



Mary Taylor, CPA
Auditor of State

**SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet	
Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund	20
Statement of Fund Net Assets – Internal Service Fund	21
Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Fund	22
Statement of Cash Flows – Internal Service Fund	23
Statement of Assets and Liabilities – Agency Fund	24
Notes to the Basic Financial Statements	25
Federal Awards Receipts and Expenditures Schedule	49
Notes to the Federal Awards Receipts and Expenditures Schedule	50
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	53
Schedule of Findings	55

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Southeast Local School District, Wayne County, Ohio, (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Southeast Local School District, Wayne County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund 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 December 12, 2008, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

December 12, 2008

Southeast Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The discussion and analysis of Southeast Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- Net assets of governmental activities decreased \$977,902, which represents a 18.1 percent decrease from 2007.
- For governmental activities, general revenues accounted for \$12.3 million in revenue or 76.2 percent of all revenues. Program specific revenues in the form of charges for service, operating grants, contributions and interest and capital grants and contributions accounted for \$3.9 million or 23.8 percent of total revenues of \$16.2 million.
- The School District had \$17.2 million in expenses related to governmental activities; \$3.9 million of these expenses were offset by program specific charges for services, operating grants, contributions and interest and capital grants and contributions. General revenues of \$12.3 million were not adequate to provide for these programs.
- The general fund, the only major fund, had \$12.9 million in revenues and \$13.4 million in expenditures. The general fund's balance decreased \$499,616 to \$1.1 million.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Southeast Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Southeast Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The statement of net assets and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting, takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's current property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the School District's activities are considered to be all Governmental Activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services and extracurricular.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the general fund.

Southeast Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

Table 1
Net Assets

	Governmental Activities	
	2007	2008
Assets		
Current and other assets	\$ 10,367,553	\$ 9,723,129
Capital assets	3,502,906	3,396,705
<i>Total assets</i>	13,870,459	13,119,834
Liabilities		
Current liabilities	7,659,419	7,731,034
Long-term liabilities	799,418	955,080
<i>Total liabilities</i>	8,458,837	8,686,114
Net Assets		
Invested in capital assets, net of related debt	3,199,027	3,139,525
Restricted	789,575	669,838
Unrestricted	1,423,020	624,357
<i>Total net assets</i>	\$ 5,411,622	\$ 4,433,720

Southeast Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the School District's assets exceeded liabilities by \$4,433,720, a decrease of \$977,902 from net assets at June 30, 2007. Capital assets reported on the government-wide statements represent the largest portion of the School District's net assets for fiscal year 2008. Capital assets include land, construction in progress, land improvements, buildings, furniture and equipment, and vehicles which are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$669,838 represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$367,494 is restricted for capital projects \$302,344 is restricted for other purposes. Unrestricted net assets report a balance of \$624,357.

Southeast Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 2 reflects the changes in net assets for fiscal year 2008 compared to 2007

Table 2
Changes in Net Assets

	Governmental Activites	
	2007	2008
Revenue:		
Program revenues:		
Charges for services	\$ 1,421,190	\$ 1,530,398
Operating grants and contributions	2,394,235	2,312,555
Capital grants and contributions	16,354	10,413
General revenues:		
Property taxes	6,683,750	6,347,849
Grants and entitlements	5,547,710	5,820,480
Investment earnings	204,640	154,489
Miscellaneous	16,389	6,638
Total Revenues	16,284,268	16,182,822
Expenses:		
Instructions:		
Regular	6,357,165	6,645,035
Special	2,221,473	2,412,739
Vocational	369,559	336,999
Other	441,656	370,738
Support services:		
Pupils	762,745	841,874
Instructional staff	402,044	473,387
Board of education	35,414	40,317
Administration	1,598,166	1,705,231
Fiscal	414,594	407,353
Operation and maintenance of plant	1,499,358	1,387,261
Pupil transportation	1,039,690	1,110,141
Central	161,164	176,727
Operation of non-instructional services	823,619	746,504
Extracurricular activities	437,393	492,259
Interest and fiscal charges	16,426	14,159
Total Expenses	16,580,466	17,160,724
Changes in net assets	(296,198)	(977,902)
Net assets beginning of year	5,707,820	5,411,622
Net assets end of year	\$ 5,411,622	\$ 4,433,720

Southeast Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Governmental Activities

Several revenue sources fund our governmental activities with property tax and school foundation revenues being the largest contributors. Property tax levies generated over \$6.3 million in 2008. General revenues from grants and entitlements, such as the school foundation program, generated over \$5.8 million. With the combination of taxes and intergovernmental funding comprising approximately 75.2% of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

Instructional expenses of the School District include activities directly related to the teaching of pupils as well as the interaction between teacher and pupil and the purchase of textbooks and instructional supplies and materials. These expenses totaled \$9,765,511, or 56.9% of the total program expenses of the School District.

Support services expenses for the pupils and instruction staff programs totaled \$1,315,261, or 7.7% of the total program expenses of the School District. These expenses include library, guidance, speech and hearing, and psychological services.

Board of education, administration and fiscal classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. Current year expenses were \$2,152,901, which represents 12.6% of the total program expenses. Expenses of these School District programs increased \$104,727 over the prior year mainly due to increases in staff and student enrollment.

Costs associated with the operation and maintenance of plant represent those expenses necessary for the care and upkeep of School District's buildings, grounds and equipment. Current year expenses of \$1,387,261 made up 8.1% of all governmental expenses.

Southeast Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Program Expenses				
Instruction:				
Regular	\$ 6,357,165	\$ 6,645,035	\$ (5,611,069)	\$ (5,840,494)
Special	2,221,473	2,412,739	(1,110,576)	(1,047,577)
Vocational	369,559	336,999	(337,769)	(312,302)
Other	441,656	370,738	(439,896)	(345,753)
Support services:				
Pupils	762,745	841,874	(265,561)	(307,772)
Instructional staff	402,044	473,387	(50,180)	(371,935)
Board of education	35,414	40,317	(35,414)	(40,317)
Administration	1,598,166	1,705,231	(1,559,454)	(1,647,606)
Fiscal	414,594	407,353	(414,594)	(407,353)
Operation and maintenance of plant	1,499,358	1,387,261	(1,495,703)	(1,380,513)
Pupil transportation	1,039,690	1,110,141	(1,023,336)	(1,099,728)
Central	161,164	176,727	(139,360)	(142,207)
Operation non-instructional services	823,619	746,504	7,189	(44,037)
Extracurricular activities	437,393	492,259	(256,538)	(305,605)
Interest and fiscal charges	16,426	14,159	(16,426)	(14,159)
Total	<u>\$ 16,580,466</u>	<u>\$ 17,160,724</u>	<u>\$ (12,748,687)</u>	<u>\$ (13,307,358)</u>

The School District depends on both property taxes and State funding which fund approximately 71% of the program expenses of the School District.

Southeast Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$16,278,274, and total expenditures were \$16,882,741. Table 4 shows fiscal year 2008 balances compared to fiscal year 2007.

Table 4
Fund Balances

	<u>Fund Balance</u> <u>June 30, 2008</u>	<u>Fund Balance</u> <u>June 30, 2007</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
General	\$ 1,146,221	\$ 1,645,837	\$ (499,616)	(30.36)
Other governmental	<u>656,578</u>	<u>761,429</u>	<u>(104,851)</u>	<u>(13.77)</u>
Total	<u>\$ 1,802,799</u>	<u>\$ 2,407,266</u>	<u>\$ (604,467)</u>	<u>(44.13)</u>

General Fund

The general fund is reporting a fund balance of \$1,146,221, a decrease of \$499,616 from 2007. The decrease in fund balance can be attributed to an increase of \$405,062 in expenditures coupled by a decrease of \$16,286 of revenues. Expenditures related to instruction and support services was the primary cause to the increase in expenditures and the change in revenues was mainly due to the decrease in property taxes. Table 5 assists in illustrating the financial activities of the general fund.

Southeast Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 5
General Fund Changes in Revenues and Expenditures

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
<u>Revenues:</u>				
Taxes	\$ 6,130,604	\$ 6,441,675	\$ (311,071)	(4.83)
Intergovernmental	5,824,363	5,567,687	256,676	4.61
Interest	148,488	197,127	(48,639)	(24.67)
Tuition and fees	808,990	716,184	92,806	12.96
Gifts and donations	600	-	600	-
Rent	6,748	3,655	3,093	84.62
Miscellaneous	6,638	16,389	(9,751)	(59.50)
Total revenues	<u>12,926,431</u>	<u>12,942,717</u>	<u>(16,286)</u>	
<u>Expenditures:</u>				
<u>Current:</u>				
<u>Instruction:</u>				
Regular	6,298,491	6,210,367	88,124	1.42
Special	1,011,644	896,670	114,974	12.82
Vocational	315,446	369,533	(54,087)	(14.64)
Other	370,738	441,656	(70,918)	(16.06)
<u>Support services:</u>				
Pupils	304,753	299,132	5,621	1.88
Instructional staff	336,636	285,509	51,127	17.91
Board of education	40,317	35,414	4,903	13.84
Administration	1,635,274	1,543,105	92,169	5.97
Fiscal	396,754	405,259	(8,505)	(2.10)
Operation and maintenance of plant	1,136,844	1,017,346	119,498	11.75
Pupil transportation	955,891	893,486	62,405	6.98
Central	140,635	126,934	13,701	10.79
Extracurricular	281,753	271,140	10,613	3.91
Capital outlay	139,858	164,420	(24,562)	(14.94)
<u>Debt service:</u>				
Principal retirement	46,699	44,440	2,259	5.08
Interest and fiscal charges	14,314	16,574	(2,260)	(13.64)
Total expenditures	<u>13,426,047</u>	<u>13,020,985</u>	<u>405,062</u>	

Southeast Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During fiscal year 2008, the School District amended its appropriation budget several times, however none were significant. Budget revisions are presented to the Board of Education for approval.

For the general fund, the final budget basis revenue estimate was \$12,683,200 which was \$33,889 greater than the original budget. Actual receipts of \$12,972,207 were \$289,007 higher than the final budget basis estimate.

The general fund's original expenditures estimate equaled \$13,226,910. No significant expenditure budget revisions were posted to any specific account during the year. Actual expenditures total \$13,023,501, or \$203,409 less than the final amount budgeted.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$3,396,705 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Table 6 shows fiscal year 2008 balances compared to fiscal year 2007:

Table 6
Capital Assets (Net of Depreciation)

	Governmental Activities	
	2007	2008
Land	\$ 588,680	\$ 588,680
Land improvements	7,461	4,581
Buildings and improvements	1,496,732	1,420,940
Furniture and equipment	715,815	681,492
Vehicles	694,218	671,043
Construction in Progress	-	29,969
Total capital assets	\$ 3,502,906	\$ 3,396,705

The decrease in capital assets was due to depreciation expense being higher than additions and improvements, for the year. The School District continued its ongoing commitment to maintaining and improving its capital assets. For more information on capital assets, refer to Note 8 in the basic financial statements.

Southeast Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Debt Administration

The Board of Education for the School District issued general obligation notes in the amount of \$640,609 under House Bill 264 Energy Conservation Program on March 3, 1998. The School District is eligible for funding from the Ohio School Facilities Commission under which the State will fund 36% of the School District's future facility needs after the issuance of bonds.

At June 30, 2008 the School District had \$257,180 of debt outstanding with \$49,151 due within one year. See Note 9 to the basic financial statement for detail. Table 7 summarizes the outstanding debt.

Table 7
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2007	2008
General Obligation Notes	\$ 303,879	\$ 257,180

Current Issues Affecting Financial Condition

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, the community support for the School District is quite strong.

Due to the unsettled issues in school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the School District's system of budgeting and internal controls is well regarded and will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our parents, citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for money it receives. If you have questions about this report or need additional financial information, contact Eric Koehler, Treasurer at Southeast Local School District, 9048 Dover Road, Apple Creek, Ohio 44606.

Southeast Local School District
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 3,382,786
Receivables:	
Taxes	6,110,994
Intergovernmental	55,498
Prepaid items	155,408
Inventory held for resale	15,983
Materials and supplies inventory	2,460
Capital assets:	
Non-depreciable capital assets	618,649
Depreciable capital assets, net	<u>2,778,056</u>
Total assets	<u>13,119,834</u>
<u>Liabilities:</u>	
Accounts payable	88,297
Accrued wages	1,498,078
Compensated absences payable	39,676
Intergovernmental payable	399,836
Deferred revenue	5,694,215
Accrued interest payable	854
Claims payable	10,078
Long-term liabilities:	
Due within one year	220,863
Due in more than one year	<u>734,217</u>
Total liabilities	<u>8,686,114</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	3,139,525
Restricted for:	
Capital projects	367,494
Other purposes	302,344
Unrestricted	<u>624,357</u>
Total net assets	<u>\$ 4,433,720</u>

See accompanying notes to the basic financial statements.

Southeast Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Change in Net Assets
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 6,645,035	\$ 784,005	\$ 20,536	\$ -	\$ (5,840,494)
Special	2,412,739	-	1,365,162	-	(1,047,577)
Vocational	336,999	-	24,697	-	(312,302)
Other	370,738	24,985	-	-	(345,753)
Support services:					
Pupils	841,874	175,754	358,348	-	(307,772)
Instructional staff	473,387	-	101,452	-	(371,935)
Board of education	40,317	-	-	-	(40,317)
Administration	1,705,231	-	57,625	-	(1,647,606)
Fiscal	407,353	-	-	-	(407,353)
Operation and maintenance of plant	1,387,261	6,748	-	-	(1,380,513)
Pupil transportation	1,110,141	-	-	10,413	(1,099,728)
Central	176,727	16,520	18,000	-	(142,207)
Operation of non-instructional services	746,504	340,568	361,899	-	(44,037)
Extracurricular activities	492,259	181,818	4,836	-	(305,605)
Interest and fiscal charges	14,159	-	-	-	(14,159)
Total governmental activities	\$ 17,160,724	\$ 1,530,398	\$ 2,312,555	\$ 10,413	(13,307,358)

General Revenues:

Property taxes levied for:

General purposes	6,054,371
Capital projects	293,478
Grants and entitlements not restricted to specific programs	5,820,480
Investment earnings	154,489
Miscellaneous	6,638

Total general revenues 12,329,456

Change in net assets (977,902)

Net assets beginning of year 5,411,622

Net assets end of year \$ 4,433,720

See accompanying notes to the basic financial statements.

Southeast Local School District
Balance Sheet
Governmental Funds
June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 2,688,213	\$ 640,772	\$ 3,328,985
<u>Receivables:</u>			
Taxes	5,830,004	280,990	6,110,994
Intergovernmental	-	55,498	55,498
Inventory held for resale	-	15,983	15,983
Materials and supplies inventory	-	2,460	2,460
Prepaid items	151,361	4,047	155,408
Total assets	8,669,578	999,750	9,669,328
<u>Liabilities:</u>			
Accounts payable	69,423	18,874	88,297
Accrued wages	1,487,469	10,609	1,498,078
Intergovernmental payable	374,210	25,626	399,836
Compensated absences payable	31,475	8,201	39,676
Deferred revenue	5,560,780	279,862	5,840,642
Total liabilities	7,523,357	343,172	7,866,529
<u>Fund balances:</u>			
<u>Reserved for:</u>			
Encumbrances	63,233	1,196	64,429
Prepaid items	151,361	4,047	155,408
Property Taxes	269,224	13,413	282,637
<u>Unreserved, undesignated, reported in:</u>			
General fund	662,403	-	662,403
Special revenue funds	-	289,803	289,803
Capital projects fund	-	348,119	348,119
Total fund balances	1,146,221	656,578	1,802,799
Total liabilities and fund balances	\$ 8,669,578	\$ 999,750	\$ 9,669,328

See accompanying notes to the basic financial statements.

Southeast Local School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2008

Total governmental fund balances		\$ 1,802,799
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,396,705
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 134,142	
Intergovernmental	12,285	
Total	<u>146,427</u>	146,427
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.		43,723
In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.		(854)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General obligation notes	\$ (257,180)	
Compensated absences	(697,900)	
Total	<u>(955,080)</u>	<u>(955,080)</u>
Net assets of governmental activities		<u>\$ 4,433,720</u>

See accompanying notes to the basic financial statements.

Southeast Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Taxes	\$ 6,130,604	\$ 296,529	\$ 6,427,133
Intergovernmental	5,824,363	2,313,925	8,138,288
Interest	148,488	17,868	166,356
Tuition and fees	808,990	-	808,990
Extracurricular activities	-	199,521	199,521
Gifts and donations	600	8,860	9,460
Charges for services	-	340,568	340,568
Rent	6,748	-	6,748
Miscellaneous	6,638	174,572	181,210
Total revenues	<u>12,926,431</u>	<u>3,351,843</u>	<u>16,278,274</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	6,298,491	82,931	6,381,422
Special	1,011,644	1,319,706	2,331,350
Vocational	315,446	-	315,446
Other	370,738	-	370,738
Support services:			
Pupils	304,753	535,365	840,118
Instructional staff	336,636	101,217	437,853
Board of education	40,317	-	40,317
Administration	1,635,274	72,246	1,707,520
Fiscal	396,754	8,354	405,108
Operation and maintenance of plant	1,136,844	191,963	1,328,807
Pupil transportation	955,891	-	955,891
Central	140,635	36,092	176,727
Operation of non-instructional services	-	741,886	741,886
Extracurricular	281,753	208,665	490,418
Capital outlay	139,858	158,269	298,127
Debt service:			
Principal retirement	46,699	-	46,699
Interest and fiscal charges	14,314	-	14,314
Total expenditures	<u>13,426,047</u>	<u>3,456,694</u>	<u>16,882,741</u>
Net change in fund balances	(499,616)	(104,851)	(604,467)
Fund balances beginning of year	<u>1,645,837</u>	<u>761,429</u>	<u>2,407,266</u>
Fund balances end of year	<u>\$ 1,146,221</u>	<u>\$ 656,578</u>	<u>\$ 1,802,799</u>

See accompanying notes to the basic financial statements.

Southeast Local School District
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ (604,467)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Net capital asset additions	\$	298,127	
Depreciation expense		<u>(366,723)</u>	
Excess of net capital outlay under depreciation expense			(68,596)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (37,605)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:

Property taxes	\$	(79,285)	
Intergovernmental		<u>(16,167)</u>	
Net change in deferred revenues during the year			(95,452)

Repayments of debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets. 46,699

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences	\$	(202,361)	
Decrease in accrued interest		<u>155</u>	
Total additional expenses			(202,206)

The internal service fund used by management to charge the costs of dental claims to individual funds is not reported in the statement of activities. The net revenue (expense) of the internal service fund is reported in the government-wide statements. (16,275)

Change in net assets of governmental activities \$ (977,902)

See accompanying notes to the basic financial statements.

Southeast Local School District
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 6,280,994	\$ 6,085,445	\$ 6,168,534	\$ 83,089
Intergovernmental	5,454,142	5,787,262	5,824,363	37,101
Interest	194,110	150,000	157,288	7,288
Tuition and fees	700,710	639,493	808,990	169,497
Gifts and donations	-	-	600	600
Rent	3,655	6,000	6,748	748
Miscellaneous	15,700	15,000	5,684	(9,316)
Total revenues	<u>12,649,311</u>	<u>12,683,200</u>	<u>12,972,207</u>	<u>289,007</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,414,629	6,414,629	6,244,758	169,871
Special	972,478	972,478	971,066	1,412
Vocational	320,850	320,850	316,420	4,430
Other	381,100	381,100	370,638	10,462
Support services:				
Pupils	327,500	327,500	296,156	31,344
Instructional staff	376,540	376,540	336,318	40,222
Board of education	36,250	36,250	42,799	(6,549)
Administration	1,554,198	1,554,198	1,584,491	(30,293)
Fiscal	423,800	423,800	442,875	(19,075)
Operation and maintenance of plant	1,054,250	1,054,250	1,007,686	46,564
Pupil transportation	876,450	876,450	929,040	(52,590)
Central	144,065	144,065	140,581	3,484
Extracurricular activities	283,300	283,300	279,660	3,640
Debt service:				
Principal retirement	47,100	47,100	46,688	412
Interest and fiscal charges	14,400	14,400	14,325	75
Total expenditures	<u>13,226,910</u>	<u>13,226,910</u>	<u>13,023,501</u>	<u>203,409</u>
Excess of revenues (under) expenditures	<u>(577,599)</u>	<u>(543,710)</u>	<u>(51,294)</u>	<u>492,416</u>
<u>Other financing sources:</u>				
Proceeds from the sale of capital assets	320	500	160	(340)
Refund of prior year expenditures	369	500	794	294
Total other financing sources	<u>689</u>	<u>1,000</u>	<u>954</u>	<u>(46)</u>
Net change in fund balance	(576,910)	(542,710)	(50,340)	492,370
Fund balance at beginning of year	2,656,243	2,656,243	2,656,243	-
Prior year encumbrances appropriated	10,070	10,070	10,070	-
Fund balance at end of year	<u>\$ 2,089,403</u>	<u>\$ 2,123,603</u>	<u>\$ 2,615,973</u>	<u>\$ 492,370</u>

See accompanying notes to the basic financial statements.

Southeast Local School District
Statement of Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2008

	<u>Self Insurance</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	<u>\$ 53,801</u>
<u>Liabilities:</u>	
Claims payable	<u>10,078</u>
<u>Net assets:</u>	
Unrestricted	<u>\$ 43,723</u>
Total liabilities and net assets	<u>\$ 53,801</u>

See accompanying notes to the basic financial statements.

Southeast Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2008

	Self Insurance
<u>Operating revenues:</u>	
Charges for services	<u>\$ 113,942</u>
<u>Operating expenses:</u>	
Purchased services	10,680
Claims	<u>119,537</u>
Total operating expenses	<u>130,217</u>
Change in net assets	(16,275)
Net assets beginning of year	<u>59,998</u>
Net assets end of year	<u>\$ 43,723</u>

See accompanying notes to the basic financial statements.

Southeast Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2008

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received from interfund services provided	\$ 113,942
Cash payments to suppliers for goods and services	(10,680)
Cash payments for claims	<u>(122,608)</u>
Net cash provided by operating activities	<u>(19,346)</u>
Net decrease in cash and cash equivalents	(19,346)
Cash and cash equivalents at beginning of year	<u>73,147</u>
Cash and cash equivalents at end of year	<u><u>\$ 53,801</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	<u>\$ (16,275)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Decrease in liabilities:	
Claims payable	<u>(3,071)</u>
Net cash provided by operating activities	<u><u>\$ (19,346)</u></u>

See accompanying notes to the basic financial statements.

Southeast Local School District
Statement of Assets and Liabilities
Agency Fund
June 30, 2008

	<u>Agency</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	<u>\$ 29,305</u>
<u>Liabilities:</u>	
Accounts payable	405
Due to students	<u>28,900</u>
Total liabilities	<u>\$ 29,305</u>

See accompanying notes to the basic financial statements.

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 1 – Summary of Significant Accounting Policies

A. Description of the School District

The Southeast Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is governed by a five-member Board of Education (the Board) elected by its citizens and is responsible for the provision of public education to residents of the School District. The board oversees the operations of the School District's six instructional and support facilities. Average daily membership was 1,637. The School District employed 135 certified and 96 non-certified employees.

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

B. Reporting Entity

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

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

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The School District participates in one joint venture with the Midland Council of Governments (COG). Also the School District is associated with three jointly governed organizations the Wayne County Career Center, Wayne County Schools Council and the Tri-County Computer Service Association (TCCSA). These organizations are discussed in Notes 10 and 11 to the basic financial statements.

C. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on the major fund. The major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

D. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into three categories: governmental, proprietary and fiduciary.

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

General Fund

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

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds. The School District's only proprietary fund is the internal service fund:

Internal Service Fund

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, on a cost-reimbursement basis. The only internal service fund of the School District accounts for a self-insurance program which provides dental benefits to employees.

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are agency funds. The School District's agency funds are for student activities.

E. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Fund Financial Statements All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use a modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Difference in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

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

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of operation of non-instructional services. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants, Contributions and Interest" program revenue account.

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

F. Budgets and Budgetary Accounting

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the Tax Budget, the Appropriation Resolution and the Certificate of Estimated Resources, which are prepared on the budgetary basis of accounting. The Tax Budget demonstrates a need for existing or increased tax rates. The Certificate of Estimated Resources establishes a limit on the amounts that the Board of Education may appropriate. The Appropriation Resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The Certificate of Estimated Resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The Appropriation Resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed during the year, including all supplemental appropriations.

G. Cash and Investments

To improve cash management, all cash received by the School District is pooled at various banks. Monies for all funds, including proprietary funds, are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2008, the School District's investments were limited to a repurchase agreement, government sponsored securities and STAR Ohio an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

H. Inventory

Inventories are presented at cost on a first in, first out basis and are expensed/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure is reported in the year in which services are consumed.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5-50 years
Buildings and Improvements	8-50 years
Furniture and Equipment	5-20 years
Vehicles	7-10 years

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future, in accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported.

L. Accrued Liabilities and Long-Term Obligations

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

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

M. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use of which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes and prepaid items. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

N. Estimates

The preparation of the basic 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.

O. Net Assets

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

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide services that are the primary activity of the fund.

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 2 – Budgetary Basis of Accounting

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

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues and other sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures and other uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an accounts payable (GAAP Basis).

The adjustments necessary to convert the results of operations for the year on a budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance	
	General
GAAP basis	\$ (499,616)
Revenue accruals	46,730
Expenditure accruals	335,075
Encumbrances (budget basis)	
Outstanding at year end	67,471
Budget basis	\$ (50,340)

Note 3 – Accountability

As of June 30, 2008, the IDEA, Part B fund had a deficit fund balance in the amount of \$512. This deficit was caused by the application of GAAP; namely in the reporting of various liabilities attributable to the fiscal year. This deficit balance will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 4 – Deposits and Investments

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing no later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptance and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits

Custodial credit risk for a deposit is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

The carrying value of the School District's deposits totaled (\$23,654) and the bank balances of the deposits totaled \$29,307. Although, the carrying value was negative money is credited to their checking account from a repurchase account that is linked to those accounts as checks are presented. The bank balance was not exposed to custodial credit risk.

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

B. Investments

As of June 30, the School District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Repurchase agreements	\$ 73,756	Daily	N/A ⁽¹⁾
STAROhio	2,824,578	N/A	AAAm ⁽²⁾
Federal Home Loan Mortgage Corp.	537,040	6/17/2009	AAA ⁽²⁾
Short-term investment	371	N/A	AAA ⁽²⁾
	<u>\$ 3,435,745</u>		

⁽¹⁾ Underlying securities are exempt.

⁽²⁾ Standard and Poor's rating.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008.

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 5 percent of the School District's investments are in Federal Home Loan Mortgage Corporation (FHLMC). The School District places no limit on the amount that may be invested in any one issuer.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in Federal Home Loan Mortgage Corporation (FHLMC) are held by the counterparty's trust department or agent and not in the School District's name. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned FHLMC an AAA rating. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$148,488, which includes \$58,450 assigned from other School District funds.

Note 5 – Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property tax received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax received during calendar year 2008 (other than public utility property) represents collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Wayne, Holmes and Stark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half property tax payments collected by the County by June 30, 2008, are intended to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Accrued property taxes receivable includes real property, public property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amounts available to the School District as an advance at June 30 are recognized as revenue. The amount available as an advance at June 30, 2008 was \$282,637. \$269,224 was available to the general fund, and \$13,413 to the permanent improvement capital projects fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2008 taxes were collected are:

Property Category	2007 Assessed Value	2006 Assessed Value
Real Property		
Residential and agricultural	\$ 206,050,510	\$ 198,274,400
Commercial , industrial and mineral	27,549,520	27,169,480
Public utilities	1,020	960
Tangible Personal Property		
General	15,211,635	24,912,184
Public utilities	<u>6,484,870</u>	<u>7,493,470</u>
Total	<u>\$ 255,297,555</u>	<u>\$ 257,850,494</u>

Note 6 – Receivables

Receivables at June 30, 2008, consisted of taxes and intergovernmental (grants). All receivables are considered collectable in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of Federal funds.

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 7 – Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

Note 8 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

	Balance 7/1/2007	Additions	Deletions	Balance 6/30/2008
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 588,680	\$ -	\$ -	\$ 588,680
Construction in progress	-	29,969	-	29,969
Total Capital Assets, not being depreciated	588,680	29,969	-	618,649
Depreciable Capital Assets				
Land Improvements	474,864	-	-	474,864
Buildings and Improvements	4,385,503	-	-	4,385,503
Furniture and Equipment	2,779,646	139,858	(166,501)	2,753,003
Vehicles	1,707,639	128,300	(110,449)	1,725,490
Total Depreciable Capital Assets	9,347,652	268,158	(276,950)	9,338,860
Less Accumulated Depreciation:				
Land Improvements	(467,403)	(2,880)	-	(470,283)
Buildings and Improvements	(2,888,771)	(75,792)	-	(2,964,563)
Furniture and Equipment	(2,063,831)	(136,576)	128,896	(2,071,511)
Vehicles	(1,013,421)	(151,475)	110,449	(1,054,447)
Total Accumulated Depreciation	(6,433,426)	(366,723)	239,345	(6,560,804)
Depreciable Capital Assets, Net				
Governmental Activities	2,914,226	(98,565)	(37,605)	2,778,056
Capital Assets, Net	\$ 3,502,906	\$ (68,596)	\$ (37,605)	\$ 3,396,705

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 162,700
Special	8,768
Support Services:	
Pupils	1,056
Instructional staff	20,538
Administration	3,737
Fiscal	2,056
Operation and maintenance of plant	11,562
Pupil transportation	145,515
Operation of non-instructional services	8,950
Extracurricular activities	<u>1,841</u>
Total Depreciation Expense	<u>\$ 366,723</u>

Note 9 – Long-Term Debt and Other Obligations

The changes in the School District's long-term obligations during the year consist of the following:

	Balance 7/1/2007	Addition	Deletion	Balance 6/30/2008	Due within One Year
Governmental Activities					
General Obligation Notes, 5.05%	\$ 303,879	\$ -	\$ (46,699)	\$ 257,180	\$ 49,151
Compensated Absences Payable	<u>495,539</u>	<u>318,792</u>	<u>(116,431)</u>	<u>697,900</u>	<u>171,712</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 799,418</u>	<u>\$ 318,792</u>	<u>\$ (163,130)</u>	<u>\$ 955,080</u>	<u>\$ 220,863</u>

General obligation notes All obligations outstanding are general obligations of the School District for which the full faith and credit of the School District is pledged for repayment. General obligation notes are retired through the general fund.

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

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 264 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 66 days for both classified and certified employees.

The annual requirements to amortize all debt outstanding as of June 30, 2008 including interest payments of \$32,637 are as follows:

Year Ending June 30	<u>General Obligation Notes</u>		
	Principal	Interest	Total
2009	\$ 49,151	\$ 11,863	\$ 61,014
2010	51,691	9,322	61,013
2011	54,363	6,651	61,014
2012	57,165	3,850	61,015
2013	44,810	951	45,761
	\$ 257,180	\$ 32,637	\$ 289,817

Note 10 – Joint Venture

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

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

The COG is funded by member fees and state grants. The Executive Committee determines and sets the member fees for all services to the COG. Fees are billed to member districts annually around July 1st. The School District paid \$215,314 in fees for the fiscal year 2008. The School District has no equity interest in the COG.

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

1. All tangible personal property previously loaned or given to the COG that is clearly identified as to ownership shall be returned to the owner member.

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

2. All remaining tangible personal property shall be sold at public sale in accordance with the ORC 307.12 by sealed bid. The cash proceeds and all remaining assets and other intangibles, including moneys, shall be distributed to the member districts in proportion to the Average Daily Membership (ADM) of the School District.

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

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

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

Note 11– Jointly Governed Organizations

A. Wayne County Career Center

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

B. Wayne County Schools Council

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

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

Through the Council, the School District offers its employees a health care program through Medical Mutual of Ohio (MMO). Insurance rates are set by MMO, and payment is made to MMO, through the Council's fiscal agent. Administrative costs are determined annually by the Board of Directors. The fees are paid out of the reserve balance fund, for administrative and consultant fees.

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

C. Tri-County Computer Service Association

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

Note 12 – Risk Management

Comprehensive The School District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with private carriers for property and fleet insurance, liability insurance, and inland marine coverage. Coverage provided by these carriers is as follows:

Building and Contents - replacement cost - \$31,784,887 (\$2,500 deductible)

Inland Marine Coverage - \$819,115 (\$500 deductible)

Automobile Liability - \$2,000,000 (\$500 - \$5,000 deductible)

Uninsured Motorists - \$1,000,000

General Liability - \$3,000,000 aggregate/\$1,000,000 per occurrence

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

Workers Compensation The School District participates in the Ohio School Board Association Workers' Compensation Program (GRP), an insurance purchasing pool. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the GRP. The GRP is intended to achieve the benefit of a reduced premium by virtue of its grouping and representation with other participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. The total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

		<u>Balance</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
2007	\$	9,547	120,141	116,539	\$ 13,149
2008	\$	13,149	119,537	122,608	\$ 10,078

Note 13 – Defined Benefit Pension Plans

A. School Employee Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$180,806, \$194,138 and \$191,790 respectively; 44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$957,705, \$981,915, and \$1,024,023 respectively; 65 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$7,645 made by the School District and \$23,676 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2008, two members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

Note 14 – Post Employment Benefits

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$39,831.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$82,508, \$64,454, and \$66,931 respectively; 44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$13,028, \$13,201, and \$15,265 respectively; 44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$73,670, \$75,532, and \$78,771 respectively; 65 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 15 – Statutory Reserves

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

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

Southeast Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

	Textbooks	Capital Improvement and Maintenance
Set-aside balance as of June 30, 2007	\$ (337,547)	\$ -
Current year set-aside requirement	259,556	259,556
Current year offsets	-	(336,019)
Qualifying expenditures	(345,419)	(87,328)
Total	\$ (423,410)	\$ (163,791)

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amounts below zero for the textbook set-aside. This extra amount may be used to reduce the set-aside requirement of future years. Although the School District had offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvement and maintenance set-aside, this amount may not be used to reduce the set-aside requirement for future years. The negative balance is, therefore, not presented as being carried forward to future years.

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed through the Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	\$1,026,925		\$1,026,925	
Special Education_Grants to States	84.027	465,117		465,117	
Safe and Drug-Free Schools and Communities_State Grants	84.186	17,858		17,858	
State Grants for Innovative Programs	84.298	4,143		4,143	
English Language Acquisition Grants	84.365	60,443		60,443	
Improving Teacher Quality State Grants	84.367	249,537		249,537	
Education Technology State Grants	84.318	10,423		10,423	
Total U. S. Department of Education		1,834,446		1,834,446	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed through the Ohio Department of Education</i>					
National School Lunch Program	10.555	217,516	\$64,559	217,516	\$64,559
Total U.S. Department of Agriculture		217,516	64,559	217,516	64,559
Totals		\$2,051,962	\$64,559	\$2,051,962	\$64,559

The accompanying notes are an integral part of this schedule.

**SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – NATIONAL SCHOOL LUNCH PROGRAM

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Southeast Local School District, Wayne County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 12, 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated December 12, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated December 12, 2008.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

December 12, 2008



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Southeast Local School District, Wayne County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 12, 2008

**SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Grants to State CFDA #84.027 Improving Teacher Quality State Grants CFDA #84.367
(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 AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 5, 2009