



**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
CLARK COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

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

We conducted our audit in accordance with 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 Southeastern Local School District, Clark 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 February 14, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**JIM PETRO**  
Auditor of State

February 14, 2000



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**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999**

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPE
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE
<b>Assets and Other Debits</b>					
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,007,288	\$246,408	\$0	\$110,477	\$13,878
Cash and Cash Equivalents With Fiscal Agent	0	266	1,225	0	0
Receivables:					
Property and Other Local Taxes	1,664,178	0	0	162,453	0
Income Tax	248,332	0	0	0	0
Accounts	3,178	1,720	0	0	0
Intergovernmental	2,960	0	0	0	5,698
Accrued Interest	0	0	0	2,376	0
Inventory of Supplies and Materials	22,476	0	0	0	666
Inventory Held for Resale	0	0	0	0	1,946
Prepaid Items	16,519	0	0	0	0
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	56,196	0	0	0	0
Fixed Assets (Net, where applicable of Accumulated Depreciation)	0	0	0	0	6,626
<b>Other Debits:</b>					
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0	0
<b>Total Assets and Other Debits</b>	<b><u>\$3,021,127</u></b>	<b><u>\$248,394</u></b>	<b><u>\$1,225</u></b>	<b><u>\$275,306</u></b>	<b><u>\$28,814</u></b>
<b>Liabilities, Fund Equity and Other Credits</b>					
<b>Liabilities:</b>					
Accounts Payable	\$15,354	\$56,150	\$0	\$0	\$467
Accrued Wages Payable	399,423	15,751	0	0	10,172
Intergovernmental Payable	115,793	2,010	0	0	16,827
Due to Students	0	0	0	0	0
Undistributed Monies	0	0	0	0	0
Deferred Revenue	1,471,607	0	0	145,150	1,554
Compensated Absences Payable	1,108	0	0	0	1,985
Matured Interest Payable	0	0	1,225	0	0
Capital Leases Payable	0	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0	0
General Obligation Bonds Payable	0	0	0	0	0
<b>Total Liabilities</b>	<b><u>2,003,285</u></b>	<b><u>73,911</u></b>	<b><u>1,225</u></b>	<b><u>145,150</u></b>	<b><u>31,005</u></b>
<b>Fund Equity and Other Credits:</b>					
Investment in General Fixed Assets	0	0	0	0	0
Retained Earnings:					
Unreserved (Deficit)	0	0	0	0	(2,191)
Fund Balance:					
Reserved for Encumbrances	107,710	77,495	0	23,476	0
Reserved for Property Taxes	194,949	0	0	17,303	0
Reserved for Inventory of Supplies and Materials	22,476	0	0	0	0
Reserved for Budget Stabilization	56,196	0	0	0	0
Unreserved, Undesignated	636,511	96,988	0	89,377	0
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b><u>1,017,842</u></b>	<b><u>174,483</u></b>	<b><u>0</u></b>	<b><u>130,156</u></b>	<b><u>(2,191)</u></b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$3,021,127</u></b>	<b><u>\$248,394</u></b>	<b><u>\$1,225</u></b>	<b><u>\$275,306</u></b>	<b><u>\$28,814</u></b>

See Accompanying Notes to the General Purpose Financial Statements

FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
AGENCY			
\$15,731	\$0	\$0	\$1,393,782
0	0	0	1,491
0	0	0	1,826,631
0	0	0	248,332
0	0	0	4,898
0	0	0	8,658
0	0	0	2,376
0	0	0	23,142
0	0	0	1,946
0	0	0	16,519
0	0	0	56,196
0	8,430,183	0	8,436,809
0	0	510,944	510,944
<u>\$15,731</u>	<u>\$8,430,183</u>	<u>\$510,944</u>	<u>\$12,531,724</u>

\$0	\$0	\$0	\$71,971
0	0	0	425,346
0	0	47,340	181,970
12,758	0	0	12,758
2,973	0	0	2,973
0	0	0	1,618,311
0	0	300,034	303,127
0	0	0	1,225
0	0	9,570	9,570
0	0	47,000	47,000
0	0	107,000	107,000
<u>15,731</u>	<u>0</u>	<u>510,944</u>	<u>2,781,251</u>

0	8,430,183	0	8,430,183
0	0	0	(2,191)
0	0	0	208,681
0	0	0	212,252
0	0	0	22,476
0	0	0	56,196
0	0	0	822,876
<u>0</u>	<u>8,430,183</u>	<u>0</u>	<u>9,750,473</u>
<u>\$15,731</u>	<u>\$8,430,183</u>	<u>\$510,944</u>	<u>\$12,531,724</u>

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

	<u>GOVERNMENTAL FUND TYPES</u>			<u>TOTAL (MEMORANDUM ONLY)</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	
<b>Revenues:</b>				
Property and Other Local Taxes	\$1,687,381	\$0	\$168,624	\$1,856,005
Income Tax	648,397	0	0	648,397
Intergovernmental	2,524,443	323,220	44,405	2,892,068
Interest	0	0	76,181	76,181
Tuition and Fees	27,784	0	0	27,784
Rent	537	0	0	537
Extracurricular Activities	0	112,045	0	112,045
Gifts and Donations	1,350	12,642	100	14,092
Miscellaneous	61,602	4,930	0	66,532
Total Revenues	<u>4,951,494</u>	<u>452,837</u>	<u>289,310</u>	<u>5,693,641</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	2,099,340	98,920	93,552	2,291,812
Special	377,099	103,304	11,562	491,965
Vocational	167,030	0	0	167,030
Support Services:				
Pupils	171,441	2,209	2,493	176,143
Instructional Staff	250,213	13,404	2,060	265,677
Board of Education	11,276	0	0	11,276
Administration	599,774	8,981	0	608,755
Fiscal	174,188	76	3,143	177,407
Operation and Maintenance of Plant	439,728	0	97,327	537,055
Pupil Transportation	233,243	0	7,920	241,163
Central	8,236	31,384	0	39,620
Non-Instructional Services	497	0	0	497
Extracurricular Activities	157,986	94,529	0	252,515
Capital Outlay	14,652	0	0	14,652
Debt Service:				
Principal Retirement	23,500	0	86,258	109,758
Interest and Fiscal Charges	0	0	14,598	14,598
Total Expenditures	<u>4,728,203</u>	<u>352,807</u>	<u>318,913</u>	<u>5,399,923</u>
Excess of Revenues Over (Under) Expenditures	<u>223,291</u>	<u>100,030</u>	<u>(29,603)</u>	<u>293,718</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Fixed Assets	1,857	0	0	1,857
Operating Transfers In	0	252	0	252
Operating Transfers Out	(252)	0	0	(252)
Total Other Financing Sources (Uses)	<u>1,605</u>	<u>252</u>	<u>0</u>	<u>1,857</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	224,896	100,282	(29,603)	295,575
Fund Balances at Beginning of Year	793,890	74,201	159,759	1,027,850
Decrease in Reserve for Inventory	(944)	0	0	(944)
Fund Balances at End of Year	<u>\$1,017,842</u>	<u>\$174,483</u>	<u>\$130,156</u>	<u>\$1,322,481</u>

See Accompanying Notes to the General Purpose Financial Statements

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<b>GENERAL FUND</b>		
	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FAVORBLE (UNFAVORABLE)</b>
<b>Revenues:</b>			
Property and Other Local Taxes	\$1,635,533	\$1,635,533	\$0
Income Tax	650,490	650,490	0
Intergovernmental	2,243,529	2,523,293	279,764
Interest	0	0	0
Tuition and Fees	27,784	27,784	0
Rent	537	537	0
Extracurricular Activities	0	0	0
Gifts and Donations	1,350	1,350	0
Miscellaneous	59,244	59,244	0
Total Revenues	<u>4,618,467</u>	<u>4,898,231</u>	<u>279,764</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,098,543	2,098,543	0
Special	359,200	359,200	0
Vocational	165,655	165,655	0
Other	11,971	11,971	0
Support Services:			
Pupils	194,613	194,613	0
Instructional Staff	261,710	261,710	0
Board of Education	11,233	11,233	0
Administration	605,598	605,598	0
Fiscal	177,411	177,411	0
Operation and Maintenance of Plant	487,917	487,917	0
Pupil Transportation	230,539	230,539	0
Central	8,236	8,236	0
Non-Instructional Services	497	497	0
Extracurricular Activities	156,585	156,585	0
Capital Outlay	14,652	14,652	0
Debt Service:			
Principal Retirement	23,500	23,500	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>4,807,860</u>	<u>4,807,860</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(189,393)</u>	<u>90,371</u>	<u>279,764</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Fixed Assets	439	439	0
Refund of Prior Year Expenditures	1,568	1,568	0
Operating Transfers In	0	0	0
Operating Transfers Out	(252)	(252)	0
Total Other Financing Sources (Uses)	<u>1,755</u>	<u>1,755</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(187,638)</u>	<u>92,126</u>	<u>279,764</u>
Fund Balances at Beginning of Year	705,271	705,271	0
Prior Year Encumbrances Appropriated	129,090	129,090	0
Fund Balances at End of Year	<u>\$646,723</u>	<u>\$926,487</u>	<u>\$279,764</u>

See Accompanying Notes to the General Purpose Financial Statements

SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUNDS		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$0	\$0	\$0	\$151,960	\$164,022	\$12,062
0	0	0	0	0	0
330,433	314,878	(15,555)	39,505	44,405	4,900
0	0	0	73,867	73,867	0
0	0	0	0	0	0
0	0	0	0	0	0
111,772	111,772	0	0	0	0
12,642	12,642	0	100	100	0
5,041	5,041	0	0	0	0
<u>459,888</u>	<u>444,333</u>	<u>(15,555)</u>	<u>265,432</u>	<u>282,394</u>	<u>16,962</u>
170,790	170,790	0	158,328	158,328	0
103,511	103,511	0	11,562	11,562	0
0	0	0	0	0	0
0	0	0	0	0	0
2,253	2,253	0	2,493	2,493	0
2,913	2,913	0	2,060	2,060	0
0	0	0	0	0	0
9,692	9,692	0	0	0	0
2,923	2,923	0	3,143	3,143	0
0	0	0	106,708	106,708	0
0	0	0	7,920	7,920	0
34,829	34,829	0	0	0	0
0	0	0	0	0	0
104,659	104,659	0	0	0	0
0	0	0	12,008	12,008	0
0	0	0	50,000	50,000	0
0	0	0	12,009	12,009	0
<u>431,570</u>	<u>431,570</u>	<u>0</u>	<u>366,231</u>	<u>366,231</u>	<u>0</u>
28,318	12,763	(15,555)	(100,799)	(83,837)	16,962
0	0	0	0	0	0
337	337	0	0	0	0
252	252	0	0	0	0
0	0	0	0	0	0
<u>589</u>	<u>589</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
28,907	13,352	(15,555)	(100,799)	(83,837)	16,962
55,701	55,701	0	138,131	138,131	0
43,710	43,710	0	21,829	21,829	0
<u>\$128,318</u>	<u>\$112,763</u>	<u>(\$15,555)</u>	<u>\$59,161</u>	<u>\$76,123</u>	<u>\$16,962</u>

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<b>ENTERPRISE</b>
<b>Operating Revenues:</b>	
Sales	\$142,733
<b>Operating Expenses:</b>	
Salaries	57,049
Fringe Benefits	39,288
Purchased Services	3,902
Materials and Supplies	912
Cost of Sales	93,645
Depreciation	696
Other	220
Total Operating Expenses	195,712
Operating Loss	(52,979)
<b>Non-Operating Revenues:</b>	
Federal and State Subsidies	36,397
Federal Donated Commodities	10,813
Interest	256
Total Non-Operating Revenues	47,466
Net Loss	(5,513)
Retained Earnings at Beginning of Year	3,322
Retained Earnings Deficit at End of Year	(\$2,191)

See Accompanying Notes to the General Purpose Financial Statements

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<b>ENTERPRISE FUND</b>		
	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
<b>Revenues:</b>			
Sales	\$142,660	\$142,733	\$73
Federal and State Subsidies	35,783	35,783	0
Interest	256	256	0
Total Revenues	178,699	178,772	73
<b>Expenses:</b>			
Salaries	56,919	56,919	0
Fringe Benefits	31,809	31,809	0
Purchased Services	3,851	3,851	0
Materials and Supplies	87,152	87,152	0
Other	220	220	0
Capital Outlay	652	652	0
Total Expenses	180,603	180,603	0
Excess of Revenues Under Expenses	(1,904)	(1,831)	73
Fund Equity at Beginning of Year	10,776	10,776	0
Prior Year Encumbrances Appropriated	464	464	0
Fund Equity at End of Year	\$9,336	\$9,409	\$73

See Accompanying Notes to the General Purpose Financial Statements

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<b>ENTERPRISE</b>
<b><u>Increase (Decrease) in Cash and Cash Equivalents</u></b>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$142,733
Cash Payments for Employee Services and Benefits	(88,728)
Cash Payments to Suppliers for Goods and Services	(86,956)
Net Cash Used in Operating Activities	(32,951)
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(450)
Net Cash Used in Capital and Related Financing Activities	(450)
Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies Received	35,783
Net Cash Provided by Noncapital Financing Activities	35,783
Cash Flows from Investing Activities:	
Interest	256
Net Cash Provided By Investing Activities	256
Net Increase in Cash and Cash Equivalents	2,638
Cash and Cash Equivalents Beginning of Year	11,240
Cash and Cash Equivalents End of Year	\$13,878
<b><u>Reconciliation of Operating Loss to Net Cash Used in Operating Activities:</u></b>	
Operating Loss	(\$52,979)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation	696
Donated Commodities Received	10,813
Changes in Assets and Liabilities:	
Decrease in Supplies Inventory	313
Decrease in Inventory Held for Resale	213
Increase in Accounts Payable	434
Increase in Accrued Salaries Payable	481
Increase in Intergovernmental Payable	6,974
Increase in Compensated Absences Payable	104
Net Cash Used in Operating Activities	(\$32,951)

See Accompanying Notes to the General Purpose Financial Statements

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's three instructional/support facilities staffed by 34 noncertified and 64 certificated full time teaching personnel who provide services to 903 students and other community members.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For 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 for the organization. The School District has no component units.

The School District is associated with five jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Notes 16 and 17 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999  
(Continued)**

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

**A. Basis Of Presentation - Fund Accounting**

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

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

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

**1. Governmental Fund Types**

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

**General Fund**

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

**Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund**

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

**Capital Projects Funds**

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999  
(Continued)**

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

**2. Proprietary Fund Type**

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

**Enterprise Fund**

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

**3. Fiduciary Fund Type**

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

**4. Account Groups**

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

**General Fixed Assets Account Group**

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

**General Long-Term Obligations Account Group**

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

**C. Measurement Focus and Basis of Accounting**

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 1999**  
**(Continued)**

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

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

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

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, taxpayer assessed income tax, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**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 with the legal restriction that appropriations cannot exceed estimated resources, as certified.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999  
(Continued)**

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

**D. Budgetary Process (Continued)**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The preschool and drug free schools special revenue funds grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**E. 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.

**F. Estimated Resources**

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the 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 final amended certificate issued during fiscal year 1999.

**G. 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 at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. 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 appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

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, four supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions. Prior to year-end, the School District passed a supplemental appropriation resolution that matched appropriations to expenditures plus encumbrances at year-end.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999  
(Continued)**

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

**H. 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. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control.

On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for the enterprise fund.

Lapsing of Appropriations At the close of each 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.

**I. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds, including the enterprise fund, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

In addition, the balance of the preschool and drug free schools activity administered by the fiscal agent is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent." This represents deposits held with the Clark County Educational Service Center.

During fiscal year 1999, 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 1999 amounted to \$76,181, which includes \$70,894 assigned from other funds. The School District also received interest in the food service enterprise fund in the amount of \$256.

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

**J. Inventory**

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999  
(Continued)**

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

**K. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1999, 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/expense is reported in the year in which services are consumed.

**L. Fixed Assets and Depreciation**

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

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

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

**M. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

The School District currently participates in several State and federal programs, categorized as follows:

**Entitlements**

***General Fund***

State Foundation Program  
School Bus Purchase Program  
State Property Tax Relief

***Special Revenue Funds***

Disadvantaged Pupil Impact Aid

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999  
(Continued)**

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

**M. Intergovernmental Revenues (Continued)**

**Non-Reimbursable Grants**

***Special Revenue Funds***

Raising the Bar  
CIP  
Title VIB  
Disadvantaged Pupil Program  
Venture Capital  
Title I  
Title VI  
Title III  
Educational Management Information System  
Teacher Development  
School to Work  
Data Communications  
TOPS Grant  
Textbook/Instructional Materials Subsidy

***Capital Projects Funds***

School Net  
Technology Equity  
Telecommunications - HEAL  
Interactive Video Distance Learning Project

***Reimbursable Grants***

***General Fund***

Driver Education

***Enterprise Fund***

National School Lunch Program  
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to fifty-one percent of governmental fund revenue during the 1999 fiscal year.

**N. Compensated Absences**

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future.

The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified employees, certified employees, and administrators after 15 years of service.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999  
(Continued)**

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

**N. Compensated Absences (Continued)**

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

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

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

Amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources. Bonds, loans and capital leases are recognized as a liability of the general long-term obligations account group until due.

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

**P. Interfund Transactions**

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

**Q. Restricted Assets**

Restricted assets in the general fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources set-aside to create a reserve for budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**R. 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.

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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999  
(Continued)**

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

**S. Fund Balance Reserves**

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, inventories of supplies and materials, and budget stabilization.

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

**T. Total Columns on General Purpose Financial Statements**

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

**3. ACCOUNTABILITY**

The following funds had a deficit fund balance/retained earnings at June 30, 1999:

	<b>Deficit Fund Balance/Retained Earnings</b>
Special Revenue Funds:	
Teacher Development	\$56
DPIA	2,406
Title I	3,503
Enterprise Fund:	
Lunchroom	2,191

The deficits in the special revenue funds resulted from the application of general accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. The deficit in the enterprise fund is a result of lunch prices not covering operational costs. The School District will continue to monitor this deficit and raise the lunchroom prices so that the deficit will be eliminated.

**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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual, Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999  
(Continued)**

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

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP basis).
4. For the enterprise fund, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District does not budget for the activities of the preschool and drug free schools administered by the fiscal agent who collects and holds the assets. However, the activities of the fiscal agent that pertain to Southeastern Local School District are included in the special revenue funds for GAAP reporting purposes.

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

**Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types**

	General	Special Revenue	Capital Projects
GAAP Basis	\$224,896	\$100,282	(\$29,603)
Revenue Accruals	(53,113)	(8,167)	(6,916)
Expenditure Accruals	53,528	55,148	(12,964)
Prepaid Items	3,812	0	0
Non-Budgeted Funds	0	(266)	0
Encumbrances	(136,997)	(133,645)	(34,354)
Budget Basis	\$92,126	\$13,352	(\$83,837)

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

	Enterprise
GAAP Basis	(\$5,513)
Revenue Accruals	(614)
Expense Accruals	9,045
Materials and Supplies Inventory	(313)
Inventory Held for Resale	(213)
Acquisition of Capital Assets	(450)
Depreciation	696
Encumbrances	(4,469)
Budget Basis	(\$1,831)

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999  
(Continued)**

**5. DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999  
(Continued)**

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

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

**Cash on Hand** At year end, the School District had \$425 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents." The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

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

At June 30, 1999, the School District had a "Cash and Cash Equivalents with Fiscal Agent" balance in the special revenue funds of \$266. The money is held by the Clark County Educational Service Center which is the fiscal agent of several other school districts and therefore cannot be classified by risk under GASB Statement.

The classification of cash and cash equivalents for the Clark County Educational Service Center as a whole can be obtained from them. To obtain financial information, write to the Clark County Educational Service Center , Springfield, Ohio 45506.

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$1,450,778 and the bank balance was \$1,607,533. Of the bank balance:

1. \$201,225 of the bank balance was covered by federal depository insurance; and
2. \$1,406,308 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

**Investments** The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District had no investments at year-end.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999  
(Continued)**

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

	<b>Cash and Cash Equivalents/Deposits</b>
GASB Statement 9	\$1,451,469
Cash Held with the Clark County Educational Service Center	(266)
Cash on Hand	(425)
GASB Statement 3	\$1,450,778

**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 located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which the fiscal year 1999 taxes were collected are:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999  
(Continued)**

**6. PROPERTY TAXES (Continued)**

	<b>1998 Second- Half Collections</b>		<b>1999 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/ Residential and Other Real Estate	\$44,450,510	73.93 %	\$53,783,250	73.83 %
Public Utility Personal	3,364,190	5.60	5,449,600	7.48
Tangible Personal Property	12,309,110	20.47	13,614,210	18.69
<b>Total</b>	<b>\$60,123,810</b>	<b>100.00 %</b>	<b>\$72,847,060</b>	<b>100.00 %</b>
Tax rate per \$1,000 of assessed valuation	\$36.80		\$36.80	

The School District receives property taxes from Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations.

The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$212,252 and is recognized as revenue. \$194,949 was available to the general fund and \$17,303 was available to the permanent improvement fund.

**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 is credited to the general fund.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999  
(Continued)**

**8. RECEIVABLES**

Receivables at June 30, 1999, consisted of property and other local taxes, income tax, accounts (rent and tuition), interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
County Auction	\$1,810
Driver's Education Reimbursement	<u>1,150</u>
Total General Fund	2,960
Enterprise Fund:	
May/June Lunchroom Reimbursement from the State	<u>5,698</u>
Total Intergovernmental Receivables	<u><u>\$8,658</u></u>

**9. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$101,248
Less: Accumulated Depreciation	<u>(94,622)</u>
Net Fixed Assets	<u><u>\$6,626</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	<u>Balance 6/30/98</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/99</u>
Land and Improvements	\$521,100	\$0	\$0	\$521,100
Buildings	4,733,567	40,557	0	4,774,124
Vehicles	924,309	22,249	0	946,558
Furniture and Equipment	1,655,105	191,331	67,846	1,778,590
Textbooks	<u>409,811</u>	<u>0</u>	<u>0</u>	<u>409,811</u>
Total General Fixed Assets	<u><u>\$8,243,892</u></u>	<u><u>\$254,137</u></u>	<u><u>\$67,846</u></u>	<u><u>\$8,430,183</u></u>

**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 1999, the School District contracted with Nationwide Insurance for general liability insurance with a \$1,000,000 single occurrence limit and a \$5,000,000 aggregate.

Property is protected by Indiana Insurance and holds a \$500 deductible.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 1999**  
**(Continued)**

**10. RISK MANAGEMENT (Continued)**

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

**Workers' Compensation**

For fiscal year 1999, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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 CompManagement provides administrative, cost control and actuarial services to the GRP.

**11. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current 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 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$42,335, \$54,353 and \$45,755, respectively; 60 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$26,525 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999  
(Continued)**

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

**B. State Teachers Retirement System**

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

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations.

For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$144,484, \$245,974 and \$272,533, respectively; 82.62 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$26,866 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**12. POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$192,646 for fiscal year 1999.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999  
(Continued)**

**12. POSTEMPLOYMENT BENEFITS (Continued)**

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998.

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 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$48,625.

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 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million.

At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**13. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. 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 248 days for all certified and non-certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum payment of 62 days for all employees.

**B. Health Care Benefits**

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999  
(Continued)**

**13. OTHER EMPLOYEE BENEFITS (Continued)**

**C. Life Insurance**

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

**14. CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior years, the School District entered into a capitalized lease for computers. The lease meets 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 general purpose financial statements.

These expenditures are reflected as program/function expenditures on a budgetary basis.

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$102,121, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group.

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, 1999.

<b>Fiscal Year Ending June 30,</b>	<b>General Long-Term Obligations</b>
2000	\$9,712
Total minimum lease payments	9,712
Less: amount representing interest	(142)
Present value of minimum lease payments	\$9,570

**15. LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during fiscal year 1999, were as follows:

	<b>Amount Outstanding 6/30/98</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding 6/30/99</b>
School Bus Purchase Pool 1996 5.40%	\$157,000	\$0	\$50,000	\$107,000
Energy Conservation Loan 1991 3.40%	70,500	0	23,500	47,000
Total Long-Term Debt	227,500	0	73,500	154,000
Other Long-Term Obligations:				
Capital Lease	45,828	0	36,258	9,570
Compensated Absences	195,226	104,808	0	300,034
Intergovernmental Payable	31,584	47,340	31,584	47,340
Total General Long-Term Obligations	\$500,138	\$152,148	\$141,342	\$510,944

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999  
(Continued)**

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

**School Bus Financing Program**

On June 1, 1996, Southeastern Local School District issued \$250,000 in voted general obligation bonds for the purpose of purchasing school buses. The debt is for a five year period with final maturity on April 1, 2001. The debt will be retired from the capital projects fund.

**Energy Conservation Loan**

In 1991, Southeastern Local School District issued \$235,000 in unvoted general obligation notes 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 notes were issued for a ten year period with final maturity during fiscal year 2001. The notes will be retired from the general fund.

Only increases are shown for compensated absences in the above table because it was impracticable to identify the specific amounts of increases and decreases. The intergovernmental payable represents contractually required pension contributions paid outside the available period. Compensated absences and the pension contributions will be paid from the fund from which the person is paid. The capital lease obligation will be paid from the permanent improvement capital projects fund.

The School District's overall legal debt margin was \$6,663,235, the unvoted debt margin was \$72,847, and the energy conservation loan debt margin was \$608,624 at June 30, 1999. Principal and interest requirements to retire general obligation bonds and loans outstanding at June 30, 1999, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$75,500	\$8,438	\$83,938
2001	78,500	4,314	82,814
Total	\$154,000	\$12,752	\$166,752

**16. 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 eighteen representatives of each of the members of the Council, including the Superintendent of the Clark County Educational Service Center, who was appointed by the Superintendents of the Clark County schools. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council.

The Southeastern Local School District does not pay any dues since the Clark County Educational Service Center represents the School District. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Marilyn Demma, who serves as Treasurer, at 6 West High Street, Suite 500, Springfield, Ohio 45502.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999  
(Continued)**

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

**Springfield/Clark County Joint Vocational School** - The Springfield/Clark County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Mad River-Green 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 1999. To obtain financial information, write to the Springfield/Clark County Joint Vocational School, Mary Beth Kemmer, 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 \$7,206 for services provided during the year. Financial information can be obtained from MVECA at 330 Enon Road, Yellow Springs, Ohio 45387.

**Southwestern Ohio Educational Purchasing Council** - The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The Montgomery County Educational Service Center acts as the fiscal agent for the group. The purpose of the council 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 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 by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. A one year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member will be liable for all member obligations during this one year period. Payments to SOEPC are made from the general fund. During the fiscal year 1999, the Southeastern Local School District paid \$5,180 to SOEPC. To obtain financial information, write to Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as director, at 1831 Harshman Road, Dayton, Ohio 45424.

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code.

The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties shall elect two representatives per area.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999  
(Continued)**

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

All others shall elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after nomination committee nominates individuals to run. One at-large non-public representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative shall be elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 1999, the School District paid \$556 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**17. 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). The GRP's business and affairs are conducted by a fourteen member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**18. STATE SCHOOL FUNDING DECISION**

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 School District. During the fiscal year ended June 30, 1999, the School District received \$2,163,529 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 School 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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
AS OF JUNE 30, 1999  
(Continued)**

**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 School District is also required to set aside money for budget stabilization.

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>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$17,206	\$17,206
Current Year Set-aside Requirement	75,672	75,672	38,990	190,334
Current Year Offsets	(12,025)	(178,566)	0	(190,591)
Qualifying Disbursements	(117,179)	(42,978)	0	(160,157)
Total, June 30, 1999	<u>(\$53,532)</u>	<u>(\$145,872)</u>	<u>\$56,196</u>	<u>(\$143,208)</u>
Cash Balance Carried Forward to FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$56,196</u>	<u>\$56,196</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts for textbooks and capital acquisitions to below zero, the extra amount may not be used to reduce the set-aside requirement of future. The negative amounts for textbooks and capital acquisitions are therefore not presented as being carried forward to the next fiscal year.

**20. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

**B. Litigation**

The School District does not have any pending litigation.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
www.auditor.state.oh.us

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

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

To The Board of Education:

We have audited the financial statements of Southeastern Local School District, Clark County, Ohio (the District) as of and for the year ended June 30, 1999, and have issued our report thereon February 14, 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 District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 14, 2000.

**Internal Control Over Financial Reporting**

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

However, we identified certain immaterial internal control weaknesses, that are not required to be included in this report, that we have reported to the management of the District in a separate letter dated February 14, 2000.

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

**Jim Petro**  
Auditor of State

February 14, 2000

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**JUNE 30, 1999**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1998-10312-001	5705.41(B)	No	Repeated in separate letter to management.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**SOUTHEASTERN LOCAL SCHOOL DISTRICT**

**CLARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 14, 2000**