

SOUTHEASTERN LOCAL SCHOOL DISTRICT

Basic Financial Statements

Years Ended June 30, 2006 and 2005

With

Independent Auditors' Report



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Southeastern Local School District, Clark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2004 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 25, 2007

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SOUTHEASTERN LOCAL SCHOOL DISTRICT

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Southeastern Local School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern Local School District (the School District), as of and for the years ended June 30, 2006 and 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of School District's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2006 and 2005, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the 2005 basic financial statements, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposits and Investment Risk Disclosure* and GASB Technical Bulletin 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers* for the year ended June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2007, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 – 10 and 44 – 51 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
February 7, 2007

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

The discussion and analysis of Southeastern Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- Assets exceeded liabilities at the close of the most recent fiscal year by \$6.1 million. Of this amount, \$2.85 million is unrestricted for the School District's discretionary use.
- General revenues accounted for \$7.0 million in revenue or 88.2 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$0.9 million or 11.8 percent of total revenues of \$7.9 million.
- The School District had \$7.1 million in expenses related to governmental activities; only \$0.9 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$7.0 million were adequate to provide for these programs.
- Among major funds, the general fund had \$6.7 million in revenues and \$6.1 million in expenditures. The permanent improvement fund had \$0.34 million in revenues and \$0.2 million in expenditures.

Overview of the Financial Statements

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

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

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

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

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The government-wide financial statements can be found on pages 11-12 of this report.

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

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

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

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

The School District adopts an annual appropriation budget for all of its governmental funds. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 13-16 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statement can be found on page 18 of this report.

Notes to the Financial Statement: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 19 of this report.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net assets for 2004 to 2005.

TABLE 1
NET ASSETS

	<u>2004</u>	<u>2005</u>	<u>Change</u>
<i>Assets</i>			
Current and Other Assets	\$ 5,793,393	\$ 6,512,290	\$ 718,897
Capital Assets, Net of Depreciation	<u>3,555,322</u>	<u>3,316,163</u>	<u>(239,159)</u>
Total Assets	9,348,715	9,828,453	479,738
<i>Liabilities:</i>			
Long-term Liabilities	1,171,533	1,164,515	(7,018)
Other Liabilities	<u>2,892,031</u>	<u>2,552,773</u>	<u>(339,258)</u>
Total Liabilities	4,063,564	3,717,288	(346,276)
<i>Net Assets:</i>			
Capital Assets, Net of Related Debt	2,733,047	2,542,316	(190,731)
Restricted for:			
Grants	20,673	11,171	(9,502)
State Mandates	79,142	39,265	(39,877)
Capital Improvements	564,665	671,845	107,180
Unrestricted	<u>1,887,624</u>	<u>2,846,568</u>	<u>958,944</u>
Total Net Assets	<u>\$ 5,285,151</u>	<u>\$ 6,111,165</u>	<u>\$ 826,014</u>

Table 2 provides a comparison of the revenue for fiscal years 2004 and 2005.

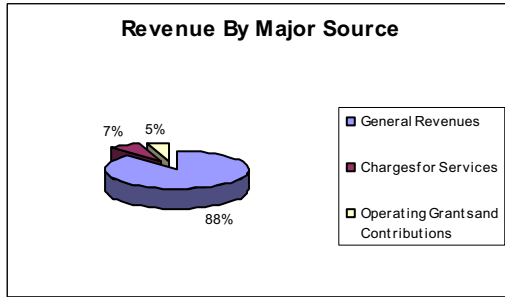
TABLE 2
REVENUES

	<u>2004</u>	<u>2005</u>	<u>Change</u>
<i>Revenues:</i>			
<i>Program Revenues:</i>			
Charges for Services	\$ 553,147	\$ 547,897	\$ (5,250)
Operating Grants	318,867	390,173	71,306
<i>General Revenues:</i>			
Property Taxes	2,523,907	2,959,663	435,756
Income Taxes	682,417	756,416	73,999
Unrestricted Grants	3,160,978	3,169,181	8,203
Investment Earnings	21,488	76,924	55,436
Other	<u>15,187</u>	<u>29,431</u>	<u>14,244</u>
Total Revenues	<u>\$ 7,275,991</u>	<u>\$ 7,929,685</u>	<u>\$ 653,694</u>

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

Graphs 1 and 2 break down the School District's 2005 revenue into percentages by type of revenue.

Graph 1



Graph 2

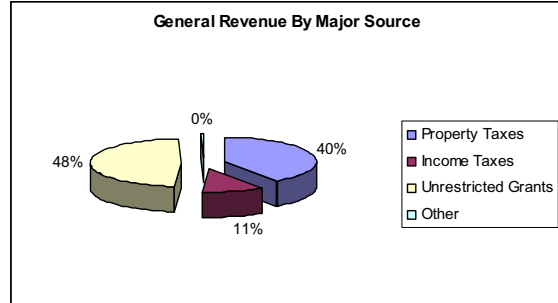


Table 3 compares total program expenses from 2004 to 2005.

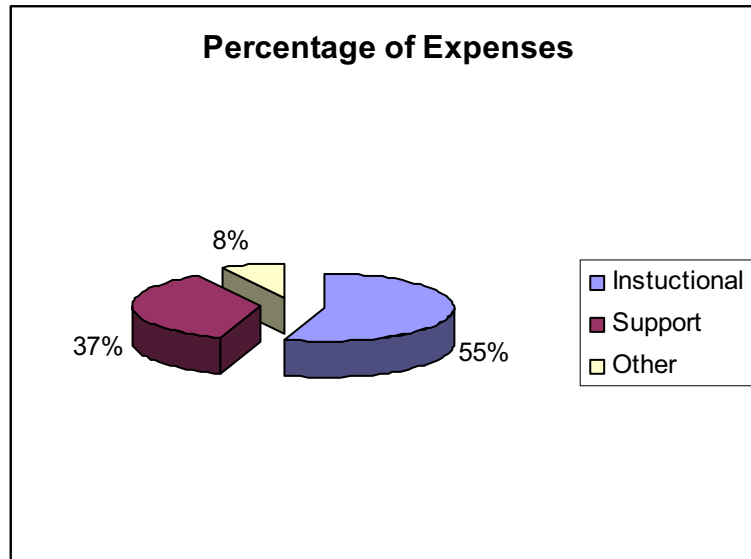
TABLE 3
PROGRAM EXPENSES

	<u>2004</u>	<u>2005</u>	<u>Change</u>
<i>Program Expenses:</i>			
Instruction			
Regular	\$ 3,122,866	\$ 3,106,492	\$ (16,374)
Special	686,454	660,001	(26,453)
Other	152,073	151,214	(859)
Support Services:			
Pupil/Staff	583,981	696,226	112,245
Administration/Fiscal	820,068	909,374	89,306
Maintenance	513,310	556,608	43,298
Transportation	123,776	469,648	345,872
Other	74,221	77,675	3,454
Food Service	181,082	209,584	28,502
Extracurricular Activities	229,340	232,424	3,084
Interest and Fiscal Charges	25,246	34,425	9,179
Total Expenses	<u>6,512,417</u>	<u>7,103,671</u>	<u>591,254</u>
Change in Net Assets	763,574	826,014	62,440
Beginning Net Assets	<u>4,521,577</u>	<u>5,285,151</u>	<u>763,574</u>
Ending Net Assets	<u>\$ 5,285,151</u>	<u>\$ 6,111,165</u>	<u>\$ 826,014</u>

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

Graph 3 shows a breakdown of expenditures by percentages in the major categories.

Graph 3



The Major Funds

The School District's major funds start on page 15. These funds are accounted for using the modified accrual basis of accounting, focusing on the near-term financial resources of the District. The major funds are the general fund and the permanent improvement fund. Both accounted for 91.90% of the \$7.67 million in total revenue and 91.00% of the \$6.97 million in total expenditures. The general fund and permanent improvement fund received a majority of their revenues from property taxes and intergovernmental revenues. Revenues exceeded expenditures in the general fund and permanent improvement fund, creating a year end fund balance of \$2.83 million and \$.71 million, respectively.

The general fund recognized \$.73 million in current liabilities for fiscal year 2005. Accrued salaries and benefits accounted for 65.95% of those liabilities. Taxes receivable accounted for 99.54% of the \$2.46 million receivables in the general fund. However, the taxes receivable is offset by deferred revenue because those taxes are not intended to finance the 2005 fiscal year.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

General Fund Budgetary

Table 4 depicts the change from the final budget to the actual revenue for the fiscal year ended June 30, 2005.

Table 4
Final Budget versus Actual for General Fund Revenues

	Final Budget	Actual
Revenues		
Property Taxes	\$2,129,598	\$2,224,098
Intergovernmental	3,152,300	3,152,300
Tuition and Fees	304,548	304,548
Income Tax	726,906	726,906
Other	3,045	3,045
Total Revenues	\$6,316,397	\$6,410,897

The original/final revenue estimates come from the Tax Budget completed in January 2004. The County Auditor completes the tax estimates. The property tax actual amounts are higher due to a tax advance not budgeted at year-end. The intergovernmental actual amounts are higher due to an increase in monies received from monthly foundation payments. As in previous years, budgeted open enrollment was forecast as a net expenditure. APB opinion #20 states that incoming open enrollment must be recorded as revenue and outgoing open enrollment should be recorded as an expenditure, thus, posting revenue and expenditures at gross amount causes the variance in the tuition fee funds. Income tax variance was due to an unanticipated downturn in the economy.

Table 5 depicts the change from the original to the final general fund expenditure budgets for the fiscal year ended June 30, 2005.

Table 5
Original Budget versus Final Budget for General Fund Expenditures

	Budget	
	Original	Final
Expenditures		
Instruction	\$3,793,221	\$3,489,194
Support Services	2,850,536	2,859,178
Other	63,815	50,090
Total Expenditures	\$6,707,572	\$6,398,462

The original budget comes for the Tax Budget filed in January of 2005. Traditionally the tax budget expenditures include all possible needs for the future year. A line in the budget is included for contingencies in the original budget. Although this money is not spent, it still shows in the original budget. The variance from the original and final budget is created due to the assumption that the Federal and State Grants are not available until monies are received. Southeastern is continually striving to hold expenditures down to ensure that the burden on the tax payers is held to a minimum, thus cutting planned expenditures where acceptable.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

Capital Assets

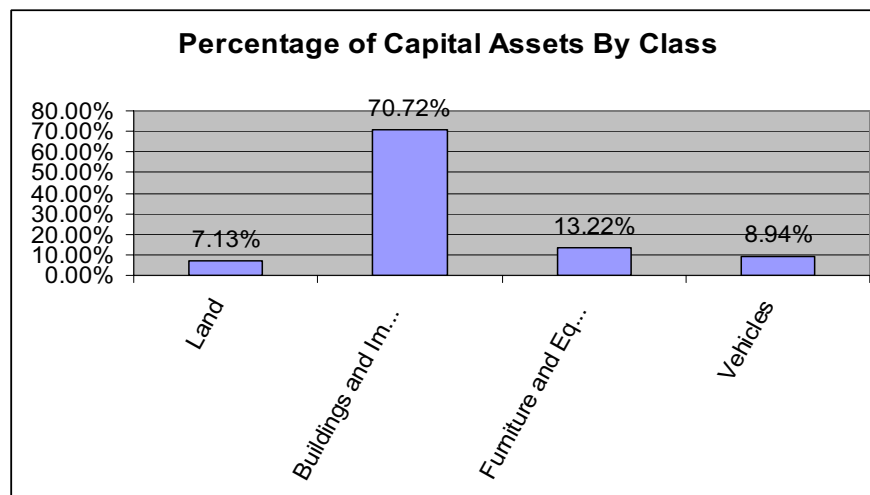
At the end of the year, the School District had \$3,316,163 invested in land, buildings, equipment, textbooks, and vehicles less accumulated depreciation. Table 6 shows the breakdown of the individual classes for capital assets (see note 10 for more detailed information):

Table 6
Capital Assets

Class	2004	2005	Percentage Change
Land and Land Improvements	\$557,140	\$569,028	3%
Buildings and Improvements	5,621,429	5,643,983	1%
Furniture and Equipment	1,382,059	1,021,815	(26%)
Vehicles	1,054,856	1,054,856	(0%)
Sub-Total	8,615,484	8,289,682	(4%)
Accumulated Depreciation	(5,060,162)	(4,973,519)	(2%)
Net Capital Assets	<u>\$3,555,322</u>	<u>\$3,316,163</u>	<u>(6%)</u>

Graph 4 shows the breakdown by percentage of the individual classes for capital assets:

Graph 4



Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

Debt Administration

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

Southeastern Local School District issued bonds in November of 2003 to purchase four new buses for \$248,000 of which the principal will be paid out of the general fund and the interest will be paid out of permanent improvement fund. The final principal and interest payment for the bond will be due on January 1, 2009. For further information on the School District's obligations, refer to note 16 of the financial statements.

The District entered into a sixty month capital lease with Pro-Copy Technologies commencing March 2005 to lease six copiers for \$101,195 of which the principal and interest will be paid out of the general fund. The final principal and interest payment for the lease will be due February 11, 2010.

For the Future

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

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

In today's struggling economy, the main focus must be on maintaining the current operating budget. The District has a 3 mill permanent improvement levy and a \$490,000 emergency levy that need renewed/replaced every five years. It is critical that we sustain these two levies. The District valuation consists mostly of a residential tax base, thus shifting more of the financial responsibility to our taxpayers.

In conclusion, the Southeastern Local School District has committed itself to financial excellence for many years. The District's primary goal is to be pro-active in dealing with the financial woes of the State and the current economy. The School District plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the School District's Financial Management

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

Southeastern Local School District
Clark County, Ohio
Statement of Net Assets
June 30, 2005

	Governmental Activities
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,680,299
Cash with Fiscal Agents	1,225
Receivables:	
Property and Other Taxes	2,334,847
Income Tax	324,710
Accounts	1,693
Intergovernmental	36,618
Materials and Supplies Inventory	30,740
Prepaid Items	62,893
Restricted Cash and Cash Equivalents	39,265
Nondepreciable Capital Assets	569,028
Depreciable Capital Assets	2,747,135
Total Assets	9,828,453
 <u>Liabilities</u>	
Payables:	
Accounts	14,640
Intergovernmental	257,759
Salaries and Employee Benefits	516,692
Matured Interest	1,225
Unearned Revenue	1,762,457
Noncurrent Liabilities:	
Due Within One Year	114,306
Due in More Than One Year	1,050,209
Total Liabilities	3,717,288
 <u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	2,542,316
Restricted for:	
Grants	11,171
State Mandates	39,265
Capital Improvements	671,845
Unrestricted	2,846,568
Total Net Assets	\$6,111,165

See accompanying notes to the basic financial statements

**Southeastern Local School District
Clark County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2005**

<u>Function/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$3,106,492	\$321,118	\$72,843	(\$2,712,531)
Special	660,001	0	253,978	(406,023)
Vocational	150,759	0	0	(150,759)
Other	455	0	0	(455)
Support Services:				
Pupils	381,340	0	820	(380,520)
Instructional Staff	314,886	0	3,105	(311,781)
Board of Education	39,335	0	0	(39,335)
Administration	653,784	0	2,500	(651,284)
Fiscal	255,590	0	0	(255,590)
Operation and Maintenance of Plant	556,608	0	0	(556,608)
Pupil Transportation	469,648	0	0	(469,648)
Central	34,290	0	2,500	(31,790)
Operation of Non-Instructional Services	4,050	0	0	(4,050)
Food Service	209,584	137,727	54,427	(17,430)
Extracurricular Activities	232,424	89,052	0	(143,372)
Interest and Fiscal Charges	34,425	0	0	(34,425)
Total Governmental Activities	<u>\$7,103,671</u>	<u>\$547,897</u>	<u>\$390,173</u>	<u>(6,165,601)</u>

General Revenues:	
Property Taxes Levied for:	
General Purposes	2,699,762
Permanent Improvements	259,901
Income Taxes	756,416
Grants and Contributions not Restricted to Specific Programs	3,169,181
Unrestricted Investment Earnings	76,924
Miscellaneous	29,431
Total General Revenues	<u>6,991,615</u>
Changes in Net Assets	826,014
Net Assets-Beginning (Restated)	5,285,151
Net Assets-Ending	<u>\$6,111,165</u>

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Balance Sheet - Governmental Funds
June 30, 2005

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,847,135	\$681,654	\$151,510	\$3,680,299
Cash with Fiscal Agents	0	0	1,225	1,225
Receivables:				
Property and Other Taxes	2,126,968	207,879	0	2,334,847
Income Taxes	324,710	0	0	324,710
Accounts	1,693	0	0	1,693
Interfund	9,798	0	0	9,798
Intergovernmental	0	0	36,618	36,618
Prepaid Items	59,878	0	3,015	62,893
Materials and Supplies Inventory	27,760	0	2,980	30,740
Restricted Assets:				
Cash and Cash Equivalents	39,265	0	0	39,265
Total Assets	<u>\$5,437,207</u>	<u>\$889,533</u>	<u>\$195,348</u>	<u>\$6,522,088</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Payables:				
Accounts	\$8,379	\$0	\$6,261	\$14,640
Intergovernmental	241,127	0	16,632	257,759
Salaries and Employee Benefits	483,276	0	33,416	516,692
Interfund	0	0	9,798	9,798
Matured Interest	0	0	1,225	1,225
Deferred Revenue	1,877,982	181,809	12,910	2,072,701
Total Liabilities	<u>2,610,764</u>	<u>181,809</u>	<u>80,242</u>	<u>2,872,815</u>
<u>Fund Balances:</u>				
Designated for:				
Budget Stabilization	83,786	0	0	83,786
Reserved for:				
Encumbrances	13,035	9,809	4,112	26,956
Property Taxes	295,830	26,070	0	321,900
Textbook and Instructional Materials	13,846	0	0	13,846
Bus Purchase Allowance	6,367	0	0	6,367
Budget Stabilization	19,052	0	0	19,052
Unreserved, reported in:				
General	2,394,527	0	0	2,394,527
Special Revenue	0	0	110,994	110,994
Capital Projects	0	671,845	0	671,845
Total Fund Balances	<u>2,826,443</u>	<u>707,724</u>	<u>115,106</u>	<u>3,649,273</u>
Total Liabilities and Fund Balances	<u>\$5,437,207</u>	<u>\$889,533</u>	<u>\$195,348</u>	<u>\$6,522,088</u>

See accompanying notes to the basic financial statements

**Southeastern Local School District
Clark County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net assets of Governmental Funds
June 30, 2005**

Total Governmental Fund Balances	\$3,649,273
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,316,163
Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds	310,244
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,164,515)</u>
Net Assets of Governmental Activities	<u><u>\$6,111,165</u></u>

Southeastern Local School District
Clark County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$2,469,559	\$239,614	\$0	\$2,709,173
Intergovernmental	3,146,557	22,625	370,646	3,539,828
Charges for Services	0	0	137,728	137,728
Tuition and Fees	303,987	0	0	303,987
Interest	0	76,767	158	76,925
Income Tax	755,730	0	0	755,730
Gifts and Donations	0	0	1,215	1,215
Extracurricular Activities	0	0	107,082	107,082
Miscellaneous	29,272	0	4,558	33,830
Total Revenues	6,705,105	339,006	621,387	7,665,498
Expenditures:				
Current:				
Instruction:				
Regular	2,792,808	76,806	78,660	2,948,274
Special	392,697	0	237,959	630,656
Vocational	152,949	0	0	152,949
Support Services:				
Pupils	401,206	0	820	402,026
Instructional Staff	314,189	0	3,007	317,196
Board of Education	21,878	18,000	0	39,878
Administration	556,395	0	2,459	558,854
Fiscal	247,917	4,372	2,500	254,789
Operation and Maintenance of Plant	515,916	1,875	0	517,791
Pupil Transportation	370,800	3,900	0	374,700
Central	11,060	0	22,955	34,015
Operation of Non-Instructional Services	0	0	213,120	213,120
Extracurricular Activities	168,491	0	72,393	240,884
Capital Outlay	103,945	0	0	103,945
Debt Service:				
Principal Retirement	92,665	56,958	0	149,623
Interest and Fiscal Charges	1,380	34,036	0	35,416
Total Expenditures	6,144,296	195,947	633,873	6,974,116
Excess (Deficiency) of Revenues Over (Under) Expenditures	560,809	143,059	(12,486)	691,382
Other Financing Sources:				
Inception of Capital Lease	101,195	0	0	101,195
Sale of Capital Assets	400	0	0	400
Total Other Financing Sources	101,595	0	0	101,595
Net Change in Fund Balances	662,404	143,059	(12,486)	792,977
Fund Balances - beginning	2,164,039	564,665	127,592	2,856,296
Fund Balances - ending	<u>\$2,826,443</u>	<u>\$707,724</u>	<u>\$115,106</u>	<u>\$3,649,273</u>

See accompanying notes to the basic financial statements

**Southeastern Local School District
Clark County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Fiscal Year Ended June 30, 2005**

Net Change in Governmental Fund Balances	\$792,977
 <i>in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(239,159)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	264,187
Some capital assets additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.	(101,195)
Repayment of long-term obligations is reported as an expenditure in governmental funds; however the repayment reduces long-term liabilities in the statement of net assets. In the current year, this amount is:	149,623
Some items reported in the statement of activities do not require the use of governmental funds.	<u>(40,419)</u>
Change in net assets of governmental activities	<u><u>\$826,014</u></u>

Southeastern Local School District
Clark County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
General Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$1,975,355	\$2,129,598	\$2,224,098	\$94,500
Intergovernmental	3,247,419	3,152,300	3,152,300	0
Tuition and Fees	313,738	304,548	304,548	0
Income Tax	748,840	726,906	726,906	0
Miscellaneous	3,137	3,045	3,045	0
Total Revenues	6,288,488	6,316,397	6,410,897	94,500
Expenditures:				
Current:				
Instruction:				
Regular	3,089,716	2,872,240	2,806,272	65,968
Special	529,802	454,975	418,208	36,767
Vocational	172,056	161,979	153,050	8,929
Other	1,647	0	0	0
Support Services:				
Pupils	437,715	430,140	400,112	30,028
Instructional Staff	332,125	342,450	309,750	32,700
Board of Education	26,448	24,093	21,793	2,300
Administration	649,097	614,980	562,360	52,620
Fiscal	252,096	250,495	236,365	14,130
Operation and Maintenance of Plant	570,505	586,739	512,730	74,009
Pupil Transportation	377,286	391,136	353,480	37,656
Central	10,123	12,555	11,060	1,495
Extracurricular Activities	195,141	206,590	169,336	37,254
Capital Outlay	3,175	3,090	2,750	340
Debt Service:				
Principal Retirement	60,640	47,000	47,000	0
Total Expenditures	6,707,572	6,398,462	6,004,266	394,196
Excess (Deficiency) of Revenues Over (Under) Expenditures	(419,084)	(82,065)	406,631	488,696
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	410	400	400	0
Refund of Prior Year Expenditures	26,206	25,438	25,438	0
Advances In	2,481	2,408	2,408	0
Advances Out	(15,000)	(15,000)	(9,797)	5,203
Total Other Financing Sources (Uses)	14,097	13,246	18,449	5,203
Net Change in Fund Balance	(404,988)	(68,819)	425,080	493,899
Fund Balances at Beginning of Year	2,044,208	2,044,208	2,044,208	0
Prior Year Encumbrances Appropriated	100,080	100,080	100,080	0
Fund Balance at End of Year	\$1,739,300	\$2,075,469	\$2,569,368	\$493,899

See accompanying notes to the basic financial statements

**Southeastern Local School District
Clark County, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2005**

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$13,485</u>
Total Assets	<u>13,485</u>
<u>Liabilities</u>	
Due to Students	<u>13,485</u>
Total Liabilities	<u>\$13,485</u>

See accompanying notes to the basic financial statements

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note 1 - Description of the School District and Reporting Entity

Southeastern Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal guidelines. This Board of Education controls the School District's three instructional/support facilities staffed by thirty-eight non-certified, fifty-four certificated full-time teaching personnel and four administrative employees who provide services to eight hundred sixty-two students and other community members.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District participates in five jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Notes 18 and 19 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 2 - Summary of Significant Accounting Policies

The financial statements of Southeastern Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

A. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting

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

Governmental Funds

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

The School District reports the following major governmental funds:

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

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

Fiduciary Fund

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

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

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the fiscal year with the legal restriction that appropriations by fund cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds other than the general fund which is at the fund/function level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note 2 – Summary of Significant Accounting Policies (Continued)

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

Estimated Resources By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board of Education.

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, eight supplemental appropriations were legally enacted; however, these amendments were not significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the year, including all supplemental appropriations. Formal budgetary integration is employed as a management control device by the Board of Education during the year for all funds, other than agency funds at the fund level, with the exception of the general fund which is set at the fund/function level.

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the statement of net assets and governmental fund balance sheet. The School District also utilizes a financial institution to service bonded debt as principal and interest come due. The balance in this account is presented on the statement of net assets and governmental fund balance sheet as "Cash with Fiscal Agent" and represents deposits.

During fiscal year 2005, the School District did not have any investments.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the permanent improvement capital projects fund during fiscal year 2005 includes \$76,767 assigned from other funds. The food service and permanent fund were also credited \$8 and \$150 respectfully.

Interfund Assets/Liabilities

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

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside for budget stabilization and the purchase of textbooks and other instructional materials. See Note 20 for additional information regarding set-asides.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation

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

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Compensated Absences

Vacation benefits are accrued as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 2 – Summary of Significant Accounting Policies (Continued)

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

For governmental funds, unpaid compensated absences due and payable at the end of the fiscal year are recorded as matured leave payable in the fund financial statements. These amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements for the fiscal year, the school district had no fund liability. The entire compensated absences liability is reported on the government-wide statement of net assets.

Interfund Activity

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

Exchange/Non-Exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenues

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance Reserves and Designation

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. The School District also designates a portion of fund balance to indicate tentative plans for future financial resource uses that reflect managerial plans or intent. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, textbooks and instructional materials, bus purchase allowance and budget stabilization. A fund designation has been established for budget stabilization for amounts in excess of the statutory required amounts.

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

Estimates

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

Net Assets

Net assets represent the difference between assets and liabilities in the statements of net assets. Net assets invested in capital assets are calculated, net of accumulated depreciation and reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note 2 – Summary of Significant Accounting Policies (Continued)

Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds”. The details of this (\$1,164,515) difference are as follows:

Capital Lease Payable	(\$95,086)
Compensated Absences	(390,668)
Energy Conservation Notes Payable	(477,761)
Bond Payable	(201,000)
Net Adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	(\$1,164,515)

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund”. The details of \$3,316,163 difference are as follows:

Capital Assets	\$8,289,682
Accumulated Depreciation	(4,973,519)
Net Adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$3,316,163

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

An element of that reconciliation states that “Repayment of long-term obligations is reported as an expenditure in the government funds, the repayment reduces long-term liabilities in the statement of net assets”. The details of this \$149,623 are as follows:

Principal reduction on lease obligation	\$45,665
Principal reduction on long term debt obligations	47,000
Principal reduction on tax anticipation notes	32,308
Principal reduction on the energy conservation obligation	24,650
Net Adjustment – current financial resources focus to reduce <i>fund balance – total government funds</i> to arrive at <i>net assets – governmental activities</i>	\$149,623

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note 2 – Summary of Significant Accounting Policies (Continued)

Another element of that reconciliation states that “capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.” The details of this (\$239,159) are as follows:

Current Capital Additions	\$188,599
Loss on Disposal of Capital Assets	(77,362)
Depreciation Expense	(350,396)
Net Adjustment – capital assets to increase <i>fund balance</i> – <i>total governmental</i> to arrive at <i>net assets – governmental activities</i>	(\$239,159)

Note 3 – Change in Accounting Principle/Prior Period Adjustment

During fiscal year 2005, the School District was required to implement GASB 40, “Deposit and Investment Risk Disclosures”. The statement requires additional disclosures for credit risk, concentration risk and interest rate risk in relation to the School District’s investments. The School District realized no impact from the implementation of GASB 40 for the fiscal year as there were no investments subject to the additional disclosures owned by the School District.

The School District also implemented GASB Technical Bulletin No. 2004-02 “Recognition of Pension and Other Postemployment Benefit Expenditure/Expense and Liabilities by Cost-Sharing Employers.”

The School District changed the capitalization threshold for capital assets from \$500 to \$1,500 during the fiscal year. The change in accounting principle reduced the book value of capital assets by \$578,053 and also removed \$497,258 in accumulated depreciation. As a result, the School District beginning net assets were reduced from \$5,365,946 to \$5,285,151.

Note 4 - Accountability and Compliance

Accountability

The following funds had a deficit fund balance/retained earnings at June 30, 2005:

	Deficit Fund Balance
Nonmajor Special Revenue Funds	
Food Service	\$25,019
Title VI-B	15,338
Title I	1,512

The general fund provides transfers to cover deficit balances; however, this is done when cash is required, not when accruals occur. The deficit in the food service fund is a result of lunch prices not covering operational costs. The School District will continue to monitor this deficit and raise lunch prices or make transfers from the general fund to alleviate this deficit, if necessary.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund

Balance - Budget (Non-GAAP Basis) and Actual - General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

GAAP Net Change	\$662,404
Revenue Accruals	(268,770)
Expenditure Accruals	137,185
Advances	(7,389)
Encumbrances	(98,530)
	<hr/>
Budgetary Net Change	\$425,080
	<hr/>

Note 6 - Deposits and Investments

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note 6 - Deposits and Investments (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

At fiscal year-end, the carrying value of the School District's deposits was \$3,734,274 and the bank balance was \$3,808,753. \$101,225 of the School District's deposits was insured by federal depository insurance. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$3,707,528 of the School District's bank balance of \$3,808,753 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2004, were levied after April 1, 2004, and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005, was \$295,830 in the general fund and \$26,070 in the permanent improvement capital projects fund.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note 7 - Property Taxes (Continued)

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$66,782,260	81.02%	\$70,729,920	80.60%
Public Utility	4,328,820	5.25	4,224,470	4.82
Tangible Personal Property	11,313,159	13.73	12,806,890	14.58
Total Assessed Value	<u>\$82,424,239</u>	<u>100.00%</u>	<u>\$87,761,280</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$43.10		\$42.40	

Note 8 - Income Tax

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue credited to the general fund during fiscal year 2005 was \$755,730.

Note 9 - Receivables

Receivables at June 30, 2005, consisted of property taxes, income tax, accounts (rent and tuition), intergovernmental grants, accrued interest and interfund. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Non-Major Fund	
Student Intervention	\$1,796
Title VI-B	20,033
Title I	6,345
Title V	180
Title IV-A	3,010
Title II-A	4,466
Title II-D	788
Totals	<u>\$36,618</u>

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Restated Balance 07/01/04	Increases	Decreases	Balance 06/30/05
Governmental Activities				
<i>Capital Assets, not depreciated</i>				
Land and Land Improvements	\$557,140	\$11,888	\$ 0	\$ 569,028
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	5,621,429	22,554	0	5,643,983
Furniture and Equipment	1,382,059	154,157	(514,401)	1,021,815
Vehicles	1,054,856	0	0	1,054,856
Total at Historical Cost	8,615,484	188,599	(514,401)	8,289,682
Less Accumulated Depreciation	(5,060,162)	(350,396)	437,039	(4,973,519)
Governmental Activities Capital Assets, Net	<u>\$3,555,322</u>	<u>(\$161,797)</u>	<u>(\$77,362)</u>	<u>\$3,316,163</u>

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

Instruction:	
Regular	\$ 143,745
Special	29,991
Vocational	129
Support Services:	
Pupils	683
Instructional Staff	1,039
Administration	6,112
Fiscal	1,859
Operation and Maintenance of Plant	51,530
Pupil Transportation	113,102
Central	275
Non-Instructional	293
Extracurricular	1,638
Total Depreciation Expense	<u>\$ 350,396</u>

Note 11 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2005, the School District contracted with Marsh Insurance Group for property and fleet, general liability, crime, and inland marine insurance.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note 11 - Risk Management (Continued)

Insurance coverage provided is as follows:

Coverage	Limit	Deductible
Property	\$250,000,000 (subject to scheduled limits)	\$1,000
Boiler & Machinery	\$ 50,000,000	2,500
Auto Liability/Physical Damage	\$ 1,000,000 CSL	1,000 (Auto Physical Damage)
General Liability	\$ 1,000,000/\$3,000,000	Nil
Educator's Legal Liability	\$ 1,000,000 agg./occ.	5,000 (\$15,000 for Employment Practices)
Umbrella Coverage	\$ 5,000,000 agg./occ.	Nil

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

Workers' Compensation

For fiscal year 2005, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control and actuarial services to the GRP.

Note 12 - Defined Benefit Pension Plans

School Employees Retirement System

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note 12 - Defined Benefit Pension Plans (continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$110,724, \$90,540 and \$83,318 respectively; 45.82% percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code. The District had the following contributions under the new plan: defined contribution had \$934 member and \$213 District contributions and the members contributed \$22,260 to the combined plan for the current fiscal year.

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 12 - Defined Benefit Pension Plans (continued)

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2004, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the STRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$377,565, \$362,389, and \$353,200, respectively; 83.53% percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

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, 2005, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining members of the board have elected SERS.

Note 13 - Post-employment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$29,043 for fiscal year 2005.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2005, the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS were \$254.8 million and STRS had 115,395 eligible benefit recipients.

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note 13 - Post-employment Benefits (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$49,410.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005, were \$178,221,113 and the target level was \$267.3 million. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants currently receiving health care benefits.

Note 14 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty-two days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 260 days for all certified and non-certified employees. Upon retirement, there are various limits for payment of unused sick leave credit as outlined in the School District's personnel policies.

Health Care Benefits

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

Life Insurance

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note 15 - Capitalized Leases - Lessee Disclosure

In prior years, the School District entered into a capital lease for copiers. This lease met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

During 2005, the school district recorded capital assets consisting of furniture and equipment that have been capitalized on the statement of net assets in the amount of \$101,195, with a corresponding liability recorded. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2005 totaled \$45,665 in the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2005.

Fiscal Year Ending June 30,	Governmental Activities
2006	\$22,466
2007	22,466
2008	22,465
2009	22,465
2010	14,972
Total minimum lease payments	104,834
Less: amount representing interest	(9,748)
Present value of minimum lease payments	\$95,086

The following is a detailed schedule for the future principal/interest payments for the new capital lease that will end in February of 2010.

Year	Principal	Interest	Total
2006	\$18,845	\$3,621	\$22,466
2007	19,649	2,817	22,466
2008	20,487	1,978	22,465
2009	21,361	1,104	22,465
2010	14,744	228	14,972
Total	\$95,086	\$9,748	104,834

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note 16 – Changes in Long-Term Liabilities

Changes in long-term obligations of the School District during fiscal year 2005, were as follows:

	Restated Amount Outstanding 6/30/04	Additions	Reductions	Amount Outstanding 6/30/05	Due within one year
Notes Payable:					
Energy Conservation Loans	\$502,411	\$0	\$24,650	\$477,761	\$25,876
School Bus Purchases	248,000	0	47,000	201,000	48,000
Tax Anticipation Note – 3.24%	32,308	0	32,308	0	0
Capital Lease Payable	39,556	101,195	45,665	95,086	18,845
Compensated Absences Payable	283,954	374,853	268,139	390,668	21,585
Intergovernmental Payable	65,304	0	65,304	0	0
Total Governmental Activities	<u>\$1,171,533</u>	<u>\$476,048</u>	<u>\$483,066</u>	<u>\$1,164,515</u>	<u>\$114,306</u>

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

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

Tax Anticipation Notes Payable - During fiscal year 2005, the School District repaid the Tax Anticipation Note for the improvement, renovation, and furnishing of existing buildings, facilities and school sites in the amount \$32,308. The note is backed by the full faith and credit of the School District, and is payable from the permanent improvement capital projects fund, the fund which received the proceeds.

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

The School District's overall legal debt margin was \$7,697,515, the unvoted debt margin was \$87,761 and energy conservation debt margin of \$311,995 at June 30, 2005.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note 16 – Changes in Long-Term Liabilities (Continued)

Principal and interest requirements to retire the School District’s outstanding long-term notes at June 30, 2005, were:

Year	Principal	Interest	Total
2006	\$73,876	\$31,224	\$105,100
2007	76,268	28,493	104,761
2008	79,734	25,469	105,203
2009	83,279	22,109	105,388
2010	31,908	18,439	50,347
2011-2015	187,202	64,531	251,733
2016-2019	146,494	12,843	159,432
	<u>\$678,761</u>	<u>\$203,108</u>	<u>\$881,964</u>

Note 17 – Interfund Transactions

Interfund balances at June 30, 2005, consist of the following individual receivables as reported in the governmental fund balance sheet, such amounts are removed from the statement of net assets:

	Interfund	
	Receivable	Payable
General Fund	\$ 9,798	\$ 0
Non-major Funds		
Special Revenue	0	9,798
Total All Funds	<u>\$ 9,798</u>	<u>\$ 9,798</u>

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

Note 18 - Jointly Governed Organizations

Clark County Family and Children First Council - The Clark County Family and Children First Council (the “Council”) is a voluntary association established with the purpose to coordinate and integrate those services within Clark County which are available for families and to establish a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of families and children.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 18 - Jointly Governed Organizations (Continued)

The Board of Trustees is comprised of representatives of each of the members of the Council, and representatives of those additional entities required to be represented on the Council pursuant to Section 121.37 of the Ohio Revised Code. The school districts in Clark County must appoint a superintendent of one of the schools to represent them on the eighteen member Board. Currently, the superintendent of the Clark County Educational Service Center serves as this representative. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. The Southeastern Local School District does not pay any dues since the Clark County Educational Service Center represents the School District. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. The School District made no financial contributions to the Council during fiscal year 2005. To obtain financial information, write to the Clark County Family and Children First Council, Marilyn Demma, who serves as Treasurer, at 6 West High Street, Suite 500, Springfield, Ohio 45502.

Springfield/Clark County Joint Vocational School - The Springfield/Clark County Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one or two representatives from each of the eight participating school districts' and educational service center's elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District. The School District made no financial contributions to the JVS during fiscal year 2005. To obtain financial information, write to the Springfield/Clark County Joint Vocational School, Pamela Ashbaugh, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

Miami Valley Educational Computer Association - The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark and Greene Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of one representative from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid MVECA \$21,777 for services provided during the year. Financial information can be obtained from Gary Bosserman, Director of MVECA at 330 Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note 18 - Jointly Governed Organizations (Continued)

During fiscal year 2005, the School District made no payments to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state of local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2005, the School District paid \$700 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Note 19 - Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 20 - Set-Aside Calculations and Fund Reserves

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based upon legislative changes, this is the only money still required to be set-aside for this purpose.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005**

Note 20 - Set-Aside Calculations and Fund Reserves (Continued)

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

	Textbooks	Capital Acquisition	Budget Stabilization	Total
Set-aside Reserve Balance as of June 30, 2004	\$16,459	(\$196,403)	\$19,052	(\$160,892)
Current Year Set-aside Requirement	121,107	121,107	0	242,214
Current Year Offsets	0	(227,707)	0	(227,707)
Qualifying Disbursements	(123,720)	0	0	(123,720)
Totals	<u>\$13,846</u>	<u>(\$303,003)</u>	<u>\$19,052</u>	<u>(270,105)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$13,846</u>	<u>(\$227,707)</u>	<u>\$19,052</u>	<u>(194,809)</u>
Sub-total Restricted Assets	<u>\$13,846</u>	<u>\$0</u>	<u>\$19,052</u>	32,898
School Bus Purchase Allowance				6,367
Total Restricted Assets as of June 30, 2005				<u>\$39,265</u>

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

Note 21 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

Note 22 – Subsequent Event

A lawsuit was filed by Columbia Gas Transmission Corporation with the Ohio Board of Tax Appeals arguing that the Corporation's public utility tax assessment rate should be 25 percent of true value rather than the 88 percent used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The School District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the School District based on the lower assessment rate beginning from tax year 2001. The total amount of the refund the School District may be liable to the Corporation is estimated to be approximately \$215,000. A portion of the refund may be recovered from additional State entitlement payments.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

The discussion and analysis of Southeastern Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- Assets exceeded liabilities at the close of the most recent fiscal year by \$6.6 million. Of this amount, \$3.2 million is unrestricted for the School District's discretionary use.
- General revenues accounted for \$6.7 million or 86.1 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$1.1 million or 13.9 percent of total revenues of \$7.8 million.
- The School District had \$7.3 million in expenses related to governmental activities; only \$1.1 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$6.7 million, along with cash balances, were adequate to provide for these programs.
- Among major funds, the general fund had \$6.7 million in revenues and \$6.1 million in expenditures. The permanent improvement fund had \$409,058 in revenues and \$541,239 in expenditures.

Overview of the Financial Statements

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

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

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

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

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The government-wide financial statements can be found on pages 52-53 of this report.

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

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

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

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

The School District adopts an annual appropriation budget for all of its governmental funds. A budgetary comparison statement has been provided for the major governmental funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 54-58 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statement can be found on page 59 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 60 of this report.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net assets for 2005 to 2006.

TABLE 1
NET ASSETS

	<u>2005</u>	<u>2006</u>	<u>Change</u>
<i>Assets</i>			
Current and Other Assets	\$ 6,512,290	\$ 6,872,514	\$ 360,224
Capital Assets, Net of Depreciation	<u>3,316,163</u>	<u>3,487,196</u>	<u>171,033</u>
Total Assets	9,828,453	10,359,710	531,257
<i>Liabilities:</i>			
Long-term Liabilities	1,164,515	1,333,584	169,069
Other Liabilities	<u>2,552,773</u>	<u>2,426,133</u>	<u>(126,640)</u>
Total Liabilities	3,717,288	3,759,717	42,429
<i>Net Assets:</i>			
Capital Assets, Net of Related Debt	2,542,316	2,596,070	53,754
Restricted for:			
Grants	11,171	1,922	(9,249)
State Mandates	39,265	40,112	847
Capital Improvements	671,845	741,298	69,453
Unrestricted	<u>2,846,568</u>	<u>3,220,591</u>	<u>374,023</u>
Total Net Assets	<u>\$ 6,111,165</u>	<u>\$ 6,599,993</u>	<u>\$ 488,828</u>

Table 2 provides a comparison of the revenue for fiscal years 2005 and 2006.

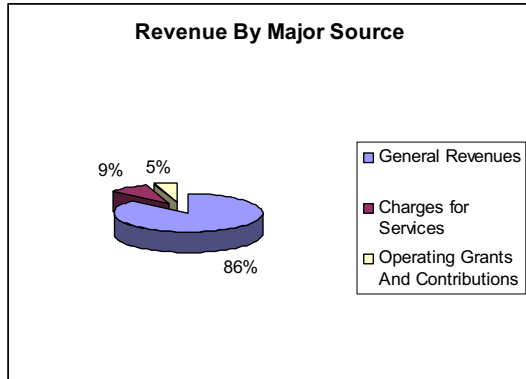
TABLE 2
REVENUES

	<u>2005</u>	<u>2006</u>	<u>Change</u>
<i>Revenues:</i>			
<i>Program Revenues:</i>			
Charges for Services	\$ 547,897	\$ 685,889	\$ 137,992
Operating Grants	390,173	393,242	3,069
<i>General Revenues:</i>			
Property Taxes	2,959,663	2,347,534	(612,129)
Income Taxes	756,416	780,606	24,190
Unrestricted Grants	3,169,181	3,390,672	221,491
Investment Earnings	76,924	163,539	86,615
Other	<u>29,431</u>	<u>19,762</u>	<u>(9,669)</u>
Total Revenues	<u>7,929,685</u>	<u>7,781,244</u>	<u>\$ (148,441)</u>

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Graphs 1 and 2 break down the School District's 2006 revenue into percentages by type of revenue.

Graph 1



Graph 2

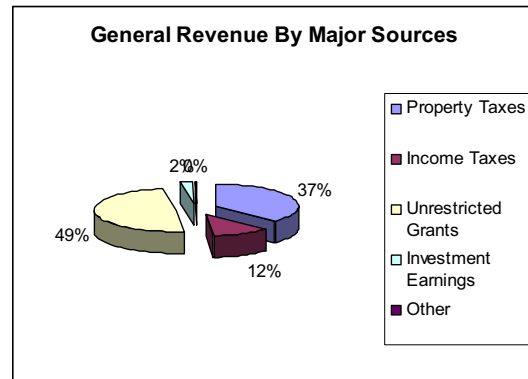


Table 3 compares total program expenses from 2005 to 2006.

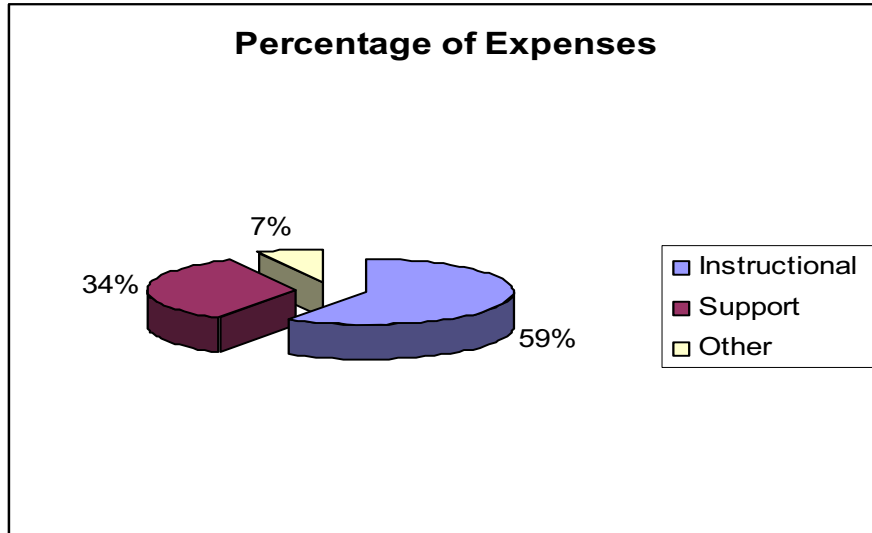
TABLE 3
PROGRAM EXPENSES

	<u>2005</u>	<u>2006</u>	<u>Change</u>
<i>Program Expenses:</i>			
Instruction			
Regular	\$ 3,106,492	\$ 3,301,530	\$ 195,038
Special	660,001	792,844	132,843
Other	151,214	148,631	(2,583)
Support Services:			
Pupil/Staff	696,226	617,301	(78,925)
Administration/Fiscal	909,374	861,106	(48,268)
Maintenance	556,608	533,662	(22,946)
Transportation	469,648	479,038	9,390
Other	77,675	38,617	(39,058)
Food Service	209,584	205,964	(3,620)
Extracurricular Activities	232,424	279,547	47,123
Interest and Fiscal Charges	34,425	34,176	(249)
Total Expenses	<u>7,103,671</u>	<u>7,292,416</u>	<u>188,745</u>
Change in Net Assets	826,014	488,828	(337,186)
Beginning Net Assets	<u>5,285,151</u>	<u>6,111,165</u>	<u>826,014</u>
Ending Net Assets	<u>\$ 6,111,165</u>	<u>\$ 6,599,993</u>	<u>\$ 488,828</u>

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Graph 3 shows a breakdown of expenditures by percentages in the major categories.

Graph 3



The Major Funds

The School District's major funds start on page 54. These funds are accounted for using the modified accrual basis of accounting, focusing on the near-term financial resources of the District. The major funds are the general fund and the permanent improvement fund. Both accounted for 91.2 percent of the \$7.8 million in total revenue and 90.2 percent of the \$7.4 million in total expenditures. The general fund and permanent improvement fund received a majority of their revenues from local taxes (property and income taxes) and intergovernmental revenues. The ending fund balance at June 30, 2006 for the general fund and permanent improvement fund was \$3.4 million and \$785,543, respectively.

The general fund recognized \$.71 million in current liabilities for fiscal year 2006. Accrued salaries and benefits accounted for 74.2 percent of those liabilities. Property and income taxes receivable accounted for 99.1 percent of the \$2.30 million receivables in the general fund. However, a portion of the taxes receivable is offset by deferred revenue because those taxes are not intended to finance the 2006 fiscal year.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

General Fund Budgetary

Table 4 depicts the change from the final budget to the actual revenue for the fiscal year ended June 30, 2006.

Table 4
Original and Final Budget versus Actual General Fund Revenues

	Budget Amounts		Actual
	Original	Final	
Revenues			
Property Taxes	\$2,128,160	\$2,168,087	\$1,995,387
Intergovernmental	3,343,589	3,261,501	3,261,501
Tuition and Fees	404,698	394,762	394,762
Income Tax	789,586	770,201	770,201
Other	3,327	3,292	3,292
Total Revenues	<u>\$6,669,407</u>	<u>\$6,597,843</u>	<u>\$6,425,143</u>

The original/final revenue estimates come from the Tax Budget completed in January 2005. The County Auditor completes the tax estimates. The property tax actual amounts are lower due to tax advances received but not budgeted related to 2005 and 2006. The District was able to more accurately predict revenue throughout the fiscal year in the other revenue sources.

Table 5 depicts the change from the original to the final general fund expenditure budgets for the fiscal year ended June 30, 2006.

Table 5
Original Budget versus for General Actual Fund Expenditures

	Budget	
	Original	Final
Expenditures		
Instruction	\$3,937,943	\$3,762,384
Support Services	2,869,671	2,987,361
Other	55,606	55,156
Total Expenditures	<u>\$6,863,220</u>	<u>\$6,804,901</u>

The original budget comes for the permanent appropriation resolution adopted in September 2005. A line in the budget is included for contingencies in the original budget. Although this money is not spent, it still shows in the original budget. The variance from the original and final budget is created due to the assumption that the federal and state grants are not available until monies are received. Southeastern strives to hold expenditures down to ensure that the burden on the tax payers is held to a minimum, thus cutting planned expenditures where acceptable. The District's final expenditures are \$610,865 less than final budgeted amounts due in part to federal grants paying a portion of salaries and benefits, no severances paid out for retirement and not having audit expenses because of bi-annual audits.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Capital Assets

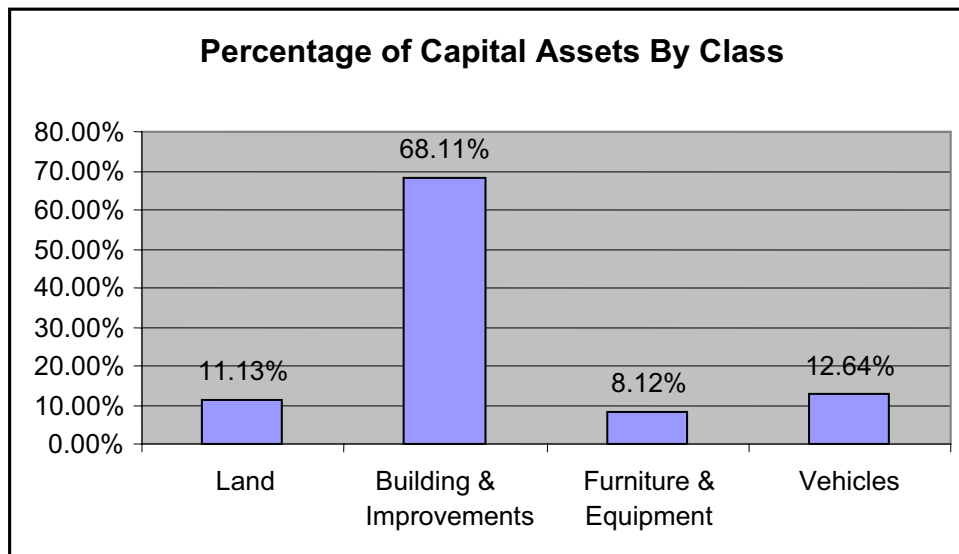
At the end of the year, the School District had \$3,487,196 invested in land, buildings, equipment, textbooks, and vehicles less accumulated depreciation. Table 6 shows the breakdown of the individual classes for capital assets (see note 9 for more detailed information):

Table 6
Capital Assets

Class	2005	2006	Percentage Change
Land and Land Improvements	\$569,028	\$1,036,117	82%
Buildings and Improvements	5,643,983	5,686,435	1%
Furniture and Equipment	1,021,815	986,513	(3%)
Vehicles	1,054,856	1,054,856	(0%)
Sub-Total	8,289,682	8,763,921	6%
Accumulated Depreciation	(4,973,519)	(5,276,725)	6%
Net Capital Assets	<u>\$3,316,163</u>	<u>\$3,487,196</u>	<u>6%</u>

Graph 4 shows the breakdown by percentage of the individual classes for capital assets:

Graph 4



Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Debt Administration

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

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

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

For the Future

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

The District replaced a 3 mill permanent improvement levy in May of 2006. It will be critical for the tax base to renew Southeastern's \$490,000 emergency levy in 2007 so that Southeastern realizes the "hold-harmless" provision guaranteed by H.B. 66. The District will also need to receive additional local monies in some fashion in 2009 so that it can stay out of the impending deficit while maintaining our consistently increasing test scores and academic excellence. The District valuation consists mostly of a residential tax base, thus shifting more of the financial responsibility to our taxpayers.

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

In conclusion, the Southeastern Local School District has committed itself to financial excellence for many years. The District's primary goal is to be pro-active in dealing with the financial woes of the State and the current economy. The School District plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the School District's Financial Management

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

Southeastern Local School District
Clark County, Ohio
Statement of Net Assets
June 30, 2006

	Governmental Activities
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,146,177
Cash with Fiscal Agents	1,225
Receivables:	
Property and Other Taxes	2,242,214
Income Tax	335,115
Accounts	2,495
Intergovernmental	21,010
Materials and Supplies Inventory	22,836
Prepaid Items	61,330
Restricted Cash and Cash Equivalents	40,112
Nondepreciable Capital Assets	1,036,117
Depreciable Capital Assets	2,451,079
Total Assets	10,359,710
 <u>Liabilities</u>	
Payables:	
Accounts	53,005
Intergovernmental	189,781
Salaries and Employee Benefits	565,926
Matured Interest	1,225
Unearned Revenue	1,616,196
Noncurrent Liabilities:	
Due Within One Year	183,061
Due in More Than One Year	1,150,523
Total Liabilities	3,759,717
 <u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	2,596,070
Restricted for:	
Grants	1,922
State Mandates	40,112
Capital Improvements	741,298
Unrestricted	3,220,591
Total Net Assets	\$6,599,993

See accompanying notes to the basic financial statements

**Southeastern Local School District
Clark County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2006**

<u>Function/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$3,301,530	\$420,564	\$67,723	(\$2,813,243)
Special	792,844	0	263,768	(529,076)
Vocational	137,488	0	0	(137,488)
Other	11,143	0	0	(11,143)
Support Services:				
Pupils	289,770	0	0	(289,770)
Instructional Staff	327,531	0	2,253	(325,278)
Board of Education	36,237	0	0	(36,237)
Administration	609,692	0	5,000	(604,692)
Fiscal	215,177	0	0	(215,177)
Operation and Maintenance of Plant	533,662	0	0	(533,662)
Pupil Transportation	479,038	0	0	(479,038)
Central	37,968	22,734	0	(15,234)
Operation of Non-Instructional Services	649	0	0	(649)
Food Service	205,964	143,933	54,498	(7,533)
Extracurricular Activities	279,547	98,658	0	(180,889)
Interest and Fiscal Charges	34,176	0	0	(34,176)
Total Governmental Activities	<u>\$7,292,416</u>	<u>\$685,889</u>	<u>\$393,242</u>	<u>(6,213,285)</u>

General Revenues:	
Property Taxes Levied for:	
General Purposes	2,125,334
Permanent Improvement	222,200
Income Taxes	780,606
Grants and Contributions not Restricted to Specific Programs	3,390,672
Unrestricted Investment Earnings	163,539
Miscellaneous	19,762
Total General Revenues	<u>6,702,113</u>
Changes in Net Assets	488,828
Net Assets-Beginning	<u>6,111,165</u>
Net Assets-Ending	<u>\$6,599,993</u>

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Balance Sheet - Governmental Funds
June 30, 2006

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,228,478	\$785,299	\$132,400	\$4,146,177
Cash with Fiscal Agents	0	0	1,225	1,225
Receivables:				
Property and Other Taxes	1,947,390	294,824	0	2,242,214
Income Taxes	335,115	0	0	335,115
Accounts	2,495	0	0	2,495
Interfund	17,418	0	0	17,418
Intergovernmental	0	0	21,010	21,010
Prepaid Items	58,299	0	3,031	61,330
Materials and Supplies Inventory	20,472	0	2,364	22,836
Restricted Assets:				
Cash and Cash Equivalents	40,112	0	0	40,112
Total Assets	<u>\$5,649,779</u>	<u>\$1,080,123</u>	<u>\$160,030</u>	<u>\$6,889,932</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Payables:				
Accounts	\$7,255	\$44,001	\$1,749	\$53,005
Intergovernmental	176,170	0	13,611	189,781
Salaries and Employee Benefits	528,278	0	37,648	565,926
Interfund	0	0	17,418	17,418
Matured Interest	0	0	1,225	1,225
Deferred Revenue	1,500,918	250,579	14,360	1,765,857
Total Liabilities	<u>2,212,621</u>	<u>294,580</u>	<u>86,011</u>	<u>2,593,212</u>
<u>Fund Balances:</u>				
Designated for:				
Budget Stabilization	83,786	0	0	83,786
Reserved for:				
Encumbrances	38,258	0	6,358	44,616
Property Taxes	496,506	44,245	0	540,751
Textbook and Instructional Materials	16,946	0	0	16,946
Bus Purchase Allowance	4,114	0	0	4,114
Budget Stabilization	19,052	0	0	19,052
Unreserved, reported in:				
General	2,778,496	0	0	2,778,496
Special Revenue	0	0	67,661	67,661
Capital Projects	0	741,298	0	741,298
Total Fund Balances	<u>3,437,158</u>	<u>785,543</u>	<u>74,019</u>	<u>4,296,720</u>
Total Liabilities and Fund Balances	<u>\$5,649,779</u>	<u>\$1,080,123</u>	<u>\$160,030</u>	<u>\$6,889,932</u>

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net assets of Governmental Activities
June 30, 2006

Total Governmental Fund Balances	\$4,296,720
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,487,196
Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds	149,661
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,333,584)</u>
 Net Assets of Governmental Activities	 <u><u>\$6,599,993</u></u>

Southeastern Local School District
Clark County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$2,290,558	\$222,200	\$0	\$2,512,758
Intergovernmental	3,261,501	22,345	391,791	3,675,637
Charges for Services	0	0	143,933	143,933
Tuition and Fees	394,762	0	0	394,762
Interest	0	162,530	1,009	163,539
Income Tax	778,218	0	0	778,218
Gifts and Donations	0	1,983	41,139	43,122
Extracurricular Activities	0	0	105,253	105,253
Miscellaneous	13,581	0	4,198	17,779
Total Revenues	6,738,620	409,058	687,323	7,835,001
Expenditures:				
Current:				
Instruction:				
Regular	2,955,805	423,039	77,074	3,455,918
Special	479,641	0	275,129	754,770
Vocational	153,423	0	0	153,423
Other	11,143	0	0	11,143
Support Services:				
Pupils	291,291	0	0	291,291
Instructional Staff	322,912	0	2,926	325,838
Board of Education	28,237	8,000	0	36,237
Administration	585,742	2,336	7,610	595,688
Fiscal	199,900	6,420	0	206,320
Operation and Maintenance of Plant	475,566	7,813	0	483,379
Pupil Transportation	358,284	0	0	358,284
Central	11,189	0	26,504	37,693
Operation of Non-Instructional Services	0	0	206,314	206,314
Extracurricular Activities	181,556	37,200	132,853	351,609
Capital Outlay	2,750	0	0	2,750
Debt Service:				
Principal Retirement	66,845	25,876	0	92,721
Interest and Fiscal Charges	3,621	30,555	0	34,176
Total Expenditures	6,127,905	541,239	728,410	7,397,554
Excess (Deficiency) of Revenues Over (Under) Expenditures	610,715	(132,181)	(41,087)	437,447
Other Financing Sources:				
Face Value from the Sale of Notes	0	210,000	0	210,000
Total Other Financing Sources	0	210,000	0	210,000
Net Change in Fund Balances	610,715	77,819	(41,087)	647,447
Fund Balances - beginning	2,826,443	707,724	115,106	3,649,273
Fund Balances - ending	<u>\$3,437,158</u>	<u>\$785,543</u>	<u>\$74,019</u>	<u>\$4,296,720</u>

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Fiscal Year Ended June 30, 2006

Net Change in Governmental Fund Balances	\$647,447
 <i>in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	171,033
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(160,583)
The issuance of long-term debt (e.g. notes and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. In the current year, this amount is:	(117,279)
Some items reported in the statement of activities do not require the use of governmental funds.	<u>(51,790)</u>
Change in net assets of governmental activities	<u><u>\$488,828</u></u>

Southeastern Local School District
Clark County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$2,128,160	\$2,168,087	\$1,995,387	(\$172,700)
Intergovernmental	3,343,589	3,261,501	3,261,501	0
Tuition and Fees	404,698	394,762	394,762	0
Income Tax	789,586	770,201	770,201	0
Miscellaneous	3,375	3,292	3,292	0
Total Revenues	6,669,407	6,597,843	6,425,143	(172,700)
Expenditures:				
Current:				
Instruction:				
Regular	3,280,309	3,024,281	2,926,470	97,811
Special	475,330	546,603	470,412	76,191
Vocational	182,304	180,353	152,772	27,581
Other		11,147	11,143	4
Support Services:				
Pupils	375,575	407,529	359,891	47,638
Instructional Staff	355,744	397,823	326,257	71,566
Board of Education	25,100	29,796	28,798	998
Administration	644,460	699,302	591,705	107,597
Fiscal	269,882	255,627	212,728	42,899
Operation and Maintenance of Plant	575,781	573,210	512,335	60,875
Pupil Transportation	414,785	400,175	359,846	40,329
Central	12,873	11,189	11,189	0
Extracurricular Activities	195,471	212,710	179,740	32,970
Capital Outlay	3,201	2,750	2,750	0
Debt Service:				
Principal Retirement	52,405	52,406	48,000	4,406
Total Expenditures	6,863,220	6,804,901	6,194,036	610,865
Excess (Deficiency) of Revenues Over (Under) Expenditures	(193,813)	(207,058)	231,107	438,165
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	10,548	10,289	10,289	0
Advances In	10,044	9,797	9,797	0
Advances Out	(15,000)	(15,000)	(17,418)	(2,418)
Total Other Financing Sources (Uses)	5,592	5,086	2,668	(2,418)
Net Change in Fund Balance	(188,221)	(201,972)	233,775	435,747
Fund Balances at Beginning of Year	2,569,368	2,569,368	2,569,368	0
Prior Year Encumbrances Appropriated	98,531	98,531	98,531	0
Fund Balance at End of Year	\$2,479,678	\$2,465,927	\$2,901,674	\$435,747

See accompanying notes to the basic financial statements

**Southeastern Local School District
Clark County, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2006**

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$15,012</u>
Total Assets	<u>15,012</u>
<u>Liabilities</u>	
Due to Students	<u>15,012</u>
Total Liabilities	<u>\$15,012</u>

See accompanying notes to the basic financial statements

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006**

Note 1 - Description of the School District and Reporting Entity

Southeastern Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal guidelines. This Board of Education controls the School District's three instructional/support facilities staffed by thirty-eight non-certified, fifty-seven certificated full-time teaching personnel and four administrative employees who provide services to eight hundred sixty-four students and other community members.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District participates in five jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Notes 17 and 18 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006**

Note 2 - Summary of Significant Accounting Policies

The financial statements of Southeastern Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

A. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting

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

Governmental Funds

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

The School District reports the following major governmental funds:

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

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

Fiduciary Fund

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

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

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the fiscal year with the legal restriction that appropriations by fund cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds other than the general fund which is at the fund/function level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006**

Note 2 – Summary of Significant Accounting Policies (Continued)

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

Estimated Resources By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board of Education.

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, eight supplemental appropriations were legally enacted; however, these amendments were not significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the year, including all supplemental appropriations. Formal budgetary integration is employed as a management control device by the Board of Education during the year for all funds, other than agency funds at the fund level, with the exception of the general fund which is set at the fund/function level.

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the statement of net assets and governmental fund balance sheet. The School District also utilizes a financial institution to service bonded debt as principal and interest come due. The balance in this account is presented on the statement of net assets and governmental fund balance sheet as "Cash with Fiscal Agent" and represents deposits.

During fiscal year 2006, the School District did not have any investments.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the permanent improvement capital projects fund during fiscal year 2006 includes \$162,530 assigned from other funds. The permanent fund also was credited \$1,009.

Interfund Assets/Liabilities

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

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside for budget stabilization and the purchase of textbooks and other instructional materials. See Note 19 for additional information regarding set-asides.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation

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

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Compensated Absences

Vacation benefits are accrued as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006**

Note 2 – Summary of Significant Accounting Policies (Continued)

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

For governmental funds, unpaid compensated absences due and payable at the end of the fiscal year are recorded as matured leave payable in the fund financial statements. These amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements for the fiscal year, the School District had no fund liability. The entire compensated absences liability is reported on the government-wide statement of net assets.

Interfund Activity

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

Exchange/Non-Exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenues

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance Reserves and Designation

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. The School District also designates a portion of fund balance to indicate tentative plans for future financial resource uses that reflect managerial plans or intent. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, textbooks and instructional materials, bus purchase allowance and budget stabilization. A fund designation has been established for budget stabilization for amounts in excess of the statutory required amounts.

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

Estimates

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

Net Assets

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006**

Note 2 – Summary of Significant Accounting Policies (Continued)

Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds”. The details of this (\$1,333,584) difference are as follows:

Capital Lease Payable	(\$76,241)
Compensated Absences	(442,458)
Energy Conservation Notes Payable	(451,885)
Long Term Notes Payable	(210,000)
Bond Payable	(153,000)
Net Adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	(\$1,333,584)

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund”. The details of \$3,487,196 difference are as follows:

Capital Assets	\$8,708,971
Accumulated Depreciation	(5,221,775)
Net Adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$3,487,196

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

An element of that reconciliation states that “The issuance of long-term debt (e.g notes and leagues) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes financial resources of government funds.”. The details of this (\$117,279) are as follows:

Principal reduction on lease obligation	\$18,845
Principal reduction on long term notes	48,000
Principal reduction on the energy conservation obligation	25,876
Proceeds from sale of tax anticipation note	(210,000)
Net Adjustment – current financial resources focus to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	(\$117,279)

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006**

Note 2 – Summary of Significant Accounting Policies (Continued)

Another element of that reconciliation states that “capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.” The details of this \$171,033 are as follows:

Current Capital Additions	\$518,203
Depreciation Expense	(347,170)
Net Adjustment – capital assets to increase <i>fund balance</i> – <i>total governmental</i> to arrive at <i>net assets – governmental activities</i>	\$171,033

Note 3 - Accountability

The following funds had a deficit fund balance at June 30, 2006:

	Deficit Fund Balance
Nonmajor Special Revenue Funds	
Food Service	\$32,552
Disadvantage Pupil Impact Aid Grant	47
Title VI-B Grant	902
Title I Grant	10,720

The general fund provides transfers to cover deficit balances; however, this is done when cash is required, not when accruals occur. The deficit in the food service fund is a result of lunch prices not covering operational costs. The School District will continue to monitor this deficit and raise lunch prices or make transfers from the general fund to alleviate this deficit, if necessary. The deficits in the grant funds were created by application of generally accepted accounting principles.

Note 4 - Budgetary Basis of Accounting

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

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 4 - Budgetary Basis of Accounting (Continued)

4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

GAAP Net Change	\$610,715
Revenue Accruals	(303,188)
Expenditure Accruals	(12,211)
Advances	(7,621)
Encumbrances	(53,920)
Budgetary Net Change	<u>\$233,775</u>

Note 5 - Deposits and Investments

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

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006**

Note 5 - Deposits and Investments (Continued)

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

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

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

At fiscal year-end, the carrying value of the School District's deposits was \$4,202,526 and the bank balance was \$4,268,766. \$116,678 of the School District's deposits was insured by federal depository insurance. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$4,152,088 of the School District's bank balance of \$4,252,577 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006**

Note 6 - Property Taxes (continued)

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2005, were levied after April 1, 2005, and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006, was \$496,506 in the general fund and \$44,245 in the permanent improvement capital projects fund.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$70,729,920	80.60%	\$74,529,680	82.38%
Public Utility	4,224,470	4.82	4,104,610	4.54
Tangible Personal Property	12,806,890	14.58	11,841,450	13.08
Total Assessed Value	<u>\$87,761,280</u>	<u>100.00%</u>	<u>\$90,475,740</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$42.40		\$42.40	

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006**

Note 7 - Income Tax

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue credited to the general fund during fiscal year 2006 was \$778,218.

Note 8 - Receivables

Receivables at June 30, 2006, consisted of property taxes, income tax, accounts (rent and tuition), intergovernmental grants, accrued interest and interfund. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Non-Major Funds:	
Food Service	\$5,177
Ohio Reads	2,233
IDEA	673
Title I	10,001
Title IV-A	429
Title II-A	2,443
Title II-D	54
Totals	\$21,010

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance 07/01/05	Increases	Decreases	Balance 06/30/06
Governmental Activities				
<i>Capital Assets, not depreciated</i>				
Land and Land Improvements	\$569,028	\$467,089	\$ 0	\$1,036,117
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	5,643,983	42,452	0	5,686,435
Furniture and Equipment	1,021,815	8,662	(98,914)	931,563
Vehicles	1,054,856	0	0	1,054,856
Total at Historical Cost	8,289,682	518,203	(98,914)	8,708,971
Less Accumulated Depreciation	(4,973,519)	(347,170)	98,914	(5,221,775)
Governmental Activities				
Capital Assets, Net	\$3,316,163	\$171,033	\$0	\$ 3,487,196

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006**

Note 9 – Capital Assets (continued)

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

Instruction:	
Regular	\$ 149,994
Special	27,460
Vocational	495
Support Services:	
Pupils	1,639
Instructional Staff	1,039
Administration	7,351
Fiscal	1,859
Operation and Maintenance of Plant	42,318
Pupil Transportation	113,102
Central	275
Extracurricular	<u>1,638</u>
Total Depreciation Expense	<u>\$ 347,170</u>

Note 10 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2006, the School District contracted with Marsh Insurance Group for property and fleet, general liability, crime, and inland marine insurance.

Insurance coverage provided is as follows:

Coverage	Limit	Deductible
Property	\$250,000,000 (subject to scheduled limits)	\$1,000
Boiler & Machinery	\$ 50,000,000	2,500
Auto Liability/Physical Damage	\$ 1,000,000 CSL	1,000 (Auto Physical Damage)
General Liability	\$ 1,000,000/\$3,000,000	Nil
Educator's Legal Liability	\$ 1,000,000 agg./occ.	5,000 (\$15,000 for Employment Practices)
Umbrella Coverage	\$ 5,000,000 agg./occ.	Nil

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 10 - Risk Management (continued)

Workers' Compensation

For fiscal year 2006, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control and actuarial services to the GRP.

Note 11 - Defined Benefit Pension Plans

School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$85,366, \$110,724 and \$90,540 respectively; 34% percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

State Teachers Retirement System

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 11 - Defined Benefit Pension Plans (continued)

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

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions

The School District's required contributions for pension obligations to the STRS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$380,472, \$377,565, and \$362,389, respectively; 82% percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$575 made by the School District and \$869 made by the plan members.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2006, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining members of the board have elected SERS.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 12 - Post-employment Benefits

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$29,267 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$46,185.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006**

Note 13 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty-two days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 260 days for all certified and non-certified employees. Upon retirement, there are various limits for payment of unused sick leave credit as outlined in the School District's personnel policies.

Health Care Benefits

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

Life Insurance

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

Note 14 - Capitalized Leases - Lessee Disclosure

In prior years, the School District entered into a capital lease for copiers. This lease met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

During 2005, the school district recorded capital assets consisting of furniture and equipment that have been capitalized on the statement of net assets in the amount of \$101,195, with a corresponding liability recorded. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2006 totaled \$18,845 in the general fund.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006**

Note 14 - Capitalized Leases - Lessee Disclosure (continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2006.

Fiscal Year Ending June 30,	Governmental Activities
2007	\$22,466
2008	22,465
2009	22,465
2010	14,972
Total minimum lease payments	82,368
Less: amount representing interest	(6,127)
Present value of minimum lease payments	\$76,241

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

Year	Principal	Interest	Total
2007	\$19,649	\$2,817	\$22,466
2008	20,487	1,978	22,465
2009	21,361	1,104	22,465
2010	14,744	228	14,972
Total	\$76,241	\$6,127	82,368

Note 15 – Changes in Long-Term Liabilities

Changes in long-term obligations of the School District during fiscal year 2006 were as follows:

	Amount Outstanding 6/30/05	Additions	Reductions	Amount Outstanding 6/30/06	Due within one year
Notes Payable:					
HB 264	\$477,761	\$0	\$25,876	\$451,885	\$27,268
School Bus Purchases	201,000	0	48,000	153,000	49,000
TAN Bleacher Purchase – 4.35%	0	210,000	0	210,000	70,000
Capital Lease Payable	95,086	0	18,845	76,241	19,649
Compensated Absences Payable	390,668	190,095	138,305	442,458	17,144
Total Governmental Activities	\$1,164,515	\$400,095	\$231,026	\$1,333,584	\$183,061

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006**

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

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

Tax Anticipation Notes Payable - During fiscal year 2006, the School District financed the Tax Anticipation Note for the improvement of the High School Facilities bleachers in the amount \$210,000. The note is backed by the full faith and credit of the School District, and is payable from the permanent improvement capital projects fund, the fund which received the proceeds. The note carries an interest rate of 4.35 percent and is set to mature on March 1, 2009.

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

The School District's overall legal debt margin was \$7,538,512, the unvoted debt margin was \$87,795 and energy conservation debt margin of \$338,266 at June 30, 2006.

Principal and interest requirements to retire the School District's outstanding long-term notes at June 30, 2006, were:

Year	Principal	Interest	Total
2007	\$146,268	\$37,628	\$183,896
2008	149,734	31,559	181,293
2009	153,279	25,154	178,433
2010	31,908	18,439	50,347
2011	33,624	16,723	50,347
2012-2016	197,270	54,463	251,733
2017-2019	102,802	6,188	108,990
	<u>\$814,885</u>	<u>\$190,154</u>	<u>\$1,005,039</u>

Note 16 – Interfund Transactions

Interfund balances at June 30, 2006, consist of the following individual receivables as reported in the governmental fund balance sheet, such amounts are removed from the statement of net assets:

	Interfund	
	Receivable	Payable
General Fund	\$ 17,418	\$ 0
Non-major Funds		
Special Revenue	0	17,418
Total All Funds	<u>\$ 17,418</u>	<u>\$ 17,418</u>

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006**

Note 17 - Jointly Governed Organizations

Clark County Family and Children First Council - The Clark County Family and Children First Council (the "Council") is a voluntary association established with the purpose to coordinate and integrate those services within Clark County which are available for families and to establish a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of families and children.

The Board of Trustees is comprised of representatives of each of the members of the Council, and representatives of those additional entities required to be represented on the Council pursuant to Section 121.37 of the Ohio Revised Code. The school districts in Clark County must appoint a superintendent of one of the schools to represent them on the eighteen member Board. Currently, the superintendent of the Clark County Educational Service Center serves as this representative. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council.

The Southeastern Local School District does not pay any dues since the Clark County Educational Service Center represents the School District. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. The School District made no financial contributions to the Council during fiscal year 2006. To obtain financial information, write to the Clark County Family and Children First Council, Marilyn Demma, who serves as Treasurer, at 6 West High Street, Suite 500, Springfield, Ohio 45502.

Springfield/Clark County Joint Vocational School - The Springfield/Clark County Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one or two representatives from each of the eight participating school districts' and educational service center's elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District. The School District made no financial contributions to the JVS during fiscal year 2006. To obtain financial information, write to the Springfield/Clark County Joint Vocational School, Pamela Ashbaugh, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

Miami Valley Educational Computer Association - The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark and Greene Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of one representative from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid MVECA \$20,449 for services provided during the year. Financial information can be obtained from Gary Bosserman, Director of MVECA at 330 Enon Road, Yellow Springs, Ohio 45387.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 17 - Jointly Governed Organizations (continued)

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

During fiscal year 2006, the School District made no payments to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2006, the School District paid \$1,040 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Note 18 - Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006**

Note 19 - Set-Aside Calculations and Fund Reserves

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based upon legislative changes, this is the only money still required to be set-aside for this purpose.

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

	Textbooks	Capital Acquisition	Budget Stabilization	Total
Set-aside Reserve Balance as of June 30, 2005	\$13,846	(\$227,707)	\$19,052	(\$194,809)
Current Year Set-aside Requirement	120,188	120,188	0	240,376
Current Year Offsets	0	(227,707)	0	(227,707)
Qualifying Disbursements	(117,088)	0	0	(117,088)
Totals	<u>16,946</u>	<u>(335,226)</u>	<u>19,052</u>	<u>(299,228)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>16,946</u>	<u>(227,707)</u>	<u>19,052</u>	<u>(191,709)</u>
Sub-total Restricted Assets	<u>\$16,946</u>	<u>\$0</u>	<u>\$19,052</u>	<u>35,998</u>
School Bus Purchase Allowance				4,114
Total Restricted Assets as of June 30, 2006				<u>\$40,112</u>

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

Note 20 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006**

Note 21 – Change in Accounting Principle and Restatement of Net Assets

During fiscal year 2006, the School District implemented GASB Statements Nos. 42, 46, and 47.

GASB Statement No. 42, “Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries”, establishes guidance for accounting and reporting for the impairment of capital assets and insurance recoveries. The implementation of this statement had no effect on net assets/fund balances.

GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation”, establishes and modifies requirements related to restrictions of net assets resulting from enabling legislation. This Statement also requires government to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation (See Note 2).

GASB Statement No. 47, “Accounting for Termination Benefits”, establishes accounting standards for termination benefits. The implementation of this statement had no effect on net assets/fund balances.

Note 22 – Subsequent Event

A lawsuit was filed by Columbia Gas Transmission Corporation with the Ohio Board of Tax Appeals arguing that the Corporation’s public utility tax assessment rate should be 25 percent of true value rather than the 88 percent used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The School District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the School District based on the lower assessment rate beginning from tax year 2001. The total amount of the refund the School District may be liable to the Corporation is estimated to be approximately \$215,000. A portion of the refund may be recovered from additional State entitlement payments.



Clark, Schaefer, Hackett & Co.
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Southeastern Local School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern Local School District (the School District), as of and for the years ended June 30, 2006 and 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 7, 2007 wherein we noted that the District implemented GASB Statement No. 40 and GASB Technical Bulletin 2004-2. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

We noted certain matters that we reported to management of the School District in a separate letter dated February 7, 2007.

This report is intended solely for the information and use of management, 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
February 7, 2007



Mary Taylor, CPA
Auditor of State

SOUTHEASTERN LOCAL SCHOOL DISTRICT

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 10, 2007**