



**Auditor of State  
Betty Montgomery**



**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - General Fund.....	20
Statement of Fiduciary Net Assets - Fiduciary Funds.....	21
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds.....	22
Notes to the Basic Financial Statements.....	23
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	49

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANT'S REPORT**

Seneca East Local School District  
Seneca County  
109 Seneca Street  
P.O. Box 462  
Attica, Ohio 44807-0462

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Seneca East Local School District, Seneca County, (the District), as of and for the year ended June 30 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Seneca East Local School District, as of June 30 2004, and the respective changes in financial position, where applicable, and the respective budgetary comparison for the general fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3A, during the year ended June 30 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

The Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Betty Montgomery**  
Auditor of State

February 1, 2005

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

The discussion and analysis of the Seneca East Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities decreased \$262,746 which represents a 31.53 percent decrease from 2003.
- General revenues accounted for \$6,573,308 in revenue or 80.74 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,567,579 or 19.26 percent of total revenues of \$8,140,887.
- The District had \$8,403,633 in expenses related to governmental activities; \$1,567,579 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,573,308 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$7,413,980 in revenues and other financing sources and \$7,701,502 in expenditures and other financing uses. During fiscal year 2004, the general fund's fund balance decreased \$287,522 from \$148,978 to (\$138,544).

**Using these Basic Financial Statements**

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

**Reporting the District as a Whole**

*Statement of Net Assets* and the *Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The *Statement of Net Assets* and the *Statement of Activities* answer

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)

this question. These statements include all assets, liabilities, revenues, and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Assets* and the *Statement of Activities*, the Governmental Activities include the District's programs and services, including instruction, support services, operations and maintenance, pupil transportation, extracurricular activities, and food service operations.

### **Reporting the District's Most Significant Funds**

#### Fund Financial Statements

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

#### Governmental Funds

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

#### Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate *Statements of Fiduciary Net Assets* and *Changes in Fiduciary Net Assets*. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

#### Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.



**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)

**The District as a Whole**

Recall that the *Statement of Net Assets* provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2004 compared to 2003.

Net Assets		
Governmental Activities		
	2004	2003
<b>Assets</b>		
Current and other assets	\$ 2,441,544	\$ 2,737,304
Capital assets	1,245,080	1,133,465
<i>Total assets</i>	3,686,624	3,870,769
<b>Liabilities</b>		
Current liabilities	2,370,739	2,380,438
Long-term liabilities	745,335	657,035
<i>Total liabilities</i>	3,116,074	3,037,473
<b>Net Assets</b>		
Invested in capital assets, net of related debt	1,092,033	1,067,589
Restricted	202,264	205,129
Unrestricted	(723,747)	(439,422)
<i>Total net assets</i>	\$ 570,550	\$ 833,296

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$570,550. Of this total, \$202,264 is restricted in use.

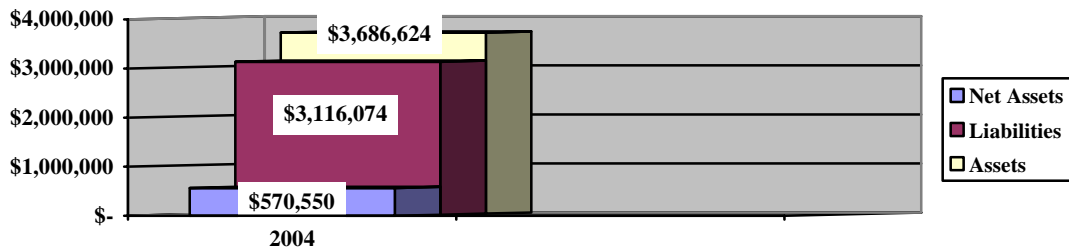
At year-end, capital assets represented 33.77 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$1,092,033. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$202,264, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$723,747.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets Governmental Activities	
	2004
<b>Revenues</b>	
Program revenues:	
Charges for services and sales	\$ 1,076,467
Operating grants and contributions	467,462
Capital grants and contributions	23,650
General revenues:	
Property taxes	1,680,073
School district income tax	767,428
Grants and entitlements	4,068,850
Investment earnings	5,747
Other	51,210
<i>Total revenues</i>	8,140,887

(Continued)

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)

Change in Net Assets (Continued)  
Governmental Activities

	2004
<b>Expenses</b>	
Program expenses:	
Instruction:	
Regular	4,215,467
Special	750,736
Vocational	209,233
Support services:	
Pupil	294,425
Instructional staff	342,415
Board of education	57,742
Administration	577,799
Fiscal	183,659
Operations and maintenance	606,793
Pupil transportation	522,835
Operations of non-instructional services	18
Food service operations	361,485
Extracurricular activities	275,954
Interest and fiscal charges	5,072
<i>Total expenses</i>	<u>8,403,633</u>
<i>Decrease in net assets</i>	<u>\$ (262,746)</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$262,746. This occurred because of increases in 2004 expenditures that were more than increases in revenue that the District received in 2004. The main increases in expenditures were in instructional expenses and pupil transportation.

Total governmental expenses of \$8,403,633 were offset by program revenues of \$1,567,579 and general revenues of \$6,573,308. Program revenues supported 19.26 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, the school district income tax and grants and entitlements. These revenue sources represent 80.04 percent of total governmental revenue.

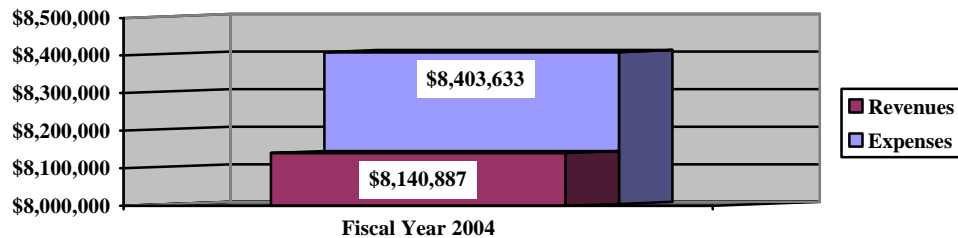
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,175,436 or 61.59 percent of total governmental expenses for fiscal 2004.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)

**Governmental Activities - Revenues and Expenses**



The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

Governmental Activities		
	Total Cost of Services 2004	Net Cost of Services 2004
Program expenses		
Instruction:		
Regular	\$ 4,215,467	\$ 3,437,637
Special	750,736	665,357
Vocational	209,233	209,233
Support services:		
Pupil	294,425	148,889
Instructional staff	342,415	291,688
Board of education	57,742	57,742
Administration	577,799	572,379
Fiscal	183,659	183,659
Operations and maintenance	606,793	578,567
Pupil transportation	522,835	522,150
Operations of non-instructional services	18	18
Food service operations	361,485	11,763
Extracurricular activities	275,954	151,900
Interest and fiscal charges	5,072	5,072
<b>Total expenses</b>	<b>\$ 8,403,633</b>	<b>\$ 6,836,054</b>

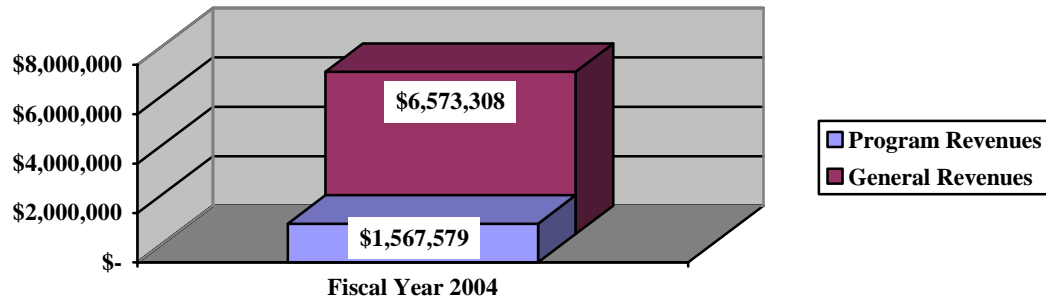
The dependence upon tax and other general revenues for governmental activities is apparent, 83.32 percent of instructional activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.35 percent. The District's taxpayers, as a whole, are by far the primary support for District's students.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)

The graph below presents the District's governmental activities revenue for fiscal year 2004.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$69,583, which is lower than last year's total of \$347,164. The June 30, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance June 30, 2004	Fund Balance June 30, 2003	Increase (Decrease)	Percentage Change
General	\$ (138,544)	\$ 148,978	\$ (287,522)	(193.00) %
Other Governmental	208,127	198,186	9,941	5.02 %
<b>Total</b>	<b>\$ 69,583</b>	<b>\$ 347,164</b>	<b>\$ (277,581)</b>	<b>(79.96) %</b>

General Fund

The District's general fund balance decreased \$287,522 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3.A. to the basic financial statements). The decrease in fund balance can be attributed to several items related to expenditures increasing faster than revenues. The most significant increases occurred in instructional expenses for salaries, capital outlay for leases, and debt service for leases. Expenditures exceeded revenues for fiscal year 2004 by \$310,690. On March 3, 2004 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities of the general fund.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)

	2004 Amount	2003 Amount	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Taxes	\$ 2,470,506	\$ 2,380,688	\$ 89,818	3.77 %
Earnings on investments	5,405	11,787	(6,382)	(54.14) %
Intergovernmental	4,068,850	4,109,533	(40,683)	(0.99) %
Other revenues	756,823	556,771	200,052	35.93 %
<i>Total</i>	<u>\$ 7,301,584</u>	<u>\$ 7,058,779</u>	<u>\$ 242,805</u>	3.44 %
<b>Expenditures</b>				
Instruction	\$ 4,844,083	\$ 4,608,739	\$ 235,344	5.11 %
Support services	2,424,947	2,313,660	111,287	4.81 %
Non-instructional services	18	125	(107)	(85.60) %
Extracurricular activities	157,697	167,364	(9,667)	(5.78) %
Capital outlay	112,396	-	112,396	100.00 %
Debt service	73,133	-	73,133	100.00 %
<i>Total</i>	<u>\$ 7,612,274</u>	<u>\$ 7,089,888</u>	<u>\$ 522,386</u>	7.37 %

General Fund Budgeting Highlights

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

During the course of fiscal 2004, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$7,103,037 and final budgeted revenues and other financing sources were \$7,546,416. Actual revenues and other financing sources for fiscal 2004 was \$7,300,558. This represents a \$245,858 decrease under final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$7,374,679 were increased to \$7,782,488 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$7,569,956, which was \$212,532 below the final budgeted appropriations.

**Capital Assets and Debt Administration**

Capital Assets

At the end of fiscal 2004, the District had \$1,245,080 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)

Capital Assets at June 30  
(Net of Depreciation)  
Governmental Activities

	2004	2003
Land	\$ 64,458	\$ 64,458
Land improvements	8,177	8,802
Building and improvements	625,321	587,710
Furniture and equipment	331,443	254,100
Vehicles	215,681	218,395
<i>Total</i>	<u>\$ 1,245,080</u>	<u>\$ 1,133,465</u>

The overall increase in capital assets of \$111,615 is due to capital outlays of \$233,703 exceeding depreciation expense of \$122,088 in the fiscal year. \$112,396 of the increase in capital outlay is a result of a new capital lease for fitness equipment.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2004, the District had \$3,927 in energy conservation loans and \$149,120 in capital lease obligations outstanding. Of this total, \$44,947 is due within one year and \$108,100 is due within greater than one year. The following table summarizes the loans and lease obligations outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities 2004	Governmental Activities 2003
	Energy conservation loans	\$ 3,927
Capital lease obligations	149,120	105,220
<i>Total</i>	<u>\$ 153,047</u>	<u>\$ 120,370</u>

At June 30, 2004, the District's overall legal debt margin was \$8,080,219, an unvoted debt margin of \$89,780, and an energy conservation debt margin of \$804,092.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

As the preceding information shows, the District relies heavily upon state foundation monies (50 percent of revenues), general property tax (21 percent), income tax (9 percent), and open enrollment tuition (7 percent) making up the majority of the remaining balance. The District finished the fiscal year with a positive cash balance of \$91,255 (\$79,707 unencumbered).

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)

The District is currently facing two challenges. The first is the declining support from the State for education funding. The Board of Education and administration have done as much as they can at the local level to try and combat the loss in revenues. During the negotiations in the spring of 2004, the teaching staff agreed to zero percent pay increase and did a total redesign of the insurance program to help reduce the schools insurance premium. In addition, the employees are now paying a larger share of the insurance cost themselves. The District also realigned the teaching staff, which allowed the District to hire its own special education teachers and reduce the county office bill for special education services. The second is the income tax levy that the District passed in November of 2000 will expire on December 31, 2005.

In addition to the issues above, the District currently has a bond levy on the ballot for possible state funding for a new K-12 building. If the bond issue passes the money spent at the current time in the general fund for nonroutine repairs and capital improvement items will be reduced. In addition, the operating costs at one site compared to the three sites we operate now are expected to be less.

The District is not expecting the state will come through with any new monies or increases in funding and realizes that they will have to rely on the local taxpayers. The community has been supportive in the past and the Board is hopeful they will continue to be that way in the future. If the renewal of the income tax is not passed, major cuts will need to be made since it amounts to 10 percent of the District's revenue.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Laura Brickner, Treasurer, Seneca East Local School District, 109 Seneca Street, P.O. Box 462, Attica, Ohio 44807.



**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 328,972
Cash with escrow agent	17
Receivables:	
Taxes	2,016,628
Prepayments	62,325
Materials and supplies inventory	33,602
Capital assets:	
Land	64,458
Depreciable capital assets, net	<u>1,180,622</u>
<i>Capital assets, net</i>	<u>1,245,080</u>
<i>Total assets</i>	<u><u>3,686,624</u></u>
<b>Liabilities:</b>	
Accounts payable	20,693
Accrued wages and benefits	595,392
Pension obligation payable	172,211
Intergovernmental payable	19,800
Deferred revenue	1,562,643
Long-term liabilities:	
Due within one year	59,677
Due in more than one year	<u>685,658</u>
<i>Total liabilities</i>	<u><u>3,116,074</u></u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	1,092,033
Restricted for:	
Capital projects	71,266
Debt service	27
Other purposes	130,971
Unrestricted	<u>(723,747)</u>
<i>Total net assets</i>	<u><u>\$ 570,550</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Expenses
<b>Governmental activities:</b>	
Instruction:	
Regular	\$ 4,215,467
Special	750,736
Vocational	209,233
Support services:	
Pupil	294,425
Instructional staff	342,415
Board of education	57,742
Administration	577,799
Fiscal	183,659
Operations and maintenance	606,793
Pupil transportation	522,835
Operation of non-instructional services	18
Food service operations	361,485
Extracurricular activities	275,954
Interest and fiscal charges	5,072
<i>Total governmental activities</i>	\$ 8,403,633

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Charges for Services and Sales	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
\$ 677,387	\$ 100,443	\$ -	\$ (3,437,637)
-	85,379	-	(665,357)
-	-	-	(209,233)
-	145,536	-	(148,889)
-	27,077	23,650	(291,688)
-	-	-	(57,742)
-	5,420	-	(572,379)
-	-	-	(183,659)
28,226	-	-	(578,567)
-	685	-	(522,150)
-	-	-	(18)
248,035	101,687	-	(11,763)
122,819	1,235	-	(151,900)
-	-	-	(5,072)
<u>\$ 1,076,467</u>	<u>\$ 467,462</u>	<u>\$ 23,650</u>	<u>(6,836,054)</u>

**General Revenues:**

Property taxes levied for:	
General purposes	1,680,073
School district income tax	767,428
Grants and entitlements not restricted to specific programs	4,068,850
Investment earnings	5,747
Miscellaneous	51,210
<i>Total general revenues</i>	<u>6,573,308</u>
<i>Change in net assets</i>	(262,746)
Net assets at beginning of year (restated)	833,296
<i>Net assets at end of year</i>	<u>\$ 570,550</u>

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 91,255	\$ 237,717	\$ 328,972
Cash with escrow agent	-	17	17
Receivables:			
Taxes	2,016,628	-	2,016,628
Prepayments	62,325	-	62,325
Materials and supplies inventory	21,284	12,318	33,602
<i>Total assets</i>	<u>\$ 2,191,492</u>	<u>\$ 250,052</u>	<u>\$ 2,441,544</u>
<b>Liabilities:</b>			
Accounts payable	18,048	2,645	20,693
Accrued wages and benefits	562,685	32,707	595,392
Pension obligation payable	102,130	5,526	107,656
Intergovernmental payable	18,753	1,047	19,800
Deferred revenue	1,628,420	-	1,628,420
<i>Total liabilities</i>	<u>2,330,036</u>	<u>41,925</u>	<u>2,371,961</u>
<b>Fund Balances:</b>			
Fund balances reserved for:			
Encumbrances	8,242	4,984	13,226
Materials and supplies inventory	21,284	12,318	33,602
Prepayments	62,325	-	62,325
Property tax unavailable for appropriation	128,620	-	128,620
Fund balances unreserved, designated for:			
Future severance payments	111,221	-	111,221
Unreserved, undesignated, reported in:			
General fund	(470,236)	-	(470,236)
Special revenue funds	-	120,892	120,892
Debt service fund	-	27	27
Capital projects funds	-	69,906	69,906
<i>Total fund balances</i>	<u>(138,544)</u>	<u>208,127</u>	<u>69,583</u>
<i>Total liabilities and fund balances</i>	<u>\$ 2,191,492</u>	<u>\$ 250,052</u>	<u>\$ 2,441,544</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004

<b>Total governmental fund balances</b>		<b>\$ 69,583</b>
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <hr/>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,245,080
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 65,777	65,777
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(592,288)	
Pension obligation payable	(64,555)	
Energy conservation loans payable	(3,927)	
Capital lease obligation payable	(149,120)	(809,890)
<i>Net assets of governmental activities</i>		<b>\$ 570,550</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
From local sources:			
Taxes	\$ 2,470,506	\$ -	\$ 2,470,506
Tuition	610,130	-	610,130
Charges for services	-	248,035	248,035
Earnings on investments	5,405	342	5,747
Classroom materials and fees	34,814	-	34,814
Extracurricular	-	122,819	122,819
Other local revenues	111,879	1,235	113,114
Intergovernmental - State	4,068,850	95,582	4,164,432
Intergovernmental - Federal	-	394,295	394,295
<i>Total revenue</i>	<u>7,301,584</u>	<u>862,308</u>	<u>8,163,892</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	3,953,662	163,031	4,116,693
Special	674,676	75,592	750,268
Vocational	215,745	-	215,745
Support services:			
Pupil	152,152	145,537	297,689
Instructional staff	277,645	63,755	341,400
Board of education	57,742	-	57,742
Administration	564,351	5,416	569,767
Fiscal	180,909	-	180,909
Operations and maintenance	605,506	-	605,506
Pupil transportation	586,642	3,276	589,918
Food service operations	-	359,368	359,368
Operation of non-instructional services	18	-	18
Extracurricular activities	157,697	113,962	271,659
Capital outlay	112,396	-	112,396
Debt service:			
Principal retirement	68,496	11,223	79,719
Interest and fiscal charges	4,637	435	5,072
<i>Total expenditures</i>	<u>7,612,274</u>	<u>941,595</u>	<u>8,553,869</u>
<i>Excess of revenues under expenditures</i>	<u>(310,690)</u>	<u>(79,287)</u>	<u>(389,977)</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	89,228	89,228
Transfers (out)	(89,228)	-	(89,228)
Proceeds of capital lease transaction	112,396	-	112,396
<i>Total other financing sources (uses)</i>	<u>23,168</u>	<u>89,228</u>	<u>112,396</u>
<i>Net change in fund balances</i>	<u>(287,522)</u>	<u>9,941</u>	<u>(277,581)</u>
Fund balances at beginning of year (restated)	148,978	198,186	347,164
Increase in reserve for inventory	-	-	-
<i>Fund balances (deficits) at end of year</i>	<u>\$ (138,544)</u>	<u>\$ 208,127</u>	<u>\$ 69,583</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**Net change in fund balances - total governmental funds** \$ (277,581)

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

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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$233,703) exceed depreciation expense (\$122,088) in the current period. 111,615

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (23,005)

Repayment of loan and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 79,719

Proceeds of capital lease transaction are recorded as revenue in the funds, however, on the statement of activities they are not reported as revenues as they increase liabilities on the statement of net assets. (112,396)

Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (41,098)

*Change in net assets of governmental activities* \$ (262,746)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes	\$ 2,304,798	\$ 2,448,666	\$ 2,457,274	\$ 8,608
Tuition	574,160	610,000	610,130	130
Earnings on investments	5,264	5,593	5,569	(24)
Classroom materials and fees	31,795	33,780	34,814	1,034
Other local revenues	65,985	70,104	111,929	41,825
Intergovernmental - State	3,968,749	4,216,482	4,068,850	(147,632)
<i>Total revenue</i>	<u>6,950,751</u>	<u>7,384,625</u>	<u>7,288,566</u>	<u>(96,059)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	3,706,006	4,037,827	4,048,000	(10,173)
Special	700,812	700,812	674,787	26,025
Vocational	246,821	256,352	221,497	34,855
Support services:				
Pupil	189,903	165,288	156,229	9,059
Instructional staff	299,519	306,899	277,815	29,084
Board of education	67,107	65,216	45,082	20,134
Administration	560,486	571,486	561,316	10,170
Fiscal	191,860	186,360	181,954	4,406
Operations and maintenance	613,205	611,614	593,574	18,040
Pupil transportation	574,565	599,605	562,558	37,047
Operation of non-instructional services	130	130	18	112
Extracurricular activities	174,265	165,899	157,848	8,051
<i>Total expenditures</i>	<u>7,324,679</u>	<u>7,667,488</u>	<u>7,480,678</u>	<u>186,810</u>
<i>Excess of expenditures over revenues</i>	<u>(373,928)</u>	<u>(282,863)</u>	<u>(192,112)</u>	<u>90,751</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure	197	209	410	201
Refund of prior year receipt	(1,000)	(1,000)	(50)	950
Transfers in	141,187	150,000	-	(150,000)
Transfers (out)	(35,000)	(100,000)	(81,685)	18,315
Advances in	10,902	11,582	11,582	-
Advances (out)	(14,000)	(14,000)	(7,543)	6,457
<i>Total other financing sources (uses)</i>	<u>102,286</u>	<u>46,791</u>	<u>(77,286)</u>	<u>(124,077)</u>
<i>Net change in fund balance</i>	<u>(271,642)</u>	<u>(236,072)</u>	<u>(269,398)</u>	<u>(33,326)</u>
Fund balance at beginning of year (restated)	170,502	170,502	170,502	-
Prior year encumbrances appropriated	178,603	178,603	178,603	-
<i>Fund balance at end of year</i>	<u>\$ 77,463</u>	<u>\$ 113,033</u>	<u>\$ 79,707</u>	<u>\$ (33,326)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004

	Private-Purpose Trust	
	Scholarship	Agency
<b>Assets:</b>		
Equity in pooled cash and cash equivalents	\$ 98,184	\$ 29,462
<i>Total assets</i>	98,184	\$ 29,462
<b>Liabilities:</b>		
Accounts payable	-	379
Due to students	-	29,083
<i>Total liabilities</i>	-	\$ 29,462
<b>Net Assets:</b>		
Held in trust for scholarships	98,184	
<i>Total net assets</i>	\$ 98,184	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Private-Purpose Trust
	Scholarship
<b>Additions:</b>	
Interest	\$ 744
<b>Deductions:</b>	
Scholarships awarded	2,000
<i>Change in net assets</i>	(1,256)
Net assets at beginning of year	99,440
<i>Net assets at end of year</i>	\$ 98,184

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

Seneca East Local School District (the District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four- year terms. The District provides educational services as authorized by state and/or federal guidelines.

The District was established in 1971. The District serves an area of approximately 154 square miles and is located in Seneca and Huron Counties. The District is the 476<sup>th</sup> largest in the State of Ohio among the 613 public school districts in terms of enrollment. It is staffed by 74 certified employees and 52 non-certified teaching personnel who provide services to 1,074 students and other community members. The District currently operates 2 elementary schools, an elementary/junior high school, a high school, an administration building, and a bus garage.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the 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 District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "*The Financial Reporting Entity*". The reporting entity is composed of the primary government, component units and other organization that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organizations' resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of thirty-eight public school districts 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 NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. The District paid \$40,586 to NOECA during fiscal year 2004 for services. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Vanguard-Sentinel Career Center

The Vanguard-Sentinel Career Center (Career Center) is a distinct political subdivision of the State of Ohio, which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of one representative from the Seneca East Local School District, one representative from twelve other participating school districts, and two representatives from the Fremont City School District. The degree of control exercised by any participating school district is limited to its representation on the Board. The Career Center is its own budgeting and taxing authority. Financial information can be obtained from Jay Valasek, Vanguard-Sentinel Career Center, 1306 Cedar Street, Fremont, Ohio 43420.

Bay Area Council

The Bay Area Council was established in 1986 to carry out a cooperative program for the purchase of natural gas among boards of education located in Erie, Huron, Ottawa, Sandusky, Seneca, and Wood Counties. The Bay Area Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member boards of education. The Bay Area Council is governed by a Board of Directors. This Board is elected by an Assembly consisting of a representative from each participating school district. The District paid \$64,723 to Bay Area Council during fiscal year 2004 for gas usage and related fees. Financial information can be obtained from the Erie-Huron-Ottawa Educational Service Center, who serves as fiscal agent, 2902 Columbus Avenue, Sandusky, Ohio 44870.

Northwestern Ohio Educational Research Council, Incorporated

The Northwestern Ohio Educational Research Council, Inc. is a non-profit organization under the direction of a Board of Directors. The Council was formed to provide conferences and training to personnel of the participating districts. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. To obtain financial information write to the Northwestern Ohio Educational Research Council, Inc., David G. Elsass, Treasurer, at P.O. Box 456, Ashland, Ohio 44805.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

RELATED ORGANIZATION

Seneca East Public Library

The Seneca East Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Seneca East Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. Although the District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Seneca East Public Library, Christine Bumb, who serves as Clerk-Treasurer, 14 North Main Street, P.O. Box 572, Attica, Ohio 44807.

INSURANCE PURCHASING POOL

North Central Ohio Joint Self-Insurance Association (the Association)

The Association is a public entity risk pool consisting of the North Central Ohio Educational Service Center, the Sandusky County Educational Service Center, and five local school districts – Tiffin, Old Fort, Bettsville, Seneca East, and New Riegel. The Association was established pursuant to Section 9.833, Ohio Revised Code, in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of the local school districts, the North Central Ohio Educational Service Center, and the Sandusky County Educational Service Center. The North Central Ohio Educational Service Center acts as fiscal agent to the Association. Refer to Note 12.B for further information on this public entity risk pool.

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. 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. Refer to Note 12.C. for further information on this group rating plan.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's major governmental fund:

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; (c) for food service operations; and (d) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**C. Basis of Presentation and Measurement Focus**

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include income and property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned.

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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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 taxes, interest, tuition, grants, student fees, and rentals.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental 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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2004 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Seneca County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificates issued for fiscal year 2004.



**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund and function level of expenditures for the general fund and the fund level of expenditures for all other budgeted funds, which are the legal levels of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund and function 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.
5. Any revisions that alter the total of any function appropriations within the general fund or alter the fund appropriation for all other budgeted funds must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2004. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund and function level.

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and 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 year end are reported as reservations of fund balances for subsequent-year expenditures.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

Cash and cash equivalents held for the District by the North Central Ohio Educational Service Center are included on the statement of net assets as "Cash with Fiscal Agent".

During fiscal year 2004, investments were limited to nonnegotiable certificates of deposit. These investments are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, capital projects fund and the private

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

purpose trust fund. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$5,405, which includes \$3,056 assigned from other funds.

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

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

**G. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. On fund financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicate that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food and non-food supplies.

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	10 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets. The District did not have any of these transactions in 2004.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with ten or more years of service with the District were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

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

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

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

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**L. Fund Balance Reserves and Designations**

The 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, materials and supplies inventory, prepayments, and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

Designations of fund balance represent tentative management plans that are subject to change. The District has designated amounts set aside for future severance payouts.

**M. Net Assets**

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

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved on the fund financial statements by an amount equal to the carrying value of the asset.

**O. Estimates**

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

**P. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental. Repayments from

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

Interfund activity between governmental funds is eliminated in the statement of activities.

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2004, the District has implemented GASB Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*", GASB Statement No. 37, "*Basic Financial Statements for State and Local Governments: Omnibus*", GASB Statement No. 38, "*Certain Financial Statement Note Disclosures*", GASB Statement No. 41, "*Budgetary Comparison Schedule - Perspective Differences*", and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes, and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB No. 34 creates new basic financial statements for reporting on the District's financial activities. The basic financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by fund reclassifications and the conversion to the accrual basis of accounting.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. Certain funds reported as enterprise and expendable trust funds have been reclassified and are now part of the general fund and other nonmajor governmental funds. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

The District also presented a prior period adjustment to reclassify interfund loans as transfers.

The fund and interfund loan reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	General	Other Governmental Funds	Total
Fund balance June 30, 2003	\$ 164,106	\$ 205,129	\$ 369,235
Fund reclassifications	24	(27,733)	(27,709)
Restatement of interfund loans	(20,790)	20,790	-
Implementation of GASB Interpretation No. 6	5,638	-	5,638
Restated fund balance, June 30, 2003	\$ 148,978	\$ 198,186	\$ 347,164

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	Total
Restated fund balance, June 30, 2003	\$ 347,164
GASB 34 adjustments:	
Long-term (deferred) assets	88,782
Capital assets	1,133,465
Pension obligation	(79,080)
Long-term liabilities	(657,035)
Governmental activities net assets, June 30, 2003	\$ 833,296

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - General Fund - The general fund unencumbered fund balance at the beginning of the year has been restated from \$170,478 to \$170,502 due to fund reclassifications to properly reflect their intended purpose in accordance with GASB Statement No. 34.

**B. Deficit Fund Balances**

Fund balances at June 30, 2004 included the following individual fund deficits:

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

	Deficit
Major Fund:	
General	\$ 138,544
Nonmajor Funds:	
Food service	9,046
Management Information	13
Summer School Subsidy	51
Classroom Reduction Grant	1,596
Title VI	6

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

**4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

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

Inactive deposits are public deposits 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 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 District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance 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 or interest by the United States;

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(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 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument 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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash with Fiscal Agent: At fiscal year-end, the District had \$17 in cash and cash equivalents held by the North Central Ohio Educational Service Center. This amount is included on the balance sheet as "Cash with Fiscal Agent". The North Central Ohio Educational Service Center holds this flow through grant money for the District together with that of other school districts and therefore the District cannot classify this money by risk under GASB Statement No. 3.

Cash on hand: At fiscal year-end, the District had \$420 in undeposited cash on hand which is included on the balance sheet and statement of net assets of the District as part of "Equity in Pooled Cash and Cash Equivalents".

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



**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

Deposits: At fiscal year-end, the carrying amount of the District's deposits was \$456,198 and the bank balance was \$521,335. Both of these amounts include \$200,000 in nonnegotiable certificates of deposit. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$321,335 was secured by collateral held by third party trustees in the name of the District.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits
GASB Statement No. 9	\$ 456,635
Cash with fiscal agent	(17)
Cash on hand	(420)
GASB Statement No. 3	\$ 456,198

**5. INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 89,228

The District transferred moneys from the general fund to other nonmajor funds for debt service, capital outlay, food service, and severance.

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

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

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Seneca and Huron Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$128,620 in the general fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2003 was \$130,624 in the general fund.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 75,048,430	84.97%	\$ 76,567,770	85.28%
Public utility personal	10,844,180	12.28%	10,795,360	12.02%
Tangible personal property	2,435,187	2.76%	2,416,783	2.69%
Total	<u>\$ 88,327,797</u>	<u>100.00%</u>	<u>\$ 89,779,913</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 30.30		 \$ 30.30	

**7. SCHOOL DISTRICT INCOME TAX**

The voters of the District passed a 1 percent school district income tax at the November 7, 2000 election that became effective January 1, 2001. This tax is effective for five years. School district income tax revenue received by the general fund for fiscal year 2004 was \$767,428.

**8. RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:	
Property taxes-current	\$ 1,691,263
Property taxes-delinquent	65,777
Income tax	259,588
Total	<u>\$ 2,016,628</u>

Receivables have been aggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

**9. CAPITAL ASSETS**

The balance of the District's governmental activities capital assets at June 30, 2003 has been restated. The balance decreased \$3,539 from \$2,860,893 to \$2,857,354 due to the correction of errors from prior periods. Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

	Restated Balance 06/30/03	Additions	Deductions	Balance 06/30/04
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 64,458	\$ -	\$ -	\$ 64,458
<i>Total capital assets, not being depreciated</i>	<u>64,458</u>	<u>-</u>	<u>-</u>	<u>64,458</u>
Capital assets, being depreciated:				
Land improvements	24,300	-	-	24,300
Buildings and improvements	1,441,579	74,307	-	1,515,886
Furniture and equipment	444,009	112,396	-	556,405
Vehicles	883,008	47,000	(21,900)	908,108
<i>Total capital assets, being depreciated</i>	<u>2,792,896</u>	<u>233,703</u>	<u>(21,900)</u>	<u>3,004,699</u>
Less: accumulated depreciation				
Land improvements	(15,498)	(625)	-	(16,123)
Buildings and improvements	(853,869)	(36,696)	-	(890,565)
Furniture and equipment	(189,909)	(35,053)	-	(224,962)
Vehicles	(664,613)	(49,714)	21,900	(692,427)
<i>Total accumulated depreciation</i>	<u>(1,723,889)</u>	<u>(122,088)</u>	<u>21,900</u>	<u>(1,824,077)</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 1,133,465</u>	<u>\$ 111,615</u>	<u>\$ -</u>	<u>\$ 1,245,080</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 47,811
Vocational	3,097
Support Services:	
Instructional staff	3,666
Administration	3,876
Operations and maintenance	2,441
Pupil transportation	51,982
Extracurricular activities	6,952
Food service operations	2,263
Total depreciation expense	<u>\$ 122,088</u>

**10. CAPITAL LEASES - LESSEE DISCLOSURE**

During fiscal 2003 and 2004, the District entered into capitalized leases for physical fitness equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement 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 financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

Capital fixed assets consisting of equipment have been capitalized in the amount of \$268,183. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2004 totaled \$68,496 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2004:

Fiscal Year Ending June 30,	Amount
2005	\$ 47,415
2006	47,416
2007	25,473
2008	19,612
2009	19,612
2010	4,903
Total minimum lease payments	164,431
Less amount representing interest	(15,311)
Total	\$ 149,120

**11. LONG-TERM OBLIGATIONS**

A. The balance of the District's governmental activities long-term obligations at June 30, 2003 has been restated. The compensated absences liability increased \$36,353 from \$515,903 to \$552,256 due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. Pension obligations of \$65,009 at June 30, 2003 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2003 was a decrease of \$28,656 from \$701,282 to \$672,626. During fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	(Restated)				Balance	Amounts
Interest	Balance				Outstanding	Due in
Rate	Outstanding	Additions	Reductions	06/30/04	06/30/04	One Year
06/30/03	06/30/03					
Governmental Activities:						
Compensated absences	\$ 552,256	\$ 127,244	\$ (87,212)	\$ 592,288	\$ 592,288	\$ 14,730
Capital lease obligation	105,220	112,396	(68,496)	149,120	149,120	41,020
Energy conservation loan payable	5.00% 1,798	-	(1,798)	-	-	-
Energy conservation loan payable	5.35% 13,352	-	(9,425)	3,927	3,927	3,927
	\$ 672,626	\$ 239,640	\$ (166,931)	\$ 745,335	\$ 745,335	\$ 59,677
Total long-term obligations, governmental activities	\$ 672,626	\$ 239,640	\$ (166,931)	\$ 745,335	\$ 745,335	\$ 59,677

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

FY1994 Energy Conservation Loan - On November 15, 1993, the District obtained a loan, in the amount of \$75,547, from Sutton Bank to provide energy conservation measures for the District. The loan was issued under the authority of Ohio Revised Code Section 133.06 for a ten-year period, with final maturity in fiscal year 2004. The loan was retired through the Bond Retirement debt service fund.

FY 2000 Energy Conservation Loan - On November 16, 1999, the District obtained a loan, in the amount of \$30,000, from Sutton Bank to provide funds for an energy conservation lighting project for the District. The loan was issued under the authority of Ohio Revised Code Section 133.06 for a five-year period, with final maturity in fiscal year 2005. The loan is being retired through the Bond Retirement debt service fund.

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

Principal and interest requirements to retire the energy conservation loans outstanding at June 30, 2004, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2005	\$ 3,927	\$ 53	\$ 3,980

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent and energy conservation indebtedness shall not exceed 9/10 of 1 percent of the property valuation of the District.

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$8,080,219, (which includes \$27 available in the debt service fund), an unvoted debt margin of \$89,780, and an energy conservation debt margin of \$804,092.

**12. RISK MANAGEMENT**

**A. Comprehensive**

The 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 2004, the District contracted for the following insurance coverages:

Coverages provided by Lindsey Insurance are as follows:

Buildings and contents - replacement cost (\$2,500 deductible)	\$15,190,709
Computer equipment (\$500 deductible)	443,003
Contractor's equipment (\$500 deductible)	46,518
Miscellaneous radio (\$500 deductible)	17,213
Musical instruments (\$500 deductible)	173,837
Automobile liability	1,000,000

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

Uninsured motorists		100,000
Medical payments - per person		5,000
Comprehensive (\$1,000 deductible)		
Collision (\$1,000 deductible)		
Umbrella liability (per occurrence)		2,000,000
Umbrella liability (aggregate)		2,000,000
General liability	1,000,000 (per occurrence)	
	2,000,000 (aggregate)	
Professional errors and omissions	1,000,000 (each loss)	
	1,000,000 (aggregate)	
Sexual misconduct liability	1,000,000 (each loss)	
	1,000,000 (aggregate)	
Employers stop gap liability	1,000,000 (each accident loss)	
	1,000,000 (each employee limit)	
	2,000,000 (aggregate)	
Coverages provided by Ohio Mutual Insurance Association are as follows:		
Farm buildings and contents (\$100 deductible)		101,900
Crop hailstorm		17,500

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from last year.

**B. Health Insurance**

The District joined together with other area school districts to form the North Central Ohio Joint-Self Insurance Association, a public entity risk pool for seven member school districts. The risk of loss transfers entirely to the pool. The pool is self-sustaining through member premiums. The District paid a monthly premium to the pool for health insurance. The agreement for formation of the pool provided that it will be self-sustaining through member premiums and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$50,000 for any employee.

**C. Workers' Compensation Plan**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). 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 Ohio School Boards Association. 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 plan.

The intent of the GRP is to achieve the benefit of a reduced premium for the 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

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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.

**13. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate of 14 percent for 2004, 9.09 percent was the portion 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 District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$82,674, \$72,565, and \$47,409, respectively; 45 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$45,673 represents the unpaid contribution for fiscal year 2004.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided 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. The 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.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the



**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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 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.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation 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 District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$464,617, \$440,243, and \$307,231, respectively; 83 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$78,193 represents the unpaid contribution for fiscal year 2004. Contributions to the DC and Combined Plans for fiscal year 2004 were \$169 made by the District and \$5,171 made by plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**14. POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All 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 shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$35,740 during fiscal 2004.

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

STRS pays health care benefits from the Health Care Stabilization fund. The balance in the Health Care Stabilization fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For this fiscal year, employer contributions to fund health care benefits were 4.91 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 2004, the minimum pay has been established at \$25,400. 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 annual health care expenses. Expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$74,041 during the 2004 fiscal year.

**15. BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

Net Change in Fund Balance	
	General Fund
Budget basis	\$ (269,398)
Net adjustment for revenue accruals	13,018
Net adjustment for expenditure accruals	(143,144)
Net adjustment for other sources/uses	100,454
Adjustment for encumbrances	11,548
GAAP basis	\$ (287,522)

**16. CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

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

**17. STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

**SENECA EAST LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

	Textbooks	Capital Acquisition
Set-aside cash balance as of June 30, 2003	\$ (33,534)	\$ -
Current year set-aside requirement	141,772	141,772
Qualifying disbursements	(108,532)	(142,149)
Total	\$ (294)	\$ (377)
Cash balance carried forward to FY 2005	\$ (294)	\$ -

The District had qualifying expenditures during the year that reduced the textbooks and capital acquisition set-aside amounts below zero. The extra amount for textbooks is being carried forward to reduce the set-aside requirements for future years. The extra amount for capital acquisition may not be carried forward to reduce the set-aside requirements for future years.



**Auditor of State  
Betty Montgomery**

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

Seneca East Local School District  
Seneca County  
109 Seneca Street  
P.O. Box 462  
Attica, Ohio 44807-0462

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Seneca East Local School District (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated February 1, 2005.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to

the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the District's management in a separate letter dated February 1, 2005.

This report is intended solely for the information and use of the audit committee, management, and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

February 1, 2005



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**SENECA EAST LOCAL SCHOOL DISTRICT**

**SENECA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 22, 2005**