



**SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet All Funds Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Fund	8
Combined Statement of Revenues, Expenditures and Changes in Fund Balances, Budget - Actual (Budgetary Basis) All Governmental Fund Types and Expendable Trust Fund	12
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Fund Types	21
Combined Statement of Cash Flows All Proprietary Fund Types	23
Notes to the General Purpose Financial Statements	25
Schedule of Receipts and Expenditures of Federal Awards	55
Notes to Schedule of Receipts and Expenditures of Federal Awards	56
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	57
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	59
Schedule of Findings	61
Schedule of Prior Audit Findings	63

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REPORT OF INDEPENDENT ACCOUNTANTS

Southeast Local School District
Wayne County
9048 Dover Road
Apple Creek, Ohio 44606

To the Board of Education:

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

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3C to the general purpose financial statements, the District has restated the July 1, 2001 fund balances for the General and Special Revenue Funds to correct for the improper accrual of certain liabilities at June 30, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

November 15, 2002

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SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY

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

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<u>Assets and Other Debits</u>				
Cash, Cash Equivalents and Investments	\$ 4,295,271	\$ 457,759	\$ 444,310	\$ 203,185
Receivable (Net of Allowances for Uncollectables)				
Taxes - Current	5,798,000	-	85,900	300,500
Taxes - Delinquent	114,399	-	1,718	5,962
Intergovernmental	-	68,847	-	-
Accounts	863	-	-	-
Materials & Supplies Inventory	-	-	-	-
Prepaid Items	7,026	-	-	-
Restricted Assets:				
Cash, Cash Equivalents, and Investments	55,070	-	-	-
Property, Plant and Equipment (Net of Accumulated Depreciation where applicable)	-	-	-	-
Amount available in Debt Service Fund	-	-	-	-
Amount to be provided for Retirement of General Long-Term Obligations	-	-	-	-
Total Assets and Other Debits	<u>\$ 10,270,629</u>	<u>\$ 526,606</u>	<u>\$ 531,928</u>	<u>\$ 509,647</u>

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

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTALS
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	(MEMO-RANDUM ONLY)
\$ 85,603	\$ 4,347	\$ 48,597	\$ -	\$ -	\$ 5,539,072
-	-	-	-	-	6,184,400
-	-	-	-	-	122,079
-	-	-	-	-	68,847
1,950	-	-	-	-	2,813
13,648	-	-	-	-	13,648
-	-	-	-	-	7,026
-	-	-	-	-	55,070
58,894	-	-	9,032,955	-	9,091,849
-	-	-	-	451,636	451,636
-	-	-	-	1,200,703	1,200,703
\$ 160,095	\$ 4,347	\$ 48,597	\$ 9,032,955	\$ 1,652,339	\$ 22,737,143

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2002
(Continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<u>Liabilities, Equity and Other Credits</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 127,148	\$ 84,267	\$ -	\$ 112,936
Accrued Wages and Benefits	1,094,653	214,135	-	-
Compensated Absences Payable	39,834	-	-	-
Due to Students	-	-	-	-
Capital Lease Payable	-	-	-	-
Claims Payable	-	-	-	-
Due to Other Governments	162,013	31,761	-	-
Deferred Revenue	5,409,526	-	80,292	280,640
General Obligation Bonds Payable	-	-	-	-
General Obligation Notes Payable	-	-	-	-
	6,833,174	330,163	80,292	393,576
Total Liabilities				
<u>Equity and Other Credits</u>				
Investment in General Fixed Assets	-	-	-	-
Retained Earnings (accumulated deficit): Unreserved	-	-	-	-
Fund Balances:				
Reserved for Encumbrances	32,593	12,863	-	12,385
Reserved for Prepaid Items	7,026	-	-	-
Reserved for Property Taxes	502,874	-	7,326	25,822
Reserved for BWC Refunds	55,070	-	-	-
Unreserved - Undesignated	2,839,892	183,580	444,310	77,864
	3,437,455	196,443	451,636	116,071
Total Equity and Other Credits				
Total Liabilities, Equity and Other Credits	\$ 10,270,629	\$ 526,606	\$ 531,928	\$ 509,647

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

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTALS (MEMO- RANDOM ONLY)
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
\$ 1,175	\$ -	\$ 816	\$ -	\$ -	\$ 326,342
21,292	-	-	-	-	1,330,080
15,678	-	-	-	587,764	643,276
-	-	37,075	-	-	37,075
-	-	-	-	3,682	3,682
-	15,509	-	-	-	15,509
11,263	-	-	-	105,488	310,525
4,493	-	-	-	-	5,774,951
-	-	-	-	450,000	450,000
-	-	-	-	505,405	505,405
53,901	15,509	37,891	-	1,652,339	9,396,845
-	-	-	9,032,955	-	9,032,955
106,194	(11,162)	-	-	-	95,032
-	-	-	-	-	57,841
-	-	-	-	-	7,026
-	-	-	-	-	536,022
-	-	-	-	-	55,070
-	-	10,706	-	-	3,556,352
106,194	(11,162)	10,706	9,032,955	-	13,340,298
\$ 160,095	\$ 4,347	\$ 48,597	\$ 9,032,955	\$ 1,652,339	\$ 22,737,143

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY

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

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Revenues				
Taxes	\$ 5,576,150	\$ -	\$ 81,405	\$ 289,872
Tuition and Fees	24,539	-	-	-
Earnings on Investments	133,942	2,907	12,693	3,073
Intergovernmental	5,131,122	1,609,172	8,304	94,052
Extracurricular Activities	-	209,671	-	-
Classroom Materials & Supplies	27,897	-	-	-
Miscellaneous	24,147	138,944	-	-
Total Revenues	<u>10,917,797</u>	<u>1,960,694</u>	<u>102,402</u>	<u>386,997</u>
Expenditures				
Instruction:				
Regular Instruction	5,389,579	75,195	-	26,882
Special Instruction	697,385	1,329,471	-	-
Vocational Instruction	300,451	-	-	-
Other Instruction	7,291	-	-	-
Support Services:				
Pupils	331,055	353,665	-	-
Instructional Staff	279,623	93,265	-	-
Board of Education	21,668	-	-	-
School Administration	1,368,112	80,880	-	-
Fiscal	313,171	-	1,649	5,971
Operations and Maintenance	857,338	-	-	116
Pupil Transportation	773,727	-	-	-
Central	28,291	4,612	-	-
Operation of Non-Instructional Services	-	103,557	-	-
Extracurricular Activities	233,342	152,285	-	-
Facilities Acquisition	391,190	-	-	368,587
Debt Service:				
Principal Retirement	38,989	-	130,000	-
Interest and Fiscal Charges	27,181	-	38,481	-
TOTAL EXPENDITURES	<u>\$ 11,058,393</u>	<u>\$ 2,192,930</u>	<u>\$ 170,130</u>	<u>\$ 401,556</u>

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

FIDUCIARY FUND TYPE	TOTALS (MEMORANDUM ONLY)
\$ -	\$ 5,947,427
-	24,539
-	152,615
-	6,842,650
-	209,671
-	27,897
<u>3,443</u>	<u>166,534</u>
<u>3,443</u>	<u>13,371,333</u>
-	5,491,656
-	2,026,856
-	300,451
-	7,291
-	684,720
-	372,888
-	21,668
-	1,448,992
-	320,791
-	857,454
-	773,727
-	32,903
-	103,557
-	385,627
-	759,777
-	168,989
<u>-</u>	<u>65,662</u>
<u>\$ -</u>	<u>\$ 13,823,009</u>

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY

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

(Continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (140,596)	\$ (232,236)	\$ (67,728)	\$ (14,559)
<u>Other Financing Sources</u>				
Sale of Assets	4,500	-	-	-
Unclaimed Monies	-	-	-	-
Total Other Financing Sources	<u>4,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures	(136,096)	(232,236)	(67,728)	(14,559)
Fund Balances, Restated - July 1, 2001	<u>3,573,551</u>	<u>428,679</u>	<u>519,364</u>	<u>130,630</u>
Fund Balances - June 30, 2002	<u>\$ 3,437,455</u>	<u>\$ 196,443</u>	<u>\$ 451,636</u>	<u>\$ 116,071</u>

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

FIDUCIARY FUND TYPE	TOTALS (MEMORANDUM ONLY)
<u>EXPENDABLE TRUST</u>	
<u>\$ 3,443</u>	<u>\$ (451,676)</u>
-	4,500
<u>6,052</u>	<u>6,052</u>
<u>6,052</u>	<u>10,552</u>
9,495	(441,124)
<u>1,211</u>	<u>4,653,435</u>
<u>\$ 10,706</u>	<u>\$ 4,212,311</u>

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY

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

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
<u>Revenues</u>			
Taxes	\$ 5,713,809	\$ 5,742,195	\$ 28,386
Tuition and Fees	36,200	24,539	(11,661)
Earnings on Investments	170,000	133,942	(36,058)
Extracurricular Activities	-	-	-
Intergovernmental	4,943,500	5,131,122	187,622
Classroom Materials and Fees	25,500	27,897	2,397
Miscellaneous	36,000	24,147	(11,853)
Total Revenues	<u>10,925,009</u>	<u>11,083,842</u>	<u>158,833</u>
<u>Expenditures</u>			
Instruction:			
Regular Instruction	5,693,096	5,347,763	345,333
Special Instruction	640,252	691,213	(50,961)
Vocational Instruction	307,900	297,647	10,253
Other Instruction	75,000	11,424	63,576
Support Services:			
Pupils	367,506	316,440	51,066
Instructional Staff	301,066	285,230	15,836
Board of Education	25,235	28,694	(3,459)
School Administration	1,430,202	1,366,071	64,131
Fiscal	303,991	312,152	(8,161)
Operations and Maintenance	902,889	872,960	29,929
Pupil Transportation	800,950	757,041	43,909
Central	42,700	28,291	14,409
Non Instructional Service			
Community Services	-	-	-
Extracurricular Activities	243,300	230,479	12,821
Facilities and Acquisition	411,700	391,190	20,510
Debt Service:			
Principal Retirement	35,000	34,381	619
Interest and Fiscal Charges	27,000	26,633	367
Total Expenditures	<u>\$ 11,607,787</u>	<u>\$ 10,997,609</u>	<u>\$ 610,178</u>

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

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ 77,000	\$ 82,090	\$ 5,090
-	-	-	-	-	-
3,475	2,907	(568)	15,000	12,693	(2,307)
207,050	209,671	2,621	-	-	-
1,566,832	1,540,325	(26,507)	8,000	8,304	304
-	-	-	-	-	-
117,983	138,944	20,961	-	-	-
1,895,340	1,891,847	(3,493)	100,000	103,087	3,087
123,619	91,881	31,738	-	-	-
1,403,112	1,271,182	131,930	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
389,103	345,747	43,356	-	-	-
125,467	103,472	21,995	-	-	-
-	-	-	-	-	-
110,111	82,829	27,282	-	-	-
-	-	-	4,000	1,648	2,352
-	-	-	-	-	-
-	-	-	-	-	-
5,086	4,995	91	-	-	-
119,106	118,785	321	-	-	-
163,684	152,651	11,033	-	-	-
-	-	-	-	-	-
-	-	-	130,000	130,000	-
-	-	-	38,731	38,481	250
\$ 2,439,288	\$ 2,171,542	\$ 267,746	\$ 172,731	\$ 170,129	\$ 2,602

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY

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

(Continued)

CAPITAL PROJECTS FUND			
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
<u>Revenues</u>			
Taxes	\$ 290,018	\$ 292,650	\$ 2,632
Tuition and Fees	-	-	-
Earnings on Investments	4,000	3,073	(927)
Extracurricular Activities	-	-	-
Intergovernmental	82,982	94,052	11,070
Classroom Materials and Fees	-	-	-
Miscellaneous	-	-	-
	377,000	389,775	12,775
<u>Expenditures</u>			
Instruction:			
Regular Instruction	85,210	51,958	33,252
Special Instruction	-	-	-
Vocational Instruction	-	-	-
Other Instruction	-	-	-
Support Services:			
Pupils	-	-	-
Instructional Staff	-	-	-
Board of Education	-	-	-
School Administration	-	-	-
Fiscal	5,000	5,971	(971)
Operations and Maintenance	25,000	116	24,884
Pupil Transportation	-	-	-
Central	-	-	-
Non Instructional Service			
Community Services	-	-	-
Extracurricular Activities	-	-	-
Facilities and Acquisition	273,670	285,566	(11,896)
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
	\$ 388,880	\$ 343,611	\$ 45,269

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

EXPENDABLE TRUST FUND			TOTALS (MEMORANDUM ONLY)		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ 6,080,827	\$ 6,116,935	\$ 36,108
-	-	-	36,200	24,539	(11,661)
-	-	-	192,475	152,615	(39,860)
-	-	-	207,050	209,671	2,621
-	-	-	6,601,314	6,773,803	172,489
-	-	-	25,500	27,897	2,397
9,300	3,443	(5,857)	163,283	166,534	3,251
9,300	3,443	(5,857)	\$ 13,306,649	\$ 13,471,994	\$ 165,345
-	-	-	5,901,925	5,491,602	410,323
-	-	-	2,043,364	1,962,395	80,969
-	-	-	307,900	297,647	10,253
-	-	-	75,000	11,424	63,576
-	-	-	756,609	662,187	94,422
-	-	-	426,533	388,702	37,831
-	-	-	25,235	28,694	(3,459)
-	-	-	1,540,313	1,448,900	91,413
-	-	-	312,991	319,771	(6,780)
-	-	-	927,889	873,076	54,813
-	-	-	800,950	757,041	43,909
-	-	-	47,786	33,286	14,500
-	-	-	119,106	118,785	321
-	-	-	406,984	383,130	23,854
-	-	-	685,370	676,756	8,614
-	-	-	165,000	164,381	619
-	-	-	65,731	65,114	617
\$ -	\$ -	\$ -	\$ 14,608,686	\$ 13,682,891	\$ 925,795

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY

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

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (682,778)	\$ 86,233	\$ 769,011
<u>Other Financing Sources/ (Uses)</u>			
Sale of Assets	5,000	4,500	(500)
Transfers Out	(10,000)	-	10,000
Refund of Prior Year Expenditures	-	-	-
Advances In	9,000	-	(9,000)
Total Other Sources/ (Uses)	4,000	4,500	500
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(678,778)	90,733	769,511
Prior Year Encumbrances Appropriated	30,550	30,550	-
Fund Balances - July 1, 2001	4,117,801	4,117,801	-
Fund Balances - June 30, 2002	\$ 3,469,573	\$ 4,239,084	\$ 769,511

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

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ (543,948)	\$ (279,695)	\$ 264,253	\$ (72,731)	\$ (67,042)	\$ 5,689
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(543,948)	(279,695)	264,253	(72,731)	(67,042)	5,689
56,973	56,973	-	(3)	(3)	-
641,841	641,841	-	511,355	511,355	-
\$ 154,866	\$ 419,119	\$ 264,253	\$ 438,621	\$ 444,310	\$ 5,689

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY

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

	CAPITAL PROJECTS FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (11,880)	\$ 46,164	\$ 58,044
<u>Other Financing Sources/ (Uses)</u>			
Sale of Assets	-	-	-
Transfers Out	-	-	-
Refund of Prior Year Expenditures	-	-	-
Advances In	-	-	-
Total Other Sources/ (Uses)	-	-	-
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(11,880)	46,164	58,044
Prior Year Encumbrances Appropriated	49,012	49,012	-
Fund Balances - July 1, 2001	79,032	79,032	-
Fund Balances - June 30, 2002	\$ 116,164	\$ 174,208	\$ 58,044

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

EXPENDABLE TRUST FUND			TOTALS (MEMORANDUM ONLY)		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ 9,300	\$ 3,443	\$ (5,857)	\$ (1,302,037)	\$ (210,897)	\$ 1,091,140
-	-	-	5,000	4,500	(500)
-	-	-	(10,000)	-	10,000
-	6,052	6,052	-	6,052	6,052
-	-	-	9,000	-	(9,000)
-	6,052	6,052	4,000	10,552	6,552
9,300	9,495	195	(1,298,037)	(200,345)	1,097,692
-	-	-	136,532	136,532	-
1,211	1,211	-	5,351,240	5,351,240	-
\$ 10,511	\$ 10,706	\$ 195	\$ 4,189,735	\$ 5,287,427	\$ 1,097,692

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SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002

	PROPRIETARY FUND TYPES		
	ENTERPRISE FUNDS	INTERNAL SERVICE FUND	TOTALS (MEMORANDUM ONLY)
<u>Operating Revenues</u>			
Food Services	\$ 335,652	\$ -	\$ 335,652
Charges for Services	-	81,157	81,157
Classroom Materials and Supplies	7,516	-	7,516
Total Operating Revenues	<u>343,168</u>	<u>81,157</u>	<u>424,325</u>
<u>Operating Expenses</u>			
Salaries	195,052	-	195,052
Fringe Benefits	92,467	-	92,467
Purchased Services	-	104,825	104,825
Depreciation	9,548	-	9,548
Materials and Supplies	232,384	-	232,384
Total Operating Expenses	<u>529,451</u>	<u>104,825</u>	<u>634,276</u>
Operating (Loss)	(186,283)	(23,668)	(209,951)
<u>Nonoperating Revenues (Expenses)</u>			
Interest Income	2,272	-	2,272
Operating Grants	168,024	-	168,024
Loss on Sale of Assets	(506)	-	(506)
Total Nonoperating Revenues (Expenses)	<u>169,790</u>	<u>-</u>	<u>169,790</u>
Net (Loss)	(16,493)	(23,668)	(40,161)
Retained Earnings - July 1, 2001	122,687	12,506	135,193
Retained Earnings (Accumulated Deficit) - June 30, 2002	<u>\$ 106,194</u>	<u>\$ (11,162)</u>	<u>\$ 95,032</u>

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

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SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002

	PROPRIETARY FUND TYPES		
	ENTERPRISE FUNDS	INTERNAL SERVICE FUND	TOTALS (MEMORANDUM ONLY)
<u>Cash Flows from Operating Activities</u>			
Operating (Loss)	\$ (186,283)	\$ (23,668)	\$ (209,951)
Adjustments to reconcile Operating (Loss) to Net Cash (Used In) Operating Activities:			
Depreciation	9,548	-	9,548
<i><u>(Increase) Decrease in Assets:</u></i>			
Inventory	3,102	-	3,102
Accounts Receivable	(1,950)	-	(1,950)
<i><u>Increase (Decrease) in Liabilities:</u></i>			
Accounts Payable	1,175	-	1,175
Compensated Absences Payable	6,042	-	6,042
Accrued Wages and Benefits	1,221	-	1,221
Claims Payable	-	(10,969)	(10,969)
Deferred Revenues	(2,095)	-	(2,095)
Due To Other Governments	(908)	-	(908)
Total Adjustments	16,135	(10,969)	5,166
Net cash (used in) operating activities	(170,148)	(34,637)	(204,785)
<u>Cash Flows from Noncapital Financing Activities</u>			
Operating Grants	168,024	-	168,024
Interest Income	2,272	-	2,272
Net cash provided by noncapital financing activities	170,296	-	170,296
Net increase (decrease) in cash and cash equivalents	148	(34,637)	(34,489)
Cash and cash equivalents - July 1, 2001	85,455	38,984	124,439
Cash and cash equivalents - June 30, 2002	\$ 85,603	\$ 4,347	\$ 89,950

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

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SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

1. Description of the School District and Reporting Entity

The Southeast Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a five-member Board of Education (the Board) elected by its citizens and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's six instructional and support facilities. Average daily membership as of October 1, 2001 was 1,683. The District employed 145 certified and 102 non-certified employees.

The Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the general purpose financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units.

Joint Venture

The District participates in a joint venture to operate the Midland Council of Governments (COG), a regional council of governments established to provide efficient and cost effective computer and data processing services to each member. Other participants in the COG include school districts in Ashland, Holmes, and Wayne Counties, and the Wadsworth City School District.

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

1. Description of the School District and Reporting Entity (Continued)

The COG was established in July of 1993 and is governed by a seven-member Executive Committee, appointed by the COG. The Tri-County Educational Service Center serves as fiscal agent for the COG and is responsible for all financial reporting for the COG.

The COG is funded by member fees and state grants. The Executive Committee determines and sets the member fees for all services to the COG. Fees are billed to member districts annually around July 1st. The District paid \$25,740 in fees for 2000-01 and \$25,155 in fees for 2001-02. The District has no equity interest in the COG.

Upon dissolution of the COG, any unclaimed assets remaining on the COG's books shall be distributed as follows:

1. All tangible personal property previously loaned or given to the COG that is clearly identified as to ownership shall be returned to the owner member.
2. All remaining tangible personal property shall be sold at public sale in accordance with the ORC 307.12 by sealed bid. The cash proceeds and all remaining assets and other intangibles, including moneys, shall be distributed to the member districts in proportion to the ADM of the district.

Upon withdrawal from the COG, a member shall be released from all obligations and liabilities of the COG except those for which it was a contracting party or for pending claims. The withdrawing member district shall receive any tangible personal property it individually owns and which is housed remotely. Any and all other moneys, grants, and property housed at the data center shall remain that of the COG.

Upon termination/suspension from the COG, a member shall return all equipment or assets owned by the Executive Committee and will be responsible for any loss in state funding to the COG as a result of the termination.

Complete financial statements for the COG can be obtained from the Tri-County Educational Service Center, 741 Winkler Drive, Wooster, Ohio 44691.

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

1. Description of the School District and Reporting Entity (Continued)

Jointly Governed Organizations

Wayne County Career Center

The Wayne County Career Center (the Career Center) is a separate body politic and corporate, established by the Ohio Revised Code. The Board of Education is comprised of representatives from the Board of each participating school district independent of the Southeast Local School District. The Board is responsible for approving its own budgets, appointing personnel, and accounting and financing related activities. Students from the Southeast Local School District may attend the Career Center.

Wayne County Schools Council

The District, in conjunction with four other Wayne County school districts, has created the Wayne County Schools Council (the Council) for the purpose of providing a Health Care Benefits program. Other school districts participating in the Council are Dalton Local, Green Local, Northwestern Local, and North Central Local.

The Board of Directors is comprised of one representative from each school district. Northwestern Local School District serves as fiscal agent for the Council.

Through the Council, the District offers its employees a health care program through Medical Mutual of Ohio (MMO). Insurance rates are set by MMO, and payment is made to MMO, through the Council's fiscal agent.

Administrative costs are determined annually by the Board of Directors. The fees are paid out of the reserve balance fund, for administrative and consultant fees.

Tri-County Computer Service Association

The District is a member of the Tri-County Computer Service Association (TCSSA), a jointly governed organization which provides computer services to the school districts within the boundaries of Wayne, Holmes, and Ashland Counties. Each District's superintendent serves as a representative on the Board which consists of 20 member districts. However, TCSSA is primarily governed by a five member executive Board which meets monthly to address any current issues.

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

2. Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as it applies to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under the guidelines of Governmental Accounting Standards Board (GASB) Statement 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units That Use Proprietary Fund Accounting, the District has elected not to apply Financial Accounting Standards Board (FASB) Statements and interpretations issued after November 30, 1989, to its proprietary activities. The adoption of this approach to accounting for proprietary activities by the District has required no change from prior years.

The District's significant accounting policies are described below.

A. Basis of Presentation

Fund Accounting

The District uses funds and account groups to report on 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 District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available resources. For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types

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

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

General Fund

The General Fund is the operating fund of the 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 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 major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The Debt Service Fund is used to account for financial resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

The Capital Projects Funds are used to account for the accumulation of resources to be used for the acquisition or construction of major capital facilities (other than those financed by propriety funds).

Proprietary Fund Types

Proprietary Funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the District's Proprietary Fund types:

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Enterprise Funds

Enterprise Funds are used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent of the Board 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 the Board has 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.

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, on a cost-reimbursement basis.

Fiduciary Fund Type

Fiduciary Funds are used to account for assets held by the District, in a trustee capacity or as an agent on behalf of others. The following are the District's Fiduciary Fund Types:

Expendable Trust Fund

The Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting.

Agency Funds

Agency Funds are used to account for assets held by the District as an agent. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities 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 District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group

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

B. Measurement Focus and Basis of Accounting

Measurement Focus

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.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital (if applicable) and retained earnings components. Proprietary Fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting

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, expendable trust 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 District is 60 days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

The 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, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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 types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for the district. Any budgetary modifications at this level may only be made by resolution of the Board.

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

Tax Budget

Prior to January 15, of the preceding year, the Superintendent and Treasurer submit to the Board 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 Wayne County Budget Commission for tax rate determination.

Estimated Resources

Prior to April 1, the Board accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that 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 District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

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 must be legally enacted by the Board at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control. Any revisions that alter the total of any fund appropriation, must be approved by the Board.

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, several supplemental appropriations were legally enacted.

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 District funds, consistent with statutory provisions.

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 budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent year end expenditures of governmental funds.

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

Lapsing of Appropriations

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled at various banks. Monies for all funds, including proprietary funds, are maintained in these accounts or temporarily used to purchase short term investments. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Cash, Cash Equivalents and Investments" on the balance sheet. During fiscal year 2002, investments were limited to STAR Ohio.

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 an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

E. Inventory

Inventories are valued at cost (first in, first out) and are determined by physical count. Inventory in Proprietary Funds consist of expendable supplies held for consumption and food service items held for resale. The cost has been recorded as an expense at the time individual inventory items were consumed. Donated commodities which are still on hand at year end are recorded as deferred revenue.

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

F. 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 proprietary funds are capitalized in those funds. 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 date received. The District maintains a capitalization threshold of \$1,000. The District does not have any infrastructure.

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.

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 estimated useful lives of 8 to 20 years.

G. Restricted Assets

Restricted assets in the General Fund represents cash and cash equivalents set aside to establish a BWC refund reserve. This reserve is required by State statute. Fund balance reserve has also been established.

H. 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 proprietary fund operations are recognized as nonoperating revenues in the accounting period in which they are earned and become measurable. The District currently participates in various state and federal programs categorized as follows:

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

H. Intergovernmental Revenues

Entitlements

General Fund
State Foundation Program

Nonreimbursable Grants

Special Revenue Funds

Title I
Title VI
Title VI-R
Title VI-B Flow Through Grant
Eisenhower Grant
Goals 2000
Auxiliary Services Flow Through
Ohio Reads
Summer Intervention
Career Development
Drug Free Schools Grant

Capital Projects Funds

SchoolNet Plus
Long Distance Learning Grant

Reimbursable Grants

Enterprise Funds

National School Lunch Program
Government Donated Commodities

Grants and Entitlements totaled approximately 39% of the District's operating revenues during the 2002 fiscal year.

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

I. 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 District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future, in accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

For governmental funds, the District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The District records a liability for accumulated unused sick leave for both classified and certified employees once they meet the eligibility requirements for retirement from one of the State retirement systems. 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 are paid. The remainder is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits 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 available expendable financial resources. Bonds, capital leases, compensated absences, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in those funds.

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

2. Summary of Significant Accounting Policies (Continued)

K. Interfund Transactions

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

L. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use of which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, prepaid items, property taxes, 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.

M. Total Columns on General Purpose Financial Statements

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

N. Estimates

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

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

3. Accountability

A. Retained Earnings Deficit

Fund equity balances at June 30, 2002, included the following individual retained earnings deficit:

Self Insurance Dental Fund	\$(11,162)
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The deficit in this fund was caused by the application of Generally Accepted Accounting Principles. It will be funded by anticipated future interfund charges, which were not recognized or recorded at year end.

This fund did, however, comply with Ohio State law, which does not permit a cash basis deficit at year end.

B. Compliance

Contrary to Ohio Rev. Code Section 5705.41(D), the District did not certify the availability of funds for certain expenditures prior to incurring the obligation.

C. Restatement of Prior Year Fund Balances

An adjustment was made to move accrued wages and due to other governments that were incorrectly recorded in the Special Revenue Funds to the General Fund. This caused the beginning fund balances in the General Fund to decrease and the fund balance in the Special Revenue Fund to increase.

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Beginning Fund Balance, as previously reported	\$3,772,826	\$229,404
Adjustments	<u>(199,275)</u>	<u>199,275</u>
Beginning Fund Balance, Restated	<u>\$3,573,551</u>	<u>\$428,679</u>

These changes had the following effect on excess (deficit) of revenues over (under) expenditures:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Excess (deficit) at June 30, 2001	\$1,154,414	(\$99,539)
Adjustments	<u>(199,275)</u>	<u>199,275</u>
Restated excess at July 1, 2001	<u>\$955,139</u>	<u>\$99,736</u>

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

4. Budgetary Basis of Accounting

While the 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 - Actual (Budgetary Basis) - All Governmental Fund Types and Expendable Trust Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the Budgetary basis and GAAP basis are that:

1. Revenues are recorded when received in cash (Budgetary basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (Budgetary basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditure equivalents for all funds (Budgetary basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the Budgetary and GAAP basis statements by fund type.

<u>Excess (Deficit) of Revenues and Other Financing Sources</u> <u>Over (Under) Expenditures and Other Financing Uses</u>					
	General	Special Revenue	Capital Projects	Debt Service	Expendable Trust
Budget Basis	\$ 90,733	\$(279,695)	\$46,164	\$(67,042)	\$9,495
Adjustments for Revenue					
Accruals	737,116	(834,315)	(2,778)	(685)	-
Adjustments for Expenditure					
Accruals	(1,073,741)	843,135	(86,922)	(1)	-
Adjustments for Encumbrances	<u>111,262</u>	<u>38,639</u>	<u>28,977</u>	<u>-</u>	<u>-</u>
GAAP Basis	<u>\$(136,096)</u>	<u>\$(232,236)</u>	<u>\$(14,559)</u>	<u>\$(67,728)</u>	<u>\$9,495</u>

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

5. Deposits and Investments

State statutes classify monies held by the 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 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 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 no 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 passbook accounts.

Interim monies may be invested in the following obligations:

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 or 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 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

5. Deposits and Investments (Continued)

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);
7. Certain bankers' acceptance and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation.

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.

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

Deposits: At year end, the carrying amount of the District's deposits was \$125,569 and the bank balance was \$181,684. Of the bank balance:

1. \$112,251 was covered by federal depository insurance; and
2. \$69,433 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

5. Deposits and Investments (Continued)

Investments: The District's Investments are categorized below to give an indication of the level of custodial credit risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes insured and unregistered investments which are held by the counterparty's trust department or agent in the 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 District's name. The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form.

	<u>Carrying Value</u>	<u>Fair Value</u>
STAR Ohio	<u>\$5,468,573</u>	<u>\$5,468,573</u>
Total Investments	<u>\$5,468,573</u>	<u>\$5,468,573</u>

6. Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied after April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

6. Property Taxes (Continued)

The District receives property taxes from Wayne, Holmes, and Stark County. These County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002. 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 fiscal year operations. The receivable is therefore offset by a credit to a deferred revenue for that portion not intended to finance current year operations. The amount available to the District as an advance at June 30, 2002, was \$536,022.

7. Fixed Assets

A summary of the changes in the General Fixed Asset Account Group during the fiscal year is as follows:

	Balance 7/1/01	Additions	Disposals	Balance 6/30/02
Land and Land Improvements	\$ 658,506	\$392,000	\$ -	\$ 1,050,506
Buildings and Building Improvements	4,243,958	-	-	4,243,958
Furniture, Fixtures, and Equipment	2,328,682	54,356	(21,682)	2,361,356
Vehicles	<u>1,378,799</u>	<u>91,912</u>	<u>(93,576)</u>	<u>1,377,135</u>
Totals	<u>\$8,609,945</u>	<u>\$538,268</u>	<u>\$ (115,258)</u>	<u>\$9,032,955</u>

A summary of the Enterprise Funds' fixed assets at June 30, 2002 is as follows:

	Balance 7/1/01	Additions	Disposals	Balance 6/30/02
Furniture, Fixtures, and Equipment	\$ 294,754	\$ -	\$ (1,264)	\$ 293,490
Less: Accumulated Depreciation	<u>(225,806)</u>	<u>(9,548)</u>	<u>758</u>	<u>(234,596)</u>
Net Fixed Assets	<u>\$ 68,948</u>	<u>\$ (9,548)</u>	<u>\$ (506)</u>	<u>\$ 58,894</u>

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

8. Long-Term Debt and Other Obligations

Debt outstanding at June 30, 2002 consisted of the following:

<u>General Obligation Bonds</u>		<u>General Obligation Notes</u>	
Principal Outstanding	\$450,000	Principal Outstanding	\$505,405
Interest Rate	7.35%	Interest Rate	5.05 %

The annual requirements to amortize all note debt outstanding as of June 30, 2002 including interest payments of \$201,750 are as follows:

<u>Year ending June 30</u>	<u>General Obligation Bonds</u>	<u>General Obligation Notes</u>
2003	168,025	61,014
2004	166,616	61,014
2005	166,616	61,014
2006	-	61,014
2007	-	61,014
2008 - 2012	-	305,067
2013	-	45,761
TOTAL	<u>\$ 501,257</u>	<u>\$ 655,898</u>

Long-term debt and other obligations at June 30, 2002 and the related transactions for the year are summarized as follows:

	Balance 7/1/01	Additions	Reductions	Balance 6/30/02
G.O. Bonds Payable	\$ 580,000	\$ -	\$ 130,000	\$ 450,000
G.O. Notes Payable	539,723	-	34,318	505,405
Compensated Absences Payable	454,947	132,817	-	587,764
Due to Other Governments	105,473	15	-	105,488
Capital Lease Payable	7,742	-	4,060	3,682
Total	<u>\$ 1,687,885</u>	<u>\$132,832</u>	<u>\$ 168,378</u>	<u>\$1,652,339</u>

All obligations outstanding are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the appropriate fund when due and payable.

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

9. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per fiscal year, depending upon the length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of 1.25 days per month. Sick leave may be accumulated up to a maximum of 250 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 60 days for both classified and certified employees.

10. Risk Management

Comprehensive - The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the District contracted with private carriers for property and fleet insurance, liability insurance, and inland marine coverage. Coverage provided by these carriers is as follows:

Building and Contents-replacement cost - \$21,367,935 (\$1,000 deductible)

Inland Marine Coverage - \$1,072,235 (\$50-\$1,000 deductible)

Automobile Liability - \$1,000,000 (\$100 deductible)

Uninsured Motorists - \$1,000,000

General Liability - \$5,000,000 aggregate/\$1,000,000 per occurrence

Settled claims have not exceeded this commercial coverage nor has there been any significant reduction in coverage in any of the past three years.

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

10. Risk Management (Continued)

Workers Compensation - The District participates in the Ohio School Board Association Workers' Compensation Program (GRP), an insurance purchasing pool. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the GRP. The GRP is intended to achieve the benefit of a reduced premium by virtue of its grouping and representation with other participants 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. The total savings are then calculated and each participant's individual performance is compared to the overall savings percentage 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's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

Self-Insurance - The District is self-insured only for its dental insurance program. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claims reserves, and administrative costs of the program. A stop loss insurance contract with a private insurance carrier, covers aggregate stop loss in excess of 120% of expected claims. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transaction.

	<u>July 1</u>	<u>Claims</u>	<u>Payments</u>	<u>June 30</u>
2001	\$ 13,933	\$108,979	\$ 96,434	\$ 26,478
2002	\$ 26,478	\$104,825	\$115,794	\$ 15,509

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

11. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan, administered by the School Employees Retirement Board. 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 established 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 for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The contribution rate is 14% of the annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$259,792, \$210,992, and \$195,326, respectively. 49% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. \$133,584 representing the unpaid contribution for the fiscal year 2002, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The District also contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

11. Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$865,439, \$818,584, and \$766,914, respectively. 88% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$152,412 representing the unpaid contribution for the fiscal year 2002, 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, 2002, three members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

12. Post Employment Benefits

The 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 funded on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from the STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$278,177 for fiscal year 2002. The balance in the Health Care Reserve Fund at year end was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), eligible benefit recipients totaled 102,132 and net health care costs paid by STRS were \$300,772,000.

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

12. Post Employment Benefits (Continued)

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service, up to a maximum of 75% of the premium. For this fiscal year, employer contributions to fund health care benefits were 8.54% of covered payroll, a decrease of 1.26% from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution provides for maintenance of the asset target level for the health care fund. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$158,473. For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by SERS were \$161,439,934 and the target level was \$242.2 million. Net assets available for payment as of June 30, 2001 by the Retirement System were \$315.7 million. The number of participants currently receiving health care benefits is approximately 50,000.

13. Segment Information for Enterprise Funds

The District maintains two Enterprise Funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2002.

	Food Service	School Supplies	Total
Operating Revenues	\$335,652	\$7,516	\$343,168
Operating Expenses	519,647	9,804	529,451
Operating (Loss)	(183,995)	(2,288)	(186,283)
Nonoperating Revenues	169,790	-	169,790
Net (Loss)	(14,205)	(2,288)	(16,493)
Net Working Capital	62,628	350	62,978
Total Assets	159,745	350	160,095
Total Equity	105,844	350	106,194

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

14. Contingencies and Commitments (Continued)

Grants

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

School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

15. Statutory Reserves

The 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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. At June 30, 2002, only the unspent portion of certain workers' compensation refunds BWC continues to be set-aside.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside Cash Balance as of June 30, 2001	\$(161,843)	\$ -	\$55,070
Current Year Set-aside Requirement	232,330	232,330	-
Qualifying Disbursements	<u>(375,847)</u>	<u>(349,101)</u>	<u>-</u>
Total	<u>\$(305,360)</u>	<u>\$(116,771)</u>	<u>\$ 55,070</u>
Set-aside Balance Carried Forward to FY 2003	<u>\$(305,360)</u>		<u>\$ 55,070</u>
Set-aside Reserve Balance as Of June 30, 2002	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,070</u>

The District had qualifying disbursements during the fiscal year that reduced the set-aside amounts below zero for the textbook set-aside. This extra amount may be used to reduce the set-aside requirement of future years. Although the District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. The negative balance is, therefore, not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$55,070.

**SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

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

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	C1-S1-2002 C1-S1-2001	84.010	\$1,099,600		\$916,151 313,748	
Total Title I Grants to Local Educational Agencies			1,099,600		1,229,899	
Special Education Cluster: Special Education: Grants to States	6B-SF-2002P 6B-SF-2001P	84.027	123,285		86,064 31,357	
Total Special Education Cluster			123,285		117,421	
School Renovation Grant	AT-S1-2002	84.352	685		133	
Safe and Drug-Free Schools and Communities: State Grants	DR-S1-2002	84.186	6,202		3,933	
Eisenhower Professional Development State Grants	MS-S1-2002 MS-S1-2001	84.281	24,878 (4)		16,446 1,336	
Total Eisenhower Professional Development State Grants			24,874		17,782	
Goals 2000 State and Local Education Systemic Improvement Grants	G2-S1-00	84.276			8,700	
Innovative Education Program Strategies	C2-S1-2002 C2-S1-2001	84.298	9,968		8,872 4,145	
Total Innovative Education Program Strategies			9,968		13,017	
Class Size Reduction	CR-S1-2002 CR-S1-2001	84.340	148,713		148,661 51,685	
Total Class Size Reduction			148,713		200,346	
Total U. S. Department of Education			1,413,327		1,591,231	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	N/A	93.778	12,849		12,849	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
Food Donation Program	N/A	10.550		\$42,056		\$48,297
National School Lunch Program	N/A	10.555	162,343		162,343	
Total U.S. Department of Agriculture - Child Nutrition Cluster			162,343	42,056	162,343	48,297
Totals			<u>\$1,588,519</u>	<u>\$42,056</u>	<u>\$1,766,423</u>	<u>\$48,297</u>

The Notes to Schedule of Receipts and Expenditures of Federal Awards are an integral part of this statement.

**SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

Southeast Local School District
Wayne County
9048 Dover Road
Apple Creek, Ohio 44606

To the Board of Education:

We have audited the general purpose financial statements of the Southeast Local School District, Wayne County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated November 15, 2002 in which we noted the District restated certain fund balances for improper accrual of certain liabilities at June 30, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2002-10985-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 15, 2002.

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the management of the District a separate letter dated November 15, 2002.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

November 15, 2002



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

Southeast Local School District
Wayne County
9048 Dover Road
Apple Creek, Ohio 44606

To the Board of Education:

Compliance

We have audited the compliance of the Southeast Local School District, Wayne County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

We noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 15, 2002.

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



Jim Petro
Auditor of State

November 15, 2002

**SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #84.010 - Title I Grants to Local Educational Agencies Child Nutrition Cluster: CFDA #10.550 – Food Donation Program CFDA #10.555 – National school Lunch Program.
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Noncompliance

FINDING NUMBER 2002-10985-001

Ohio Rev. Code Section 5705.41 (D), provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000, the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board, if such expenditure is otherwise valid.

During the audit period, 23% of the expenditures tested were not certified by the Treasurer prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance. The Treasurer should certify the availability of funds prior to incurring the obligation and also implement the use of so called Then and Now Certificates and Blanket Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10985-001	7 C.F.R Part 210.2 & Ohio Rev. Code Section 3315.01 Allocation of Interest	Yes	Finding no longer valid.
2001-10985-002	5705.41(D) Failure to Certify Availability of Funds	No	Not corrected; Repeated in Report as Finding 2002-10985-001



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SOUTHEAST LOCAL SCHOOL DISTRICT

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 2, 2003**