues	\$333,108	\$15,083	\$348,191
Depreciation Expense	6,179	0	6,179
Operating Income (Loss)	(228,060)	1,464	(226,596)
Net Income (Loss)	(55,316)	1,464	(53,852)
Property, Plant and Equipment:			
Additions	10,251	0	10,251
Federally Donated Commodities	62,827	0	62,827
Operating Grants	107,271	0	107,271
Total Assets	160,406	4,369	164,775
Net Working Capital	15,845	4,369	20,214
Total Equity	59,122	4,369	63,491

NOTE 17 - RISK MANAGEMENT

A. Public Entity Risk Pools

The District participates in two cooperative entities to facilitate effective risk management and to share the cost of providing various insurance coverages and employee benefits. Employee benefits are obtained through the Portage County School Consortium and workers' compensation coverage is obtained through a risk pool established through the Ohio School Boards Association and Gates, McDonald and Company.

Portage County School Consortium - The Portage County School Consortium, a public entity risk pool, was formed in 1981 by thirteen local school districts so that the school districts could manage risk exposures and purchase necessary insurance coverages as a group. The consortium has organized into two distinct entities to facilitate its risk management operations.

The Property and Casualty Insurance Pool functions to manage the member districts' physical property and liability risks. All coverages on buildings, grounds and contents are at replacement cost; all fleet insurance is carried at market value.

The Health and Welfare Trust is organized under provisions of Section 501(c)(9) of the Internal Revenue Code. Its purpose is to facilitate the management of risks associated with providing employee benefits coverages such as health and accident insurance, disability insurance and life insurance. A third-party administrator is retained by the consortium to facilitate the operation of the Health and Welfare Trust. The District pays all insurance premiums directly to the consortium. Although the District does not participate in the day-to-day management of the consortium, one of the District's administrators serves as a trustee of the consortium's governing board as provided in the consortium's enabling authority. Although the District recognizes that it retains a contingent liability to provide insurance coverages should the assets of the consortium become depleted, it is the opinion of management that the assets of the consortium are sufficient to meet its claims. As of June 30, 1999 the pool had cash reserves of \$1,292,100.

Ohio School Boards Association Workers' Compensation - The District manages its exposures for workers' compensation claims through a Workers' Compensation Group Rating Program established in 1991 by the Ohio School Boards Association in conjunction with Gates, McDonald and Company. The District is one of 361 Ohio school districts that participate in the program. The purpose of the program is to help districts control the costs associated with providing workers' compensation coverage and to provide professional expertise to the District in handling claims as they are filed. The District is mandated to maintain workers' compensation coverage under Ohio law. According to the information provided by Gates, McDonald and Company, participation in the programs provides the District a premium savings of more than 50 percent the rate the District would pay if it obtained such coverage on its own. The District further anticipates that it will continue to participate in the program as long as it is eligible to do so. In the event that the District's workers' compensation exposure is such that it is no longer eligible to participate in the program, its workers' compensation premiums would increase significantly. However, even in the unlikely event that such a scenario would occur, management believes it would not have a materially adverse impact on the District's financial position. At June 30, 1999, management knew of no claims incurred but not reported. Financial information can be obtained at the Bureau of Workers' Compensation, State Insurance Fund, Columbus, Ohio 43271-0821.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 17 - RISK MANAGEMENT (Continued)

B. Other Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 1999 the District contracted with Nationwide Insurance Company for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Nationwide Insurance Company	Automobile/Fleet	\$0
Nationwide Insurance Company	Property	\$1,000
Nationwide Insurance Company	Inland Marine	\$0
Nationwide Insurance Company	General Liability	\$0

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Stark Portage Area Computer Consortium

The Stark Portage Area Computer Consortium (SPARCC) is the computer service organization (A-site) used by the Southeast Local School District. SPARCC is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Stark County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges and assessments as charged. SPARCC is governed by a board made up of superintendents from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The Southeast Local School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to SPARCC are made from the General Fund. Financial information can be obtained from Gene Feucht, who serves as director, at 2100 38 th Street, NW, Canton, Ohio 44709. During fiscal year 1999, the Southeast Local School District contributed \$30,316 to SPARCC.

B. Portage County School Consortium

Portage County School Consortium is an insurance group purchasing consortium made up of 12 school districts in Portage County. All member districts pay an insurance premium directly to the consortium. The Southeast Local School District paid \$1,036,605 for health insurance premiums to the consortium for the 1999 fiscal year.

NOTE 19 - CONTINGENCIES

A. Grants

The District receives 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 District at June 30, 1999.

B. Litigation

The District is not a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 1999.

C. State School Funding

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$7,399,017 of school foundation support for its general fund. Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws, and in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional. As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

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SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	Balance June 30, 1998	Additions	Deductions	Balance June 30, 1999
<u>Student Managed Activity Fund</u>				
Assets:				
Cash and Cash Equivalents	\$25,261	\$88,501	(\$86,296)	\$27,466
Total Assets	<u>\$25,261</u>	<u>\$88,501</u>	<u>(\$86,296)</u>	<u>\$27,466</u>
Liabilities:				
Accounts Payable	\$0	\$339	\$0	\$339
Due to Students	25,261	88,162	(86,296)	27,127
Total Liabilities	<u>\$25,261</u>	<u>\$88,501</u>	<u>(\$86,296)</u>	<u>\$27,466</u>

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disburse- ments	Non-Cash Disburse- ments
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster</i>						
Food Distribution Program		10.550		62,827		62,827
National School Lunch Program		10.555	100,480		100,480	
Total Department of Agriculture - Nutrition Cluster			100,480	62,827	100,480	62,827
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States (IDEA Part B)	6B-SF 97	84.027	53,497	0	53,497	0
	6B-SF 98	84.027	68,796	0	77,239	0
	6B-SF 99	84.027	34,542	0	22,430	0
Total Special Education Cluster			156,835	0	153,166	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-97	84.010	0	0	8,874	0
	C1-S1-98	84.010	49,683	0	83,677	0
	C1-S1-99	84.010	133,164	0	133,846	0
Innovative Educational Program Strategies	C2-S1-97	84.298	0	0	227	0
	C2-S1-98	84.298	0	0	1,681	0
	C2-S1-99	84.298	8,466	0	3,149	0
Drug-Free Schools Grant	DR-S1-97	84.186	0	0	88	0
	DR-S1-98	84.186	0	0	13,095	0
	DR-S1-99	84.186	8,466	0	8,466	0
Total Department of Education			199,779	0	253,103	0
Totals			\$457,094	\$62,827	\$506,749	\$62,827

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

Southeast Local School District
Portage County
8423 Tallmadge Road
Ravenna, Ohio 44266-9232

To The Board of Education:

We have audited the financial statements of Southeast Local School District, Portage County as of and for the year ended June 30, 1999, and have issued our report thereon dated January 4, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Southeast School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 4, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Southeast Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that did not require inclusion in this report, that we have reported to management of Southeast Local School District in a separate letter dated January 4, 2000.

Southeast Local School District
Portage County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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



Jim Petro
Auditor of State

January 4, 2000



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

Southeast Local School District
Portage County
8423 Tallmadge Road
Ravenna, Ohio 44266-9232

Compliance

We have audited the compliance of Southeast Local School District, Portage County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The Southeast Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Southeast Local School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

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

Southeast Local School District
Portage County
Report of the Independent Accountants on Compliance with Requirements
Applicable to Each Major Federal Program and Internal Control over
Compliance in Accordance with OMB Circular A-133
Page 2

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

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



Jim Petro
Auditor of State

January 4, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
SOUTHEAST LOCAL SCHOOL DISTRICT
PORTAGE COUNTY
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	NO
<i>N(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	NO
<i>(d)(1)(vii)</i>	Major Programs (list):	Title IVB
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	\$300,000
<i>(d)(1)(ix)</i>	Low Risk Auditee?	YES

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

NONE

3. FINDING AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE



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OFFICE OF THE AUDITOR

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SOUTHEAST LOCAL SCHOOL DISTRICT
PORTAGE 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.

By: Susan Babbitt

Date: MAR 28 2000