

**SOUTHEAST LOCAL SCHOOL DISTRICT**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**





**Auditor of State  
Betty Montgomery**

Board of Education  
Southeast Local School District  
8423 Tallmadge Rd.  
Ravenna, OH 44266

We have reviewed the Independent Auditor's Report of the Southeast Local School District, Portage County, prepared by Gary B. Fink & Associates, Inc., for the audit period July 1, 2001 through June 30, 2002. 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 Southeast Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

March 14, 2003

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**SOUTHEAST LOCAL SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Southeast Local School District  
8423 Tallmadge Road  
Ravenna, OH 44266

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

## INDEPENDENT AUDITOR'S REPORT (continued)

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. The Statement of Changes in Assets and Liabilities – Agency Fund is also presented for purpose of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



GARY B. FINK & ASSOCIATES, INC.  
Certified Public Accountants

January 24, 2003



*GENERAL PURPOSE FINANCIAL STATEMENTS*

**SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2002**

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
<u>Assets and Other Debits:</u>				
Assets:				
Cash and Cash Equivalents	\$865,972	\$324,938	\$257,373	\$11,450,819
Receivables (net of allowance for doubtful accounts):				
Taxes	4,196,700	87,263	563,889	0
Intergovernmental	305	57,330	0	0
Interfund Loan Receivable	40,000	0	0	0
Inventory of Supplies at Cost	10,776	0	0	0
Prepaid Items	3,964	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	413,609	0	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for				
General Long-Term Obligations	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$5,531,326</b>	<b>\$469,531</b>	<b>\$821,262</b>	<b>\$11,450,819</b>
<u>Liabilities, Equity and Other Credits:</u>				
Liabilities:				
Accounts Payable	\$72,581	\$16,610	\$0	\$93,126
Accrued Wages and Benefits	1,728,182	75,339	0	0
Intergovernmental Payables	250,649	7,402	0	0
Interfund Loan Payable	0	0	0	0
Due to Students	0	0	0	0
Deferred Revenue - Taxes	4,111,714	85,409	551,795	0
Deferred Revenue	0	34,330	0	0
General Obligation Bonds Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Compensated Absences Payable	16,436	0	0	0
<b>Total Liabilities</b>	<b>6,179,562</b>	<b>219,090</b>	<b>551,795</b>	<b>93,126</b>
Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	380,079	8,616	0	310,371
Reserved for Prepaid Items	3,964	0	0	0
Reserved for Supplies Inventory	10,776	0	0	0
Reserved for Property Taxes	84,986	1,854	12,094	0
Statutory Reserves	413,609	0	0	0
Reserved for Debt Service	0	0	257,373	0
Unreserved:				
Undesignated	(1,541,650)	239,971	0	11,047,322
<b>Total Equity and Other Credits</b>	<b>(648,236)</b>	<b>250,441</b>	<b>269,467</b>	<b>11,357,693</b>
<b>Total Liabilities, Equity and Other Credits</b>	<b>\$5,531,326</b>	<b>\$469,531</b>	<b>\$821,262</b>	<b>\$11,450,819</b>

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

**SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2002**

<i>Proprietary</i> <u>Fund Type</u>	<i>Fiduciary</i> <u>Fund Types</u>	<i>Account</i> <u>Groups</u>		Totals (Memorandum Only)
Enterprise Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$12,160	\$38,366	\$0	\$0	\$12,949,628
0	0	0	0	4,847,852
18,016	0	0	0	75,651
0	0	0	0	40,000
12,164	0	0	0	22,940
0	0	0	0	3,964
0	0	0	0	413,609
58,037	0	12,920,538	0	12,978,575
0	0	0	257,373	257,373
0	0	0	7,762,592	7,762,592
<u>\$100,377</u>	<u>\$38,366</u>	<u>\$12,920,538</u>	<u>\$8,019,965</u>	<u>\$39,352,184</u>
\$0	\$0	\$0	\$0	\$182,317
45,237	0	0	0	1,848,758
22,333	0	0	116,127	396,511
40,000	0	0	0	40,000
0	38,287	0	0	38,287
0	0	0	0	4,748,918
4,192	0	0	0	38,522
0	0	0	7,102,000	7,102,000
0	0	0	36,741	36,741
14,448	0	0	765,097	795,981
<u>126,210</u>	<u>38,287</u>	<u>0</u>	<u>8,019,965</u>	<u>15,228,035</u>
0	0	12,920,538	0	12,920,538
(25,833)	0	0	0	(25,833)
0	0	0	0	699,066
0	0	0	0	3,964
0	0	0	0	10,776
0	0	0	0	98,934
0	0	0	0	413,609
0	0	0	0	257,373
0	79	0	0	9,745,722
<u>(25,833)</u>	<u>79</u>	<u>12,920,538</u>	<u>0</u>	<u>24,124,149</u>
<u>\$100,377</u>	<u>\$38,366</u>	<u>\$12,920,538</u>	<u>\$8,019,965</u>	<u>\$39,352,184</u>

**SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expensible Trust Fund	
<b>Revenues:</b>						
<b>Local Sources:</b>						
Taxes	\$3,845,563	\$73,733	\$517,587	\$0	\$0	\$4,436,883
Tuition	10,623	0	0	0	0	10,623
Investment Earnings	43,201	0	7,141	284,704	0	335,046
Extracurricular Activities	0	174,364	0	0	0	174,364
Class Material and Fees	49,662	0	0	0	0	49,662
Intergovernmental - State	9,819,771	38,802	61,598	3,876,069	0	13,796,240
Intergovernmental - Federal	406,417	469,334	0	0	0	875,751
Gifts and Donations	0	0	0	0	5,416	5,416
All Other Revenues	6,588	0	0	0	0	6,588
Total Revenues	14,181,825	756,233	586,326	4,160,773	5,416	19,690,573
<b>Expenditures:</b>						
<b>Current:</b>						
Instruction	8,654,285	306,175	0	67,676	5,337	9,033,473
<b>Supporting Services:</b>						
Pupils	512,639	91,493	0	0	0	604,132
Instructional Staff	792,906	36,249	0	34,421	0	863,576
Board of Education	25,916	0	0	0	0	25,916
Administration	1,260,196	138,468	0	1,589	0	1,400,253
Fiscal Services	353,595	1,492	10,480	0	0	365,567
Business	141,502	0	0	0	0	141,502
Operation and Maintenance of Plant	1,007,626	0	0	1,143	0	1,008,769
Pupil Transportation	1,291,978	601	0	259,004	0	1,551,583
Central	52,579	0	0	0	0	52,579
Community Services	0	453	0	0	0	453
Extracurricular Activities	364,978	148,948	0	0	0	513,926
Capital Outlay	0	0	0	1,320,896	0	1,320,896
<b>Debt Service:</b>						
Principal Retirement	0	0	7,322,000	0	0	7,322,000
Interest and Fiscal Charges	0	0	573,560	0	0	573,560
Total Expenditures	14,458,200	723,879	7,906,040	1,684,729	5,337	24,778,185
<b>Excess (Deficiency) of</b>						
Revenues Over (Under) Expenditures	(276,375)	32,354	(7,319,714)	2,476,044	79	(5,087,612)
<b>Other Financing Sources (Uses):</b>						
Other Financing Sources-Capital Lease	0	0	0	36,741	0	36,741
Proceeds from Sale of Fixed Assets	2,515	0	0	0	0	2,515
Total Other Financing Sources (Uses)	2,515	0	0	36,741	0	39,256
<b>Excess (Deficiency) of Revenues</b>						
<b>and Other Financing Sources Over (Under)</b>						
Expenditures and Other Financing Uses	(273,860)	32,354	(7,319,714)	2,512,785	79	(5,048,356)
Fund Balance (Deficit) Beginning of Year	(365,879)	218,087	7,589,181	8,844,908	0	16,286,297
Residual Equity Transfers	(3,611)	0	0	0	0	(3,611)
Decrease in Inventory Reserve	(4,886)	0	0	0	0	(4,886)
Fund Balance (Deficit) End of Year	(\$648,236)	\$250,441	\$269,467	\$11,357,693	\$79	\$11,229,444

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

**SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FISCAL YEAR ENDED JUNE 30, 2002**

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Local Sources:						
Taxes	\$3,951,000	\$4,007,679	\$56,679	\$77,500	\$77,271	(\$229)
Tuition	24,500	10,623	(13,877)	0	0	0
Investment Earnings	68,000	43,201	(24,799)	0	0	0
Extracurricular Activities	0	0	0	159,000	187,531	28,531
Class Material and Fees	48,400	49,662	1,262	0	0	0
Intergovernmental - State	9,777,178	9,819,771	42,593	79,948	63,802	(16,146)
Intergovernmental - Federal	420,000	406,417	(13,583)	502,070	500,125	(1,945)
All Other Revenues	11,000	4,623	(6,377)	8,000	0	(8,000)
Total Revenues	14,300,078	14,341,976	41,898	826,518	828,729	2,211
<b>Expenditures:</b>						
Current:						
Instruction	8,853,913	8,668,249	185,664	471,936	352,738	119,198
Supporting Services:						
Pupils	609,923	528,457	81,466	95,471	84,543	10,928
Instructional Staff	664,532	814,656	(150,124)	29,729	40,488	(10,759)
Board of Education	27,983	26,771	1,212	0	0	0
Administration	1,235,756	1,265,014	(29,258)	118,733	136,213	(17,480)
Fiscal Services	358,473	354,869	3,604	126,383	1,492	124,891
Business	149,560	247,535	(97,975)	0	0	0
Operation and Maintenance of Plant	1,161,110	1,130,331	30,779	0	0	0
Pupil Transportation	1,213,746	1,338,480	(124,734)	0	600	(600)
Central	55,680	51,473	4,207	0	0	0
Community Services	0	0	0	0	452	(452)
Extracurricular Activities	388,113	365,875	22,238	153,440	155,513	(2,073)
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	14,718,789	14,791,710	(72,921)	995,692	772,039	223,653
Excess (Deficiency) of Revenues Over (Under) Expenditures	(418,711)	(449,734)	(31,023)	(169,174)	56,690	225,864
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	2,500	2,515	15	0	0	0
Refunds of Prior Years' Expenditures	0	1,732	1,732	0	0	0
Refunds of Prior Years' Receipts	0	(27)	(27)	0	0	0
Advances Out	0	(40,000)	(40,000)	0	0	0
Total Other Financing Sources (Uses)	2,500	(35,780)	(38,280)	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(416,211)	(485,514)	(69,303)	(169,174)	56,690	225,864
Fund Balance at Beginning of Year	1,147,005	1,147,005	0	168,192	168,192	0
Prior Year Encumbrances	165,219	165,219	0	74,830	74,830	0
Fund Balance at End of Year	\$896,013	\$826,710	(\$69,303)	\$73,848	\$299,712	\$225,864

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

(Continued)

**SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FISCAL YEAR ENDED JUNE 30, 2002**

	<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Local Sources:						
Taxes	\$553,785	\$547,126	(\$6,659)	\$0	\$0	\$0
Tuition	0	0	0	0	0	0
Investment Earnings	10,137	7,141	(2,996)	253,448	284,704	31,256
Extracurricular Activities	0	0	0	0	0	0
Class Material and Fees	0	0	0	0	0	0
Intergovernmental - State	51,624	61,598	9,974	3,885,295	3,876,069	(9,226)
Intergovernmental - Federal	0	0	0	0	0	0
All Other Revenues	0	0	0	0	0	0
Total Revenues	615,546	615,865	319	4,138,743	4,160,773	22,030
<b>Expenditures:</b>						
Current:						
Instruction	0	0	0	809,143	79,999	729,144
Supporting Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	778,911	77,010	701,901
Board of Education	0	0	0	0	0	0
Administration	0	0	0	19,126	1,891	17,235
Fiscal Services	10,700	10,480	220	0	0	0
Business	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	128,210	12,676	115,534
Pupil Transportation	0	0	0	2,623,676	259,004	2,364,672
Central	0	0	0	0	0	0
Community Services	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	15,567,482	1,539,535	14,027,947
Debt Service:						
Principal Retirement	7,481,314	7,322,000	159,314	0	0	0
Interest and Fiscal Charges	580,534	573,560	6,974	0	0	0
Total Expenditures	8,072,548	7,906,040	166,508	19,926,548	1,970,115	17,956,433
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,457,002)	(7,290,175)	166,827	(15,787,805)	2,190,658	17,978,463
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Refunds of Prior Years' Expenditures	0	0	0	0	0	0
Refunds of Prior Years' Receipts	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(7,457,002)	(7,290,175)	166,827	(15,787,805)	2,190,658	17,978,463
Fund Balance at Beginning of Year	7,547,548	7,547,548	0	8,539,549	8,539,549	0
Prior Year Encumbrances	0	0	0	317,115	317,115	0
Fund Balance at End of Year	\$90,546	\$257,373	\$166,827	(\$6,931,141)	\$11,047,322	\$17,978,463

(Continued)

**SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FISCAL YEAR ENDED JUNE 30, 2002**

	<i>Totals (Memorandum Only)</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>			
Local Sources:			
Taxes	\$4,582,285	\$4,632,076	\$49,791
Tuition	24,500	10,623	(13,877)
Investment Earnings	331,585	335,046	3,461
Extracurricular Activities	159,000	187,531	28,531
Class Material and Fees	48,400	49,662	1,262
Intergovernmental - State	13,794,045	13,821,240	27,195
Intergovernmental - Federal	922,070	906,542	(15,528)
All Other Revenues	19,000	4,623	(14,377)
Total Revenues	19,880,885	19,947,343	66,458
<b>Expenditures:</b>			
Current:			
Instruction	10,134,992	9,100,986	1,034,006
Supporting Services:			
Pupils	705,394	613,000	92,394
Instructional Staff	1,473,172	932,154	541,018
Board of Education	27,983	26,771	1,212
Administration	1,373,615	1,403,118	(29,503)
Fiscal Services	495,556	366,841	128,715
Business	149,560	247,535	(97,975)
Operation and Maintenance of Plant	1,289,320	1,143,007	146,313
Pupil Transportation	3,837,422	1,598,084	2,239,338
Central	55,680	51,473	4,207
Community Services	0	452	(452)
Extracurricular Activities	541,553	521,388	20,165
Capital Outlay	15,567,482	1,539,535	14,027,947
Debt Service:			
Principal Retirement	7,481,314	7,322,000	159,314
Interest and Fiscal Charges	580,534	573,560	6,974
Total Expenditures	43,713,577	25,439,904	18,273,673
Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,832,692)	(5,492,561)	18,340,131
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Fixed Assets	2,500	2,515	15
Refunds of Prior Years' Expenditures	0	1,732	1,732
Refunds of Prior Years' Receipts	0	(27)	(27)
Advances Out	0	(40,000)	(40,000)
Total Other Financing Sources (Uses)	2,500	(35,780)	(38,280)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(23,830,192)	(5,528,341)	18,301,851
Fund Balance at Beginning of Year	17,402,294	17,402,294	0
Prior Year Encumbrances	557,164	557,164	0
Fund Balance at End of Year	(\$5,870,734)	\$12,431,117	\$18,301,851

**SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**  
**PROPRIETARY FUND TYPE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<i>Enterprise Funds</i>
<u>Operating Revenues:</u>	
Sales	\$419,999
Tuition and Fees	16,580
Total Operating Revenues	436,579
<u>Operating Expenses:</u>	
Salaries and Wages	227,168
Fringe Benefits	88,343
Contractual Services	9,490
Materials and Supplies	292,459
Depreciation	10,810
Other Operating Expenses	769
Total Operating Expenses	629,039
Operating Loss	(192,460)
<u>Non-Operating Revenues(Expenses):</u>	
Operating Grants	142,642
Federally Donated Commodities	50,975
Total Non-Operating Revenues	193,617
Net Income	1,157
Accumulated Deficit at Beginning of Year	(26,990)
Accumulated Deficit at End of Year	(\$25,833)

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



**SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u><i>Enterprise Funds</i></u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$419,999
Cash Received from Tuition and Fee Payments	\$16,580
Cash Payments for Goods and Services	(255,970)
Cash Payments to Employees for Services and Benefits	(318,162)
Net Cash Used for Operating Activities	<u>(137,553)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	143,276
Advances In	40,000
Advances Out	(40,543)
Net Cash Provided by Noncapital Financing Activities	<u>142,733</u>
Net Increase in Cash and Cash Equivalents	5,180
Cash and Cash Equivalents at Beginning of Year	<u>6,980</u>
Cash and Cash Equivalents at End of Year	<u><u>\$12,160</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Loss	(\$192,460)
Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities:	
Depreciation Expense	10,810
Donated Commodities Used During the Year	50,975
Changes in Assets and Liabilities:	
Decrease in Inventory	2,519
Decrease in Accounts Payable	(6,746)
Increase in Accrued Wages and Benefits	(82)
Decrease in Intergovernmental Payables	(2,034)
Decrease in Compensated Absences Payable	(535)
Total Adjustments	<u>54,907</u>
Net Cash Used for Operating Activities	<u><u>(\$137,553)</u></u>

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

**SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 79 non-certified and approximately 151 certified teaching personnel and administrative employees providing education to 2,284 students.

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

Southeast Local School District participates in two jointly governed organizations, the Stark-Portage Area Computer Consortium (SPARCC) and the Portage County School Consortium. SPARCC provides the data processing services needed by the participating school districts. The Portage County School Consortium is an insurance group purchasing consortium. Information regarding these organizations is presented in Note 15.

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

**B. Basis of Presentation - Fund Accounting**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation - Fund Accounting** (Continued)

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

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

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

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

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

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

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

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

***Fiduciary Funds***

**Trust and Agency Funds** - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District maintains an expendable trust fund and an agency fund. The expendable trust fund is accounted for and reported similarly to a governmental fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation - Fund Accounting** (Continued)

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

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

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

**C. Basis of Accounting**

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

The modified accrual basis of accounting is followed by the governmental funds and expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term “measurable” means the amount of the transaction can be determined. The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and contractually required pension obligations which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

Current property taxes measurable at June 30, 2002, of which are not intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2002 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end. In the proprietary funds, unused donated commodities are reported as deferred revenues.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

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

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

**D. Budgetary Process**

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

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

**1. Tax Budget**

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

**2. Estimated Resources**

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2002.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process** (Continued)

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund, function and object level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. During the year, no supplemental appropriations were passed. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual (Non-GAAP Budgetary Basis)-All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

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

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**D. Budgetary Process** (Continued)6. Budgetary Basis of Accounting (Continued)

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

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	(\$273,860)	\$32,354	(\$7,319,714)	\$2,512,785
Increase (Decrease):				
Accrued Revenues at June 30, 2002, received during FY 2003	(125,291)	(24,854)	(12,094)	0
Accrued Revenues at June 30, 2001, received during FY 2002	247,625	97,350	41,633	0
Accrued Expenditures at June 30, 2002, paid during FY 2003	2,067,848	99,351	0	93,126
Accrued Expenditures at June 30, 2001, paid during FY 2002	(1,945,125)	(122,285)	0	(11,756)
FY 2001 Prepays for FY 2002	3,735	0	0	0
FY 2002 Prepays for FY 2003	(3,964)	0	0	0
Residual Equity Transfers	(3,611)	0	0	0
Encumbrances Outstanding at June 30, 2002	<u>(452,871)</u>	<u>(25,226)</u>	<u>0</u>	<u>(403,497)</u>
Budget Basis	<u>(\$485,514)</u>	<u>\$56,690</u>	<u>(\$7,290,175)</u>	<u>\$2,190,658</u>

**E. Cash and Cash Equivalents**

During fiscal year 2002, cash and cash equivalents included amounts in demand deposits, repurchase agreements and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio and repurchase agreements are very liquid investments and are reported as cash equivalents in the general purpose financial statements.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and cash equivalents represents the balance on hand as if each fund maintained its own cash and investment account. See Note 3, "Cash and Cash Equivalents."

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements) which are reported at cost. See Note 3, "Cash and Cash Equivalents."

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

Following Ohio statutes, the District has allocated its interest earnings. Interest revenue credited to the General Fund during 2002 amounted to \$43,201, which includes \$15,473 assigned from other District funds. Interest revenue credited to the Classroom Facilities Fund (capital projects fund) during 2002 amounted to \$277,490, which includes \$72,092 assigned from other District funds.

**G. Inventory**

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market (first-in, first-out) in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used. Reported supplies inventory is equally offset by a fund balances reserve in the governmental fund which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

**H. Prepaid Items**

Payments to vendors for services that will benefit periods beyond June 30, 2002 are recorded as prepaid items using the consumption method. A current asset for the prepaid item is recorded at the time of purchase and an expenditure is reported in the fiscal year in which the services are consumed. At fiscal year end, because prepaid items are not available to finance future governmental fund expenditures, the fund balances are reserved by an amount equal to the carrying amount of the asset.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Fixed Assets and Depreciation**

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

**1. Property, Plant and Equipment - General Governmental Purposes**

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

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

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

**2. Property, Plant and Equipment - Proprietary Fund**

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

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

<u>Description</u>	<u>Estimated Lives (in years)</u>
Machinery, Equipment, Furniture and Fixtures	8-20

**J. Revenues – Exchange and Non-Exchange Transactions**

Exchange transactions are those in which each party to a transaction gives and receives essentially something of equal value. Proprietary funds, where the full accrual basis of accounting is used, record revenue when the exchange takes place. Governmental funds, where the modified accrual basis of accounting is used, record revenue in the fiscal year in which the resources are both measurable and available.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Revenues – Exchange and Non-Exchange Transactions (Continued)**

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Property taxes available as an advance at June 30 are recognized as revenue. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenues are both measurable and available. Eligibility requirements include timing requirements, matching requirements and expenditure requirements. Eligibility requirements specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted. With matching requirements, the District must provide local resources to be used for a specific purpose. For expenditure requirements, resources are provided to the District on a reimbursement basis.

**K. Long-Term Obligations**

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

<u>Obligation</u>	<u>Fund</u>
Capital Leases	General Fund
Compensated Absences	Fund from which employee is paid
Intergovernmental Payable	Fund from which employee is paid
General Obligation Bond	Bond Retirement Fund

**L. Compensated Absences**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Pensions**

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

**N. Interfund Transactions**

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

- Operating transfers are reported as “Other Financing Sources and Uses” in the governmental funds, as “Operating Transfers In” by the recipient fund, and “Operating Transfers Out” by the disbursing fund.
- Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.
- Residual equity transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance.

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

**O. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve may be used by the District to offset any budget deficit the District may experience in future fiscal years. A fund balance reserve has been established for this amount.

**P. Reservations of Fund Balance**

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for debt service, prepaid items, supplies inventory, property taxes, budget stabilization and encumbered amounts which have not been accrued at year end. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriation under State statute.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Q. Total Columns on Combined Financial Statements - Overview**

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

**R. Estimates**

The preparation of 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.

**NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

**A. Fund Deficits**

The fund deficits at June 30, 2002 of \$648,236 in the General Fund and \$37 in the Summer School Fund (special revenue fund) arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The fund deficit of \$33,851 in the Food Services Fund (enterprise fund) arises from the recognition of expenses on the accrual basis of accounting which are greater than expenses on the cash basis of accounting.

**B. Excess of Expenditures Over Appropriations**

Expenditures plus outstanding encumbrances exceeded appropriations as adopted by the District’s Board of Education for several funds at June 30, 2002. In addition, estimated resources and appropriations were not properly and timely posted to the District’s accounting ledgers.

**C. Allocation of Interest Among Funds**

Interest has been credited to the Permanent Improvement Fund (capital projects fund) without the evidence of a resolution of the District’s Board of Education specifying the action.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

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

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

Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts, including, but not limited to, passbook accounts.

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds. Interim deposits are certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- The State Treasury Asset Reserve of Ohio (STAR Ohio), and
- Certain bankers’ acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time.

**NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public collateral and are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,*" collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

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

*Deposits:*

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

*Investments:*

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

**A. Deposits**

At year end, the carrying amount of the District's deposits was an \$217,389 and the bank balance was \$404,341.

Of the bank balance:

1. \$363,828 was covered by Federal Depository Insurance or by collateral held by the District's agent in the name of the District.
2. \$40,513 was held in collateral pools with no specification for whom such funds are held and is considered to be uninsured and uncollateralized as defined by GASB Statement No. 3. Although all state statutory requirements for the deposit of monies has been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)****B. Investments**

The District's investments at June 30, 2002 were as follows:

<u>Categorized Investments</u>	<u>Category 3</u>	<u>Fair Value</u>
Repurchase Agreements	\$140,129	\$140,129
<u>Non-Categorized Investments</u>		
STAR Ohio	N/A	13,005,719
Total Investments	<u>\$140,129</u>	<u>\$13,145,848</u>

**C. Reconciliation of Cash, Cash Equivalents and Investments**

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$13,363,237	\$0
Repurchase Agreements	(140,129)	140,129
STAR Ohio	<u>(13,005,719)</u>	<u>13,005,719</u>
Per GASB Statement No. 3	<u>\$217,389</u>	<u>\$13,145,848</u>

**NOTE 4 - PROPERTY TAXES**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2002 were levied after October 1, 2001 on assessed values as of January 1, 2001, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 2000, and equalization adjustments were made in 1997. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

**NOTE 4 - PROPERTY TAXES (Continued)**

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Southeast Local School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed value upon which the fiscal year 2002 receipts were based are:

	2001 Second Half Collections	2002 First Half Collections
Agricultural/Residential and Other Real Estate	\$148,221,730	\$152,446,570
Public Utility Personal	13,487,890	10,731,520
Tangible Personal Property	8,186,692	8,479,260
Total Assessed Value	<u>\$169,896,312</u>	<u>\$171,657,350</u>
Tax rate per \$1,000 of assessed valuation	\$47.29	\$46.68

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2002 consisted of taxes, interfund loans and intergovernmental receivables.

**NOTE 6 - INTERFUND BALANCES**

Individual interfund loans receivable and payable balances at June 30, 2002, are as follows:

	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$40,000	\$0
Enterprise Fund:		
Food Services Fund	<u>0</u>	<u>40,000</u>
Totals	<u>\$40,000</u>	<u>\$40,000</u>



**NOTE 7 - FIXED ASSETS****A. General Fixed Assets**

Summary by category of changes in general fixed assets at June 30, 2002:

<u>Class</u>	<u>June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2002</u>
Land and Improvements	\$1,793,046	\$0	\$0	\$1,793,046
Buildings and Improvements	4,874,273	0	0	4,874,273
Machinery and Equipment	2,443,318	75,460	(22,749)	2,496,029
Vehicles	1,798,247	338,854	(169,963)	1,967,138
Construction In Progress	724,301	1,065,751	0	1,790,052
Totals	<u>\$11,633,185</u>	<u>\$1,480,065</u>	<u>(\$192,712)</u>	<u>\$12,920,538</u>

**B. Proprietary Fixed Assets**

Summary by category at June 30, 2002:

<u>Category</u>	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Machinery, Equipment, Furniture and Fixtures	\$216,203	(\$158,166)	\$58,037
Total Property, Plant and Equipment	<u>\$216,203</u>	<u>(\$158,166)</u>	<u>\$58,037</u>

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

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

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

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

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

**NOTE 8 - DEFINED BENEFIT PENSION PLANS** (Continued)

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2001, (latest information available) 4.2% was allocated to fund the pension benefit and 9.8% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2002, 2001, and 2000 were \$425,099, \$279,189, and \$234,803, respectively, 79.19% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$197,477, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 2001 employer contribution rate (latest information available) that was used to fund health care for the year 2001 was 9.8%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2002, the minimum pay has been established as \$12,400. The amount contributed to fund health care benefits, including the surcharge amounted to \$338,864.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available) were \$161,439,934 and the target level was \$242.2 million. Net assets available for payment of benefits at June 30, 2001 was \$315.7 million.

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

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

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

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2001, (latest information available) 9.5% was allocated to fund the pension benefit and 4.5% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2002, 2001, and 2000 were \$1,040,947, \$938,471, and \$856,208, respectively, 82.67% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$180,388, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

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

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2001, (latest information available) the board allocated employer contributions are equal to 4.5% of covered payroll to the Health Care Reserve Fund, which amounted to \$334,590 for the District. The balance of the Health Care Reserve Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, the net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

**NOTE 9 - COMPENSATED ABSENCES**

The District provides a liability for accumulated unpaid sick leave and vacation time benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. At June 30, 2002, the total accumulated unpaid sick and vacation time recorded in the General Long-Term Obligations Account Group was:

	<u>Sick Leave</u>	<u>Vacation</u>	<u>Total</u>
Liability	\$739,182	\$25,915	\$765,097

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

**NOTE 10 - OTHER GENERAL LONG-TERM OBLIGATIONS**

Detail of the changes in the long-term general obligation bonds, intergovernmental payable, capital leases and compensated absences of the District for the year ended June 30, 2002 is as follows:

		Balance June 30, 2001	Issued (Retired)	Balance June 30, 2002
<b>General Long-Term Debt:</b>				
(General Obligation Bond Anticipation Notes)				
Classroom Facilities Improvement	2001	\$7,212,000	(\$7,212,000)	\$0
(General Obligation Bonds)				
Classroom Facilities Improvement	2001	7,212,000	(110,000)	7,102,000
Total General Long-Term Debt		<u>14,424,000</u>	<u>(7,322,000)</u>	<u>7,102,000</u>
<b>Other General Long-Term Obligations:</b>				
Intergovernmental Payable		114,870	1,257	116,127
Capital Leases Payable		6,544	36,741	
			(6,544)	36,741
Compensated Absences		749,031	16,066	765,097
Total Other General Long-Term Obligations		<u>870,445</u>	<u>47,520</u>	<u>917,965</u>
Total General Long-Term Debt and Other General Long-Term Obligations		<u>\$15,294,445</u>	<u>(\$7,274,480)</u>	<u>\$8,019,965</u>

**A. Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2002, follows:

Years	General Obligation Bond	
	Principal	Interest
2003	\$220,000	\$323,798
2004	225,000	314,898
2005	235,000	305,698
2006	250,000	295,998
2007	250,000	285,872
Thereafter	<u>5,922,000</u>	<u>3,227,413</u>
Totals	<u>\$7,102,000</u>	<u>\$4,753,677</u>

**NOTE 11 - CAPITAL LEASE COMMITMENTS**

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

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2002:

<u>Year Ending June 30,</u>	<u>Capital Lease</u>
2003	\$13,716
2004	13,716
2005	<u>13,716</u>
Minimum Lease Payments	41,148
Less: Amount representing interest at the District's incremental borrowing rate of interest	<u>(4,407)</u>
Present Value of minimum lease payments	<u><u>\$36,741</u></u>

**NOTE 12 – STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves for the purpose of textbooks and other instructional materials and an additional amount for capital improvements. Amounts may also be set-aside for a budget stabilization reserve, which can be used to offset any future budget deficit. During the fiscal year ended June 30, 2002, the reserve activity (cash-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Acquisition Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Set-aside Cash Balance as of June 30, 2001	(\$226,884)	\$0	\$229,009	\$2,125
Current Year Set-Aside Requirement	394,327	394,327	0	788,654
Current Year Offset Credits	0	0	0	0
Qualifying Disbursements	<u>(263,922)</u>	<u>(279,727)</u>	<u>0</u>	<u>(543,649)</u>
Total	<u>(\$96,479)</u>	<u>\$114,600</u>	<u>\$229,009</u>	<u>\$247,130</u>
Cash Balance Carried Forward to FY 2003	<u>(\$96,479)</u>	<u>\$114,600</u>	<u>\$229,009</u>	<u>\$247,130</u>
Amount Restricted for Budget Stabilization				\$299,009
Amount Restricted for Capital Acquisition				<u>114,600</u>
Total Restricted Assets				<u><u>\$413,609</u></u>

The District may use the negative amount in the textbooks set-aside to reduce set-aside requirements of future fiscal years. Amounts remaining at the fiscal year-end are represented by cash and cash equivalents and are presented as restricted assets on the Combined Balance Sheet. Corresponding amounts are reported as reserves of fund balances.

**NOTE 13 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The District maintains two Enterprise Funds to account for the operation of Food Services and Uniform School Supply sales. The key financial information for the year ended June 30, 2002 for these enterprise activities is as follows:

	Food Services	Uniform School Supply	Total
Operating Revenues	\$419,999	\$16,580	\$436,579
Depreciation Expense	10,810	0	10,810
Operating Income (Loss)	(199,777)	7,317	(192,460)
Net Income (Loss)	(6,160)	7,317	1,157
Federally Donated Commodities	50,975	0	50,975
Operating Grants	142,642	0	142,642
Total Assets	92,359	8,018	100,377
Net Working Capital	(77,440)	8,018	(69,422)
Total Equity (Accumulated Deficit)	(33,851)	8,018	(25,833)

**NOTE 14 - RISK MANAGEMENT****A. Public Entity Risk Pools**

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

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

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

The Health and Welfare Trust is organized under provisions of Section 501(c)(9) of the Internal Revenue Code. Its purpose is to facilitate the management of risks associated with providing employee benefits coverages such as health and accident insurance, disability insurance and life insurance. A third-party administrator is retained by the consortium to facilitate the operation of the Health and Welfare Trust. The District pays all insurance premiums directly to the consortium. Although the District does not participate in the day-to-day management of the consortium, one of the District's administrators serves as a trustee of the consortium's governing board as provided in the consortium's enabling authority. Although the District recognizes that it retains a contingent liability to provide insurance coverages should the assets of the consortium become depleted, it is the opinion of management that the assets of the consortium are sufficient to meet its claims. As of June 30, 2002, the pool had cash reserves of \$2,498,686.

**NOTE 14 - RISK MANAGEMENT (Continued)**

**A. Public Entity Risk Pools (Continued)**

**Ohio School Boards Association Workers' Compensation** - The District manages its exposures for workers' compensation claims through a Workers' Compensation Group Rating Program established in 1991 by the Ohio School Boards Association in conjunction with Gates, McDonald and Company. The District is one of 361 Ohio school districts that participate in the program. The purpose of the program is to help districts control the costs associated with providing workers' compensation coverage and to provide professional expertise to the District in handling claims as they are filed. The District is mandated to maintain workers' compensation coverage under Ohio law. According to the information provided by Gates, McDonald and Company, participation in the program provides the District a premium savings of more than 50 percent the rate the District would pay if it obtained such coverage on its own. The District further anticipates that it will continue to participate in the program as long as it is eligible to do so. In the event that the District's workers' compensation exposure is such that it is no longer eligible to participate in the program, its workers' compensation premiums would increase significantly. However, even in the unlikely event that such a scenario would occur, management believes it would not have a materially adverse impact on the District's financial position. At June 30, 2001, management knew of no claims incurred but not reported. Financial information can be obtained at the Bureau of Workers' Compensation, State Insurance Fund, Columbus, Ohio 43271-0821.

**B. Other Insurance**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2002, the District contracted for various insurance coverages, as follows:

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

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

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Stark Portage Area Computer Consortium**

The Stark Portage Area Computer Consortium (SPARCC) is the computer service organization (A-site) used by the Southeast Local School District. SPARCC is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Stark County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges and assessments as charged. SPARCC is governed by a board made up of superintendents from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The Southeast Local School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to SPARCC are made from the General Fund. Financial information can be obtained from Gene Feucht, who serves as director, at 2100 38<sup>th</sup> Street, NW, Canton, Ohio 44709. During fiscal year 2002, the Southeast Local School District contributed \$50,143 to SPARCC.

**B. Portage County School Consortium**

Portage County School Consortium is an insurance group purchasing consortium made up of thirteen school districts in Portage County. All member districts pay an insurance premium directly to the consortium. The Southeast Local School District paid \$1,654,711 for health insurance premiums to the consortium for the 2002 fiscal year.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is not a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2002.



**NOTE 16 - CONTINGENCIES** (Continued)**C. State School Funding**

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

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

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

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

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**NOTE 17 – CONSTRUCTION COMMITMENTS**

As of June 30, 2002, the District had several contractual commitments. Details of these are as follows:

<u>Company</u>	<u>Contract Amount</u>	<u>Amount Spent as of 06/30/02</u>	<u>Amount Remaining to be Spent for Completion</u>
Myers & Associates	\$1,724,844	\$1,248,811	\$476,033
Hammond/Ozanne Construction	1,724,754	698,918	1,025,836
Rudzik Excavating	490,308	431,365	58,943
Hummel Construction	5,530,600	0	5,530,600
Harmer Plumbing	648,380	0	648,380
Geauga Mechanical	1,298,000	0	1,298,000
R.J. Martin Electrical	991,000	0	991,000
Safe-Air Asbestos Removal	173,246	0	173,246
	<u>\$12,581,132</u>	<u>\$2,379,094</u>	<u>\$10,202,038</u>

**SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Balance June 30, 2001	Additions	Deductions	Balance June 30, 2002
<b><u>Student Managed Activity Fund</u></b>				
Assets:				
Cash and Cash Equivalents	\$27,967	\$109,776	(\$99,456)	\$38,287
Total Assets	<u>\$27,967</u>	<u>\$109,776</u>	<u>(\$99,456)</u>	<u>\$38,287</u>
Liabilities:				
Due to Students	\$27,967	\$109,776	(\$99,456)	\$38,287
Total Liabilities	<u>\$27,967</u>	<u>\$109,776</u>	<u>(\$99,456)</u>	<u>\$38,287</u>

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

Board of Education  
Southeast Local School District  
8423 Tallmadge Road  
Ravenna, OH 44266

We have audited the general purpose financial statements of the Southeast Local School District (the District), as of and for the year ended June 30, 2002, and have issued our report thereon dated January 24, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 24, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose 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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated January 24, 2003.

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

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

A handwritten signature in black ink, appearing to read 'G. B. Fink', with a stylized flourish at the end.

GARY B. FINK & ASSOCIATES, INC.  
Certified Public Accountants

January 24, 2003

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

Board of Education  
Southeast Local School District  
8423 Tallmadge Road  
Ravenna, OH 44266

Compliance

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

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

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


**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*** (continued)

Internal Control Over Compliance

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

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

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



GARY B. FINK & ASSOCIATES, INC.  
Certified Public Accountants

January 24, 2003

**Southeast Local School District  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2002**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Receipts	Disbursements
<b><u>U.S. Department of Agriculture</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Lunch Program	10.555	049221-LLP4-2002	\$102,734	\$102,734
National School Lunch Program	10.555	049221-LLP4-2001	21,928	21,928
National School Lunch Program	10.555	049221-LLP1-2001	12,723	12,723
Total National School Lunch Program			<u>137,385</u>	<u>137,385</u>
Food Distribution	10.550	----	<u>50,755</u>	<u>50,975</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>188,140</u>	<u>188,360</u>
<b><u>U.S. Department of Education</u></b>				
Impact Aid	84.041	45-OH-2001-0227	<u>406,417</u>	<u>6,258</u>
<i>Passed Through Ohio Department of Education:</i>				
Innovative Education Program Strategies (ESEA Title VI)	84.298	049221-C2S1-2002	9,219	7,331
Innovative Education Program Strategies (ESEA Title VI)	84.298	049221-C2S1-2001	0	4,983
Total Innovative Education Program Strategies			<u>9,219</u>	<u>12,314</u>
Title I Grants to Local Educational Agencies	84.010	049221-C1S1-2002	194,457	184,099
Title I Grants to Local Educational Agencies	84.010	049221-C1S1-2001	0	27,457
Total Title I			<u>194,457</u>	<u>211,556</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	049221-DRS1-2002	9,288	261
Safe and Drug-Free Schools and Communities - State Grants	84.186	049221-DRS1-2001	6,774	9,677
Total Safe and Drug-Free Schools and Communities			<u>16,062</u>	<u>9,938</u>
Class Size Reduction (Title VI-R)	84.340	049221-CRS1-2002	60,034	45,524
Class Size Reduction (Title VI-R)	84.340	049221-CRS1-2001	0	10,132
Total Class Size Reduction			<u>60,034</u>	<u>55,656</u>
Special Education Cluster:				
Special Education - Grants to States (Title VI-B Flow-Thru)	84.027	049221-6BSF-2002-P	161,584	131,911
Special Education - Grants to States (Title VI-B Flow-Thru)	84.027	049221-6BSF-2001-P	47,017	32,441
Total Special Education Cluster			<u>208,601</u>	<u>164,352</u>
Eisenhower Professional Development State Grants	84.281	049221-MSS1-2002	10,823	4,638
Eisenhower Professional Development State Grants	84.281	049221-MSS1-2001	929	5,510
Total Eisenhower Professional Development State Grants			<u>11,752</u>	<u>10,148</u>
Total U.S. Department of Education			<u>906,542</u>	<u>470,222</u>
Total Federal Assistance			<u>\$1,094,682</u>	<u>\$658,582</u>

The notes to this Schedule are an integral part of this Schedule.

**SOUTHEAST LOCAL SCHOOL DISTRICT**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

**NOTE B - FOOD DISTRIBUTION**

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



**SOUTHEAST LOCAL SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of auditor's report issued on the general purpose financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the general purpose financial statement level?	No
(d)(1)(ii)	Were there any other reportable conditions in internal control reported at the general purpose financial statement level?	No
(d)(1)(iii)	Was there any material noncompliance reported at the general purpose financial statement level?	No
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	No
(d)(1)(iv)	Were there any other reportable conditions in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Unqualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	No

**SOUTHEAST LOCAL SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(CONTINUED)**

(d)(1)(vii)	Major Program:	Child Nutrition Cluster: National School Lunch Program, CFDA #10.555; Food Distribution, CFDA #10.550
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None



**Auditor of State  
Betty Montgomery**

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

**SOUTHEAST LOCAL SCHOOL DISTRICT**

**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 27, 2003**