



***SOUTHEASTERN  
LOCAL SCHOOL DISTRICT***

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**ROSS COUNTY**

**SINGLE AUDIT**

**For the Fiscal Year Ended June 30, 2003**

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS







**Auditor of State  
Betty Montgomery**

Board of Education  
Southeastern Local School District  
2003 Lancaster Road  
Chillicothe, Ohio 45601

We have reviewed the Independent Auditor's Report of the Southeastern Local School District, Ross County, prepared by J. L. Uhrig and Associates, Inc., for the audit period July 1, 2002 to June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

April 21, 2004

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**SOUTHEASTERN LOCAL SCHOOL DISTRICT**

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## Independent Auditor's Report

Board of Education  
Southeastern Local School District  
2003 Lancaster Road  
Chillicothe, Ohio 45601

We have audited the accompanying financial statements of the Southeastern Local School District (the District) as of and for the year ended June 30, 2003. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2003, and the results of its operations and cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 14, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

April 14, 2004

**SOUTHEASTERN LOCAL SCHOOL DISTRICT**

Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2003

**GOVERNMENTAL FUND TYPES**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b><u>Assets and Other Debits:</u></b>				
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$710,442	\$426,207	\$184,102	\$4,255,785
Receivables:				
Property Taxes	1,387,187	29,054	326,082	0
Income Taxes	189,880	0	0	0
Intergovernmental	0	173,227	0	1,158,269
Interfund	92,693	0	0	0
Prepaid Items	30,691	0	0	0
Materials and Supplies Inventory	0	4,368	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	0	0	0	71,443
Fixed Assets:				
Fixed Assets	0	0	0	0
Construction in Progress	0	0	0	0
<b><u>Other Debits:</u></b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$2,410,893</b>	<b>\$632,856</b>	<b>\$510,184</b>	<b>\$5,485,497</b>



<i><b>PROPRIETARY FUND TYPE</b></i>	<i><b>FIDUCIARY FUND TYPE</b></i>	<i><b>ACCOUNT GROUPS</b></i>		Totals (Memorandum Only)
Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$139,087	\$20,842	\$0	\$0	\$5,736,465
0	0	0	0	1,742,323
0	0	0	0	189,880
0	0	0	0	1,331,496
0	0	0	0	92,693
0	0	0	0	30,691
0	0	0	0	4,368
0	0	0	0	71,443
0	0	6,474,080	0	6,474,080
0	0	22,751,788	0	22,751,788
0	0	0	184,102	184,102
0	0	0	4,452,037	4,452,037
<u>\$139,087</u>	<u>\$20,842</u>	<u>\$29,225,868</u>	<u>\$4,636,139</u>	<u>\$43,061,366</u>

See accompanying notes to the general purpose financial statements

(continued)

**SOUTHEASTERN LOCAL SCHOOL DISTRICT**

Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2003  
(continued)

	<b>GOVERNMENTAL FUND TYPES</b>			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Liabilities:</u></b>				
<b><u>Fund Equity and Other Credits:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$29,141	\$26,181	\$0	\$0
Contracts Payable	0	0	0	1,218,231
Accrued Wages and Benefits	695,142	125,370	0	0
Compensated Absences Payable	12,402	0	0	0
Retainage Payable	0	0	0	71,443
Interfund Payable	0	92,693	0	0
Intergovernmental Payable	135,483	34,096	0	0
Deferred Revenue	1,280,345	93,685	299,457	1,158,269
Undistributed Monies	0	0	0	0
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b>2,152,513</b>	<b>372,025</b>	<b>299,457</b>	<b>2,447,943</b>
<b><u>Fund Equity and Other Credits:</u></b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	505,882	63,734	0	957,994
Reserved for Property Taxes	106,842	2,331	26,625	0
Unreserved, Undesignated	(354,344)	194,766	184,102	2,079,560
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b>258,380</b>	<b>260,831</b>	<b>210,727</b>	<b>3,037,554</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$2,410,893</b>	<b>\$632,856</b>	<b>\$510,184</b>	<b>\$5,485,497</b>

<i><b>PROPRIETARY FUND TYPE</b></i>	<i><b>FIDUCIARY FUND TYPE</b></i>	<i><b>ACCOUNT GROUPS</b></i>		Totals (Memorandum Only)
Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$0	\$0	\$0	\$55,322
0	0	0	0	1,218,231
0	0	0	0	820,512
0	0	0	665,933	678,335
0	0	0	0	71,443
0	0	0	0	92,693
233,093	0	0	68,464	471,136
0	0	0	0	2,831,756
0	20,842	0	0	20,842
78,529	0	0	0	78,529
0	0	0	19,906	19,906
0	0	0	60,000	60,000
0	0	0	3,821,836	3,821,836
<u>311,622</u>	<u>20,842</u>	<u>0</u>	<u>4,636,139</u>	<u>10,240,541</u>
0	0	29,225,868	0	29,225,868
(172,535)	0	0	0	(172,535)
0	0	0	0	1,527,610
0	0	0	0	135,798
0	0	0	0	2,104,084
<u>(172,535)</u>	<u>0</u>	<u>29,225,868</u>	<u>0</u>	<u>32,820,825</u>
<u>\$139,087</u>	<u>\$20,842</u>	<u>\$29,225,868</u>	<u>\$4,636,139</u>	<u>\$43,061,366</u>

See accompanying notes to the general purpose financial statements

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**SOUTHEASTERN LOCAL SCHOOL DISTRICT**  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2003

	<b>GOVERNMENTAL FUND TYPES</b>				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
Property Taxes	\$1,372,550	\$29,192	\$356,515	\$0	\$1,758,257
Income Tax	475,988	0	0	0	475,988
Intergovernmental	5,217,242	902,409	37,613	2,907,648	9,064,912
Interest	25,361	1,315	0	101,782	128,458
Tuition and Fees	5,229	4,706	0	0	9,935
Rent	30,529	0	0	0	30,529
Extracurricular Activities	0	100,728	0	0	100,728
Gifts and Donations	0	8,718	0	1,466	10,184
Customer Services	0	137,655	0	0	137,655
Miscellaneous	5,487	140	0	1,017	6,644
<b>Total Revenues</b>	<b>7,132,386</b>	<b>1,184,863</b>	<b>394,128</b>	<b>3,011,913</b>	<b>11,723,290</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	2,983,781	505,221	0	1,002,294	4,491,296
Special	298,918	138,835	0	0	437,753
Vocational	1,422	0	0	0	1,422
Support Services:					
Pupils	279,950	51,850	0	7,544	339,344
Instructional Staff	254,092	141,673	0	11,868	407,633
Board of Education	281,292	0	0	0	281,292
Administration	768,463	413	0	0	768,876
Fiscal	275,848	436	4,981	0	281,265
Business	9,695	0	0	0	9,695
Operation and Maintenance of Plant	614,002	0	0	142,590	756,592
Pupil Transportation	827,924	1,223	0	0	829,147
Operation of Non-Instructional Services					
Services	0	364,413	0	1,983	366,396
Extracurricular Activities	132,704	85,973	0	0	218,677
Capital Outlay	1,300	0	0	9,857,317	9,858,617
Debt Service:					
Principal Retirement	37,510	0	110,000	0	147,510
Interest and Fiscal Charges	3,238	0	212,642	0	215,880
<b>Total Expenditures</b>	<b>6,770,139</b>	<b>1,290,037</b>	<b>327,623</b>	<b>11,023,596</b>	<b>19,411,395</b>
Excess of Revenues Over (Under) Expenditures	362,247	(105,174)	66,505	(8,011,683)	(7,688,105)
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Fixed Assets	0	85	0	0	85
Operating Transfers In	0	28,611	1,175	415,000	444,786
Operating Transfers Out	(757,289)	0	0	0	(757,289)
<b>Total Other Financing Sources (Uses)</b>	<b>(757,289)</b>	<b>28,696</b>	<b>1,175</b>	<b>415,000</b>	<b>(312,418)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(395,042)	(76,478)	67,680	(7,596,683)	(8,000,523)
Fund Balances at Beginning of Year - As Restated (See Note 23)	653,422	337,309	143,047	10,634,237	11,768,015
<b>Fund Balances at End of Year</b>	<b>\$258,380</b>	<b>\$260,831</b>	<b>\$210,727</b>	<b>\$3,037,554</b>	<b>\$3,767,492</b>

See accompanying notes to the general purpose financial statements

**SOUTHEASTERN LOCAL SCHOOL DISTRICT**  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2003

	<b>GENERAL FUND</b>			<b>SPECIAL REVENUE FUNDS</b>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Property Taxes	\$1,362,569	\$1,362,569	\$0	\$29,117	\$29,035	(\$82)
Income Tax	546,271	546,271	0	0	0	0
Intergovernmental	5,221,302	5,217,242	(4,060)	834,401	818,075	(16,326)
Interest	27,204	27,204	0	1,315	1,315	0
Tuition and Fees	5,242	5,242	0	4,839	4,834	(5)
Rent	30,544	30,529	(15)	0	0	0
Extracurricular Activities	0	0	0	100,981	100,979	(2)
Gifts and Donations	0	0	0	8,737	8,718	(19)
Customer Services	0	0	0	137,767	137,767	0
Miscellaneous	3,213	3,213	0	211	211	0
<b>Total Revenues</b>	<b>7,196,345</b>	<b>7,192,270</b>	<b>(4,075)</b>	<b>1,117,368</b>	<b>1,100,934</b>	<b>(16,434)</b>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	3,179,087	3,200,273	(21,186)	600,269	523,344	76,925
Special	455,637	326,005	129,632	153,429	142,508	10,921
Vocational	215	0	215	0	0	0
Support Services:						
Pupils	298,849	284,551	14,298	163,180	52,100	111,080
Instructional Staff	298,981	253,362	45,619	179,289	164,912	14,377
Board of Education	221,179	288,153	(66,974)	0	0	0
Administration	671,105	746,413	(75,308)	1,711	413	1,298
Fiscal	280,460	263,159	17,301	552	436	116
Business	5,000	3,848	1,152	0	0	0
Operation and Maintenance of Plant	890,319	750,892	139,427	0	0	0
Pupil Transportation	1,109,185	964,972	144,213	1,267	1,223	44
Operation of Non-Instructional						
Services	436	0	436	366,428	359,855	6,573
Extracurricular Activities	122,960	131,572	(8,612)	96,123	91,895	4,228
Capital Outlay	4,550	4,550	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>7,537,963</b>	<b>7,217,750</b>	<b>320,213</b>	<b>1,562,248</b>	<b>1,336,686</b>	<b>225,562</b>
Excess of Revenues Over (Under) Expenditures	(341,618)	(25,480)	316,138	(444,880)	(235,752)	209,128
<b><u>Other Financing Sources (Uses):</u></b>						
Proceed from Sale of Fixed Assets	0	0	0	125	85	(40)
Refund of Prior Year Expenditures	2,758	2,758	0	0	0	0
Advances In	0	0	0	92,693	92,693	0
Advances Out	(14,422)	(92,693)	(78,271)	(3,967)	0	3,967
Operating Transfers In	0	0	0	28,611	28,611	0
Operating Transfers Out	(905,734)	(757,289)	148,445	(12,400)	0	12,400
<b>Total Other Financing Sources (Uses)</b>	<b>(917,398)</b>	<b>(847,224)</b>	<b>70,174</b>	<b>105,062</b>	<b>121,389</b>	<b>16,327</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,259,016)	(872,704)	386,312	(339,818)	(114,363)	225,455
Fund Balances at Beginning of Year	581,952	581,952	0	384,087	384,087	0
Prior Year Encumbrances Appropriated	480,713	480,713	0	70,824	70,824	0
Fund Balances at End of Year	<u>(\$196,351)</u>	<u>\$189,961</u>	<u>\$386,312</u>	<u>\$115,093</u>	<u>\$340,548</u>	<u>\$225,455</u>

See accompanying notes to the general purpose financial statements

<i>DEBT SERVICE FUND</i>			<i>CAPITAL PROJECTS FUNDS</i>			<i>TOTALS (MEMORANDUM ONLY)</i>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$354,831	\$354,831	\$0	\$0	\$0	\$0	\$1,746,517	\$1,746,435	(\$82)
0	0	0	0	0	0	546,271	546,271	0
37,613	37,613	0	2,907,649	2,907,648	(1)	9,000,965	8,980,578	(20,387)
0	0	0	101,782	101,782	0	130,301	130,301	0
0	0	0	0	0	0	10,081	10,076	(5)
0	0	0	0	0	0	30,544	30,529	(15)
0	0	0	0	0	0	100,981	100,979	(2)
0	0	0	1,882	1,882	0	10,619	10,600	(19)
0	0	0	0	0	0	137,767	137,767	0
0	0	0	1,017	1,017	0	4,441	4,441	0
392,444	392,444	0	3,012,330	3,012,329	(1)	11,718,487	11,697,977	(20,510)
0	0	0	1,121,563	1,119,385	2,178	4,900,919	4,843,002	57,917
0	0	0	0	0	0	609,066	468,513	140,553
0	0	0	0	0	0	215	0	215
0	0	0	8,478	7,544	934	470,507	344,195	126,312
0	0	0	17,055	12,283	4,772	495,325	430,557	64,768
0	0	0	0	0	0	221,179	288,153	(66,974)
0	0	0	0	0	0	672,816	746,826	(74,010)
2,725	4,981	(2,256)	0	0	0	283,737	268,576	15,161
0	0	0	0	0	0	5,000	3,848	1,152
0	0	0	143,654	143,691	(37)	1,033,973	894,583	139,390
0	0	0	0	0	0	1,110,452	966,195	144,257
0	0	0	0	1,983	(1,983)	366,864	361,838	5,026
0	0	0	0	0	0	219,083	223,467	(4,384)
0	0	0	11,504,208	11,504,188	20	11,508,758	11,508,738	20
110,000	110,000	0	0	0	0	110,000	110,000	0
348,066	212,642	135,424	0	0	0	348,066	212,642	135,424
460,791	327,623	133,168	12,794,958	12,789,074	5,884	22,355,960	21,671,133	684,827
(68,347)	64,821	133,168	(9,782,628)	(9,776,745)	5,883	(10,637,473)	(9,973,156)	664,317
0	0	0	0	0	0	125	85	(40)
0	0	0	0	0	0	2,758	2,758	0
0	0	0	0	0	0	92,693	92,693	0
0	0	0	0	0	0	(18,389)	(92,693)	(74,304)
1,175	1,175	0	1,416,751	415,000	(1,001,751)	1,446,537	444,786	(1,001,751)
0	0	0	0	0	0	(918,134)	(757,289)	160,845
1,175	1,175	0	1,416,751	415,000	(1,001,751)	605,590	(309,660)	(915,250)
(67,172)	65,996	133,168	(8,365,877)	(9,361,745)	(995,868)	(10,031,883)	(10,282,816)	(250,933)
118,105	118,105	0	3,412,400	3,412,400	0	4,496,544	4,496,544	0
0	0	0	8,654,670	8,654,670	0	9,206,207	9,206,207	0
\$50,933	\$184,101	\$133,168	\$3,701,193	\$2,705,325	(\$995,868)	\$3,670,868	\$3,419,935	(\$250,933)

**SOUTHEASTERN LOCAL SCHOOL DISTRICT**

Statement of Revenues, Expenses and  
Changes in Retained Earnings  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2003

	<u><i>Self-Insurance</i></u>
<u><i>Operating Revenues:</i></u>	
Charges for Services	<u>\$904,197</u>
<u><i>Operating Expenses:</i></u>	
Purchased Services	83,601
Claims	<u>1,119,433</u>
<i>Total Operating Expenses</i>	<u>1,203,034</u>
Operating Loss	(298,837)
Transfers In	<u>312,503</u>
Net Income	13,666
Retained Earnings (Deficit) at Beginning of Year	<u>(186,201)</u>
Retained Earnings (Deficit) at End of Year	<u><u>(\$172,535)</u></u>

See accompanying notes to the general purpose financial statements



**SOUTHEASTERN LOCAL SCHOOL DISTRICT**  
Statement of Revenues, Expenses and Changes in  
Fund Equity - Budget and Actual (Budget Basis)  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2003

	<b>SELF-INSURANCE</b>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>			
Charges for Services	\$32,918	\$32,918	\$0
<b><u>Expenses:</u></b>			
Purchased Services	229,155	228,072	1,083
Excess of Revenues Under Expenditures	(196,237)	(195,154)	1,083
Transfers In	312,503	312,503	0
Excess of Revenues Under Expenses and Transfers	116,266	117,349	0
Fund Equity at Beginning of Year	16,773	16,773	0
Prior Year Encumbrances Appropriated	3,154	3,154	0
Fund Equity at End of Year	\$136,193	\$137,276	\$0

See accompanying notes to the general purpose financial statements

**SOUTHEASTERN LOCAL SCHOOL DISTRICT**

Statement of Cash Flows

Internal Service Fund

For the Fiscal Year Ended June 30, 2003

**Self-Insurance**

***Increase (Decrease) in Cash and Cash Equivalents:***

**Cash Flows from Operating Activities:**

Cash Received from Quasi-External Transactions with Other Funds	\$904,197
Cash Payments for Services	(83,601)
Cash Payments for Claims	<u>(1,142,536)</u>

Net Cash Used for Operating Activities (321,940)

**Cash Flows from Noncapital Financing Activities:**

Transfers In	312,503
Short-Term Loans from Other Governments	<u>128,598</u>

Net Cash Provided by Noncapital  
Financing Activities 441,101

Net Decrease in Cash and Cash Equivalents 119,161

Cash and Cash Equivalents at Beginning of Year 19,926

Cash and Cash Equivalents at End of Year \$139,087

**Reconciliation of Operating Loss to Net**

**Cash Used for Operating Activities:**

Operating Loss (\$298,837)

**Adjustments to Reconcile Operating Loss to**

**Net Cash Used for Operating Activities:**

Decrease in Claims Payable (23,103)

Net Cash Used for Operating Activities (\$321,940)

See accompanying notes to the general purpose financial statements

***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Effective June 16, 2003 the Scioto Valley Local School District changed the name of the district to the Southeastern Local School District. The Southeastern Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1938 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 140 square miles. It is located in Ross County, and includes the Hamlets of Londonderry, Higby, Harrison and Richmond Dale, and portions of Liberty, Jefferson, Harrison, Springfield, Franklin and Scioto Townships. It is staffed by 61 non-certificated employees, and 77 certificated full-time teaching personnel who provide services to 1,125 students and other community members. The School District currently operates 4 instructional buildings and 1 bus garage.

*Reporting Entity:*

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

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

The following entities which perform activities within the School District’s boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- Parent Teacher Organization
- Ross County Educational Service Center

The School District participates in five organizations, three of which are defined as jointly governed organizations, one as a claims servicing pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association, the Pickaway-Ross Career and Technology Center, the Great Seal Education Network of Tomorrow, the Ross County School Employees Insurance Consortium, and the Ohio School Boards Association Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the general purpose financial statements.

***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

*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 are the School District's governmental fund types:

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

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

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

***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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

*Proprietary Fund Type:*

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

*Internal Service Fund* - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

*Fiduciary Fund Type:*

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

*Account Groups:*

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

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

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary fund.

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

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

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

***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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, income taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, income tax, accounts (tuition and fees and customer services), grants, and accrued interest.

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, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**C. Budgetary Process**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The Self-Insurance Internal Service Fund has only the dental insurance portion of the fund budgeted and shown as part of the School District's cash activity; the medical insurance activity is handled by a fiscal agent and is not budgeted. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

*Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Ross County Budget Commission for rate determination.

*Estimated Resources:*

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

*Appropriations:*

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

***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed by the Board of Education as a management control device during the year for all funds at the fund level other than agency funds and a portion of the self-insurance internal service fund, consistent with statutory provisions.

*Encumbrances:*

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

*Lapsing of Appropriations:*

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

**D. Cash and Cash Equivalents**

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

During fiscal year 2003, the School District's investments were limited to the State Treasury Assets Reserve of Ohio (STAROhio). 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 SEC 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, 2003.

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, special revenue funds, and capital project funds during fiscal year 2003 amounted to \$25,361, \$1,315, and \$101,782, respectively. Of the general fund interest revenue, \$13,708 was assigned from other School District funds.

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



***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**E. Inventory**

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, donated food and purchased food held for resale. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**G. Fixed Assets and Depreciation**

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Assets in the general fixed assets account group are not depreciated.

**H. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "interfund receivables" and "interfund payables."

**I. Compensated Absences**

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

***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after 15 years of current service with the School District. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources. Long-term loans, bonds, and capital leases are reported as a liability of the general long-term obligations account group until due.

Obligations financed by the proprietary fund are reported as liabilities within that fund. At year-end, the self-insurance internal service fund had a deficit cash balance held with the fiscal agent of the claims servicing pool (Note 10). The School District is temporarily using surplus funds of other members of the pool. The balance held with the fiscal agent is reviewed every three years, at which time one-half of any deficit balance is paid. The negative balance of \$233,093 held with the fiscal agent at June 30, 2003 is shown as an Intergovernmental Payable on the combined balance sheet.

**K. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**L. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by statute to be set aside by the School District to create a reserve for the purchase of textbooks and other instructional materials, for the acquisition or construction of capital assets and for unexpended revenues restricted for the purchase of buses. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**M. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriations under State statute.

**N. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Total Columns on General Purpose Financial Statements**

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

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

A. Accountability

At June 30, 2003, the Disadvantaged Pupil Impact Aid and Drug Free Special Revenue Funds, as well as the Self Insurance Internal Service Fund had deficit fund balances/retained earnings of \$37,233, \$2,796, and \$172,535, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The School District is currently monitoring user charges to see if an increase in rates in the internal service fund will be necessary.

B. Compliance

At June 30, 2003 the General Fund, the Uniform School Supplies, Teacher Development Block, EMIS, Title II, Title VI-B, Chapter 2, and Reducing Class Size Special Revenue funds had appropriations in excess of estimated resources in the amount of \$196,351, \$662, \$28, \$2,650, \$156, \$104,916, \$13,083, and \$37,498, respectively.

***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. The School District does not budget for the activities of the fiscal agent who collects and holds assets for the payment of medical claims. However, the activities of the fiscal agent are included in the internal service fund for GAAP reporting purposes.

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$395,042)	(\$76,478)	\$67,680	(\$7,596,683)
Adjustments:				
Revenue Accruals	62,642	(83,929)	(1,684)	416
Expenditure Accruals	72,868	39,006	0	(143,676)
Advances	(92,693)	92,693	0	0
Encumbrances	(520,479)	(85,655)	0	(1,621,802)
Budget Basis	<u>(\$872,704)</u>	<u>(\$114,363)</u>	<u>\$65,996</u>	<u>(\$9,361,745)</u>

***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING** *(continued)*

Net Income/Excess of Revenues Under Expenses and Transfers Internal Service Fund	
	<u>Self-Insurance</u>
GAAP Basis	\$13,666
Adjustments:	
Expense Accruals	976,774
Excess of Revenues Under Expenses for Nonbudgeted Activity	(871,279)
Encumbrances	<u>(1,812)</u>
Budget Basis	<u><u>\$117,349</u></u>

**NOTE 5 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 5 – DEPOSITS AND INVESTMENTS** *(continued)*

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

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

***Deposits:*** At fiscal year end, the carrying amount of the School District's deposits was \$588,840 and the bank balance was \$1,102,127. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and

**Southeastern Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 5 – DEPOSITS AND INVESTMENTS** *(continued)*

2. \$1,002,127 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution’s trust department in the School District’s name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The School District’s investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

STAR Ohio	Fair Value
	\$5,219,068

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in *GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.”*

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per *GASB Statement No. 3* is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$5,807,908	\$0
Investment:		
STAR Ohio	(5,219,068)	5,219,068
GASB Statement No. 3	\$588,840	\$5,219,068

**NOTE 6 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2003 for real and public utility property taxes represents collections of calendar 2002 taxes. Property tax payments received during calendar 2003 for tangible personal property (other than public utility property) are for calendar 2003 taxes.

2003 real property taxes are levied after April 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2003 real property taxes are collected in and intended to finance fiscal year 2004.

***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
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**NOTE 6 – PROPERTY TAXES** *(continued)*

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2003 public utility property taxes became a lien December 31, 2002, are levied after April 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after April 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$53,290,000	82.37%	\$53,939,300	78.38%
Public Utility	7,215,020	11.15%	9,189,970	13.35%
Tangible Personal Property	4,191,160	6.48%	5,691,890	8.27%
Total Assessed Value	\$64,696,180	100.00%	\$68,821,160	100.00%
Tax rate per \$1,000 of assessed valuation	\$33.95		\$33.95	

The School District receives property taxes from Ross County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2003, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2003, was \$106,842 in the General Fund, \$2,331 in the Classroom Facilities Maintenance Special Revenue Fund, and \$26,625 in the Bond Retirement Debt Service Fund.



***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 7 – INCOME TAX**

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2000, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund. Income tax revenues received during the year were \$475,988.

**NOTE 8 – RECEIVABLES**

Receivables at June 30, 2003, consisted of property and income taxes, accounts (billings for user charged services, tuition, and student fees), intergovernmental grants and interfund amounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, and the stable condition of State programs.

A summary of the principal items of the intergovernmental receivables follows:

	Amounts
Special Revenue Funds:	
Title VI - B	\$52,802
Title I	60,479
Title V	5,767
Drug Free	8,393
Class Size Reduction	45,786
Total Special Revenue Funds	173,227
Capital Projects Funds:	
Classroom Facilities	1,158,269
Total All Funds	\$1,331,496

The School District was awarded a grant in the amount of \$21,929,929 on August 16, 1999 from the Ohio School Facilities Commission for the construction of new facilities. The grant will be advanced to the School District throughout the construction period and recorded as revenue in the Classroom Facilities Maintenance Capital Projects Fund as it becomes available.

**NOTE 9 – FIXED ASSETS**

A summary of the changes in general fixed assets during fiscal year 2003 follows:

Asset Category	Balance at 6/30/02	Additions	Deductions	Balance at 6/30/03
Land, Buildings, and Improvements	\$3,568,297	\$0	\$0	\$3,568,297
Furniture, Fixtures and Equipment	1,716,896	0	0	1,716,896
Vehicles	1,063,157	125,730	0	1,188,887
Construction in Progress	12,403,932	10,347,856	0	22,751,788
Totals	\$18,752,282	\$10,473,586	\$0	\$29,225,868

***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 10 – RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted with Indiana Insurance for property and fleet insurance, liability insurance and inland marine coverage. Coverage provided by Indiana Insurance is as follows:

Building and Contents replacement cost (\$5,000 deductible)	\$13,273,904
Inland Marine Coverage (\$250 deductible)	58,000
Builders Risk (\$5,000 deductible)	21,072,644 limit
Automobile Liability (\$250 deductible)	
Bodily Injury - Each person	100,000
Bodily Injury - Each accident	300,000
Property Damage - Each accident	50,000
General Liability:	
Per occurrence	1,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been significant changes in coverage during the past fiscal year. The School District has increased its coverage on the building and contents because of the construction of the new building. The School District is now carrying builders risk insurance to protect itself throughout the construction phase. The School District also no longer carries boiler and machinery coverage because of the construction of the new building. The School District has chosen to make repairs as necessary on these assets.

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings 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. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool (Note 19), consisting of sixteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$78,529 reported in the internal service fund at June 30, 2003, is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 30 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,"* which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past three fiscal years are as follows:

***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 10 – RISK MANAGEMENT** *(continued)*

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2001	\$134,427	\$863,214	\$763,825	\$233,816
2002	233,816	832,959	965,143	101,632
2003	101,632	1,119,433	1,142,536	78,529

**NOTE 11 – DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The School District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$108,440, \$67,656, and \$37,028, respectively; 76.22 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$25,787 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teacher's Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Authority to establish and amend benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614)227-4090.

***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS** *(continued)*

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

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries, and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$466,685, \$314,829, and \$307,678, respectively; 84.63 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$71,708 represents the unpaid contribution for fiscal year 2003 and is recorded as a liability within the respective funds.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$35,899 for fiscal year 2003.

***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 12 - POSTEMPLOYMENT BENEFITS** *(continued)*

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$98,174.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003, were \$240,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

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/or the State Teachers Retirement System. As of June 30, 2003, none of the members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**NOTE 13 – EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit of sick leave accumulation for all personnel. Upon retirement, payment is made for one-fourth of up to 120 days of their accrued, but unused sick leave credit for all employees. Certified employees receive additional amounts based on length of service as follows:

Length of Service	Additional Compensation
10 years	\$10 per day over 120
11 - 20 years	\$20 per day over 120
21 years and over	\$30 per day over 120

**Southeastern Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 13 – EMPLOYEE BENEFITS** *(continued)*

**B. Insurance Benefits**

The School District provides life and accidental death and dismemberment insurance to all full-time employees through Safeco.

**C. Deferred Compensation**

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**NOTE 14 – CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the School District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment have been capitalized in the general fixed assets account group in the amount of \$108,355. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2003 totaled \$37,510 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30,	GLTOAG
2004	\$20,373
Less: Amount Representing Interest	(467)
Present Value of Net Minimum Lease Payments	\$19,906

***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 15 – LONG-TERM OBLIGATIONS**

The changes in the School District’s long-term obligations during fiscal year 2003 were as follows:

	Restated Amount Outstanding <u>6/30/02</u>	<u>Additions</u>	<u>Deductions</u>	Amount Outstanding <u>6/30/03</u>
1995 Energy Conservation Loan - 6.6%	\$85,000	\$0	\$25,000	\$60,000
2000 General Obligation Bonds - 5.84%	<u>3,895,458</u>	<u>11,378</u>	<u>85,000</u>	<u>3,821,836</u>
Total Long-Term Bonds and Loans	3,980,458	11,378	110,000	3,881,836
Capital Lease Payable	57,416	0	37,510	19,906
Pension Obligation	67,385	68,464	67,385	68,464
Compensated Absences	<u>387,941</u>	<u>277,992</u>	<u>0</u>	<u>665,933</u>
Total General Long-Term Obligations	<u>\$4,493,200</u>	<u>\$357,834</u>	<u>\$214,895</u>	<u>\$4,636,139</u>

Energy Conservation Loan - On January 1, 1996, the School District issued \$233,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2005. The loan will be retired from the debt service fund.

General Obligation Bonds - The School District issued \$3,982,000 in voted general obligation bonds for the purpose of constructing a new K-12 facility. The bonds were issued for a twenty-three year period with final maturity in December 2022. The bonds will be retired from the debt service fund.

The term bonds, issued at \$2,850,000, maturing on December 1, 2022, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Amount</u>
2012	\$175,000
2013	185,000
2014	200,000
2015	215,000
2016	235,000
2017	255,000
2018	275,000
2019	295,000
2020	320,000
2021	345,000
2022	<u>350,000</u>
Total	<u>\$2,850,000</u>

***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

**NOTE 15 – LONG-TERM OBLIGATIONS** *(continued)*

The serial bonds, issued at \$1,105,000 maturing on or after December 1, 2012, are subject to optional redemption, in whole or in part on any date at the option of the Issuer on or after December 1, 2010, as follows:

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2010 through November 30, 2011	101%
December 1, 2011 and thereafter	100%

The capital appreciation bonds, issued at \$27,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2011 and 2012. The maturity amount of the capital appreciation bonds is \$175,000 each year for a total of \$350,000. For fiscal year 2003, the capital appreciation bonds were accreted \$11,378.

The total outstanding bond value at fiscal year end was \$3,821,836. The total bond value at final maturity will be \$4,090,000.

Capital leases will be paid from the General Fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$1,530,716 with an unvoted debt margin of \$60,139 at June 30, 2003.

Principal and interest requirements to retire Classroom Facilities Bonds outstanding at June 30, 2003, are as follows:

Fiscal Year Ending June 30,	Term Bonds Principal	Term Bonds Interest	Serial Bonds Principal	Serial Bonds Interest	Capital Appreciation Principal	Total
2004	\$0	\$0	\$95,000	\$203,382	\$0	\$298,382
2005	0	0	105,000	198,505	0	303,505
2006	0	0	115,000	193,086	0	308,086
2007	0	0	125,000	187,115	0	312,115
2008	0	0	135,000	180,581	0	315,581
2009-2013	175,000	558,644	315,000	258,108	350,000	1,656,752
2014-2018	1,090,000	611,613	0	0	0	1,701,613
2019-2023	1,585,000	235,182	0	0	0	1,820,182
Total	\$2,850,000	\$1,405,439	\$890,000	\$1,220,777	\$350,000	\$6,716,216

Principal and interest requirements to retire the Energy Conservation loans outstanding at June 30, 2003, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2004	\$30,000	\$2,970	\$32,970
2005	30,000	990	30,990
Total	\$60,000	\$3,960	\$63,960



***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 16 – CONTRACTUAL COMMITMENTS**

As of June 30, 2003, the School District had contractual purchase commitments for professional services for the construction of new school facilities as follows:

Contractor	Contract Amount	Amount Expended	Balance 6/30/03
Monarch Construction	\$10,699,801	\$10,410,670	\$289,131
Kirk Williams Company	3,718,924	3,554,661	164,263
Croson-Teepe Mechanical	408,745	398,255	10,490
Brush Contractors	1,961,852	1,816,520	145,332
Capital Equipment	609,002	564,557	44,445
G.V. Aikman	291,715	270,026	21,689
Service Supply	216,774	190,945	25,829
Foill Incorporated	347,451	306,660	40,791
Nor-Com, Inc.	1,131,588	956,334	175,254
Black Top Contractors	409,575	194,757	214,818
Detillion Landscaping Co.	172,044	58,606	113,438
Materials Testing Incorporated	100,698	78,563	22,135
A/C Contracting, Inc.	85,586	0	85,586
Environmental Construction, Inc.	89,750	0	89,750
Darby Creek Excavating	252,000	0	252,000
Steed, Hammond & Paul	1,421,341	1,404,894	16,447
Peck, Shaffer & Williams	24,000	20,813	3,187
Weiffenbach Marble & Tile Co.	13,720	0	13,720
Total All Contractors	<u>\$21,954,566</u>	<u>\$20,226,261</u>	<u>\$1,728,305</u>

**NOTE 17 – INTERFUND ACTIVITY**

As of June 30, 2003, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund Receivables	Interfund Payables
General Fund	<u>\$92,693</u>	<u>\$0</u>
Special Revenue Funds:		
Title I	0	65,999
Title VI-B	0	4,276
Title V	0	5,737
Drug Free	0	8,393
Title II - A	0	8,288
Total Special Revenue Funds	<u>0</u>	<u>92,693</u>
Total All Funds	<u>\$92,693</u>	<u>\$92,693</u>

***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association* - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$31,684 for services provided during the year. Financial information can be obtained from their fiscal agent, the Vern Riffe Career and Technology Center, Tonya Cooper who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

*Pickaway-Ross Career and Technology Center* - The Pickaway-Ross Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, which possesses its own budgeting and taxing authority. To obtain financial information write to the Pickaway-Ross Career and Technology Center, Ben VanHorn who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

*Great Seal Education Network of Tomorrow* - The Great Seal Education Network of Tomorrow is a regional council of governments (the "Council") consisting of twelve city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members. The Council possesses its own budgeting and taxing authority. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

**NOTE 19 – CLAIMS SERVICING AND INSURANCE PURCHASING POOLS**

*Ross County School Employees Insurance Consortium* - The School District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool consisting of sixteen school districts within Ross County and its surrounding area. Medical/surgical, dental, vision, or life insurance is administered through a third party administrator, Professional Risk Management Co., depending on which coverage the individual member district chooses. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the Westfall Local School District, Scott Glandon, who serves as Treasurer, at 19463 Pherson Pike, Williamsport, Ohio 43164.

*Ohio School Boards Association Workers' Compensation Group Rating Plan* - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 20 – SET-ASIDE CALCULATIONS**

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 or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following information describes the change in the year-end set aside amounts for textbooks and instructional materials and capital acquisitions. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2002	\$37,085	\$99,497
Current Year Set-aside Replacement	149,052	149,052
Qualifying Disbursements	<u>(297,274)</u>	<u>(305,245)</u>
Set-aside Reserve Balance as of June 30, 2003	<u><u>(\$111,137)</u></u>	<u><u>(\$56,696)</u></u>

The School District had offsetting and qualifying disbursements during the year that reduced the set-aside amounts below zero in the Textbooks and Capital Acquisition Reserves. Only the excess disbursements in the Textbook Reserve may be carried forward and used to reduce the set-aside requirements of future years.

**NOTE 21 – STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed “the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient”.

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

**NOTE 22 – CONTINGENCIES**

**A. 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

**B. Litigation**

The School District is party to legal proceedings. The School District’s management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

***Southeastern Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 23 – PRIOR YEAR RESTATEMENTS**

During the fiscal year advances from a prior year were converted to transfers. The restatement can be summarized as follows:

Fund	Fund Balance at 6/30/02	Restatement Amount	Restated Balance at 6/30/02
General Fund	\$747,268	(\$93,846)	\$653,422
Special Revenue Funds	243,463	93,846	337,309

The School District also decreased the account balance in the general long-term obligations account group at June 30, 2002 by \$43,916 due to corrections in the general obligation bonds and capital lease obligations.

**NOTE 24 – SUBSEQUENT EVENT**

In October 2003, the Southeastern Local School District entered into a \$1.5 million capital lease with OASBO for the construction of an Athletic Facility.

**SCIOTO VALLEY LOCAL SCHOOL DISTRICT**

Schedule of Federal Awards Expenditures

For the Fiscal Year Ended June 30, 2003

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. Department of Agriculture</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program	05-PU 2003	10.553	\$46,938	\$46,938
National School Lunch Program	04-PU 2003	10.555	105,804	105,804
<b>Total U.S. Department of Agriculture</b>			152,742	152,742
<b><u>U.S. Department of Education</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	C1-S1 2003	84.010	130,936	220,901
Special Education - Grants to States (IDEA Part B)	6B-SF 2003 P	84.027	59,460	29,931
Safe and Drug-Free Schools and Communities	DR-S1-03/02	84.186	3,264	3,768
Goals 2000: Improvement Grants	G2-S1 2001	84.276	0	222
Eisenhower Professional Development Grant	MS-S1 2002	84.281	0	1,765
Innovative Educational Program Strategies	C2-S1 03/02	84.298	3,790	5,426
Technology Literacy Challenge	TJ-S1 2003	84.318	1,540	0
Class Size Reduction	CR-S1 2002	84.340	0	3,878
School Renovation Grant	AT-S2 2002	84.352	24,100	2,021
Improving Teacher Quality	TR-S1 2003	84.367	17,806	26,085
<b>Total U.S. Department of Education</b>			240,896	293,997
<b>Total Federal Financial Assistance</b>			\$393,638	\$446,739

**Note 1 - Noncash Federal Financial Assistance**

During the year ended June 30, 2003, the District received \$41,006 and used \$41,537 in fair value inventory under the Nutrition Cluster - Food Distribution (Commodities) Program, Federal CFDA Number 10.550, that is not reported in the above schedule. At June 30, 2003 the District had no significant food commodities inventory.

**Note 2 - Significant Accounting Policies**

The District prepares its Schedule of Federal Awards Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

**Report on Compliance and on Internal Control over Financial Reporting  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

Board of Education  
Southeastern Local School District  
2003 Lancaster Road  
Chillicothe, Ohio 45601

We have audited the financial statements of the Southeastern Local School District (the District), as of and for the year ended June 30, 2003 and have issued our report thereon dated April 14, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated April 14, 2004.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated April 14, 2004.

Board of Education  
Southeastern Local School District  
Report on Compliance and on Internal Control over Financial Reporting  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

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

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

April 14, 2004

**Report on Compliance with Requirements Applicable to Each Major  
Program and Internal Control over Compliance in Accordance with  
OMB Circular A-133**

Board of Education  
Southeastern Local School District  
2003 Lancaster Road  
Chillicothe, Ohio 45601

**Compliance**

We have audited the compliance of Southeastern Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2003.

**Internal Control over Compliance**

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



Board of Education  
Southeastern Local School District  
Report on Compliance with Requirements Applicable to Each Major  
Program and Internal Control over Compliance in Accordance with  
OMB Circular A-133

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

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

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

April 14, 2004

**SOUTHEASTERN LOCAL SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2003

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

<b>1. Type of Financial Statement Opinion</b>	Unqualified
<b>2. Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>3. Were there any other reportable internal control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>4. Was there any material noncompliance reported at the financial statement level (GAGAS)?</b>	Yes
<b>5. Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>6. Were there any other reportable internal control weaknesses reported for major federal programs?</b>	No
<b>7. Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>8. Are there any reportable findings under § .510?</b>	No
<b>9. Major Programs (list):</b>	CFDA #10.550 - Nutrition Cluster
<b>10. Dollar Threshold: Type A/B Programs</b>	Type A: >\$300,000 Type B: All Other Programs
<b>11. Low Risk Auditee?</b>	Yes

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

<b>Finding Number</b>	2003-001
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Ohio Revised Code Section 5705.39 states that appropriations are to be limited by the estimated resources of a fund. The District had appropriations that exceeded estimated resources in several funds. This could lead to the District spending more money than they actually receive.

The District should monitor each fund so that appropriations do not exceed estimated resources.

***SOUTHEASTERN LOCAL SCHOOL DISTRICT***

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2003

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**C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There were no findings and questioned costs for federal awards.





**Auditor of State  
Betty Montgomery**

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Facsimile 614-466-4490

**SOUTHEASTERN LOCAL SCHOOL DISTRICT**

**ROSS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 6, 2004**