

Southeast Local School District

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Basic Financial Statements

Fiscal year ended June 30, 2008



Mary Taylor, CPA
Auditor of State

Board of Education
Southeast Local School District
8245 Tallmadge Road
Ravenna, Ohio 44266

We have reviewed the *Independent Auditor's Report* of the Southeast Local School District, Portage County, prepared by Rea & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 7, 2008

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SOUTHEAST LOCAL SCHOOL DISTRICT

For the Year Ended June 30, 2008
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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 16, 2008

The Board of Education
Southeast Local School District
8245 Tallmadge Road
Ravenna, Ohio 44266

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southeast Local School District (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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 School District, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2008 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Southeast Local School District
Independent Auditor's Report
Page 2

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

Rea & Associates, Inc.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008

The discussion and analysis of Southeast 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, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2008 are as follows:

- Net assets increased \$677,857 which represents a 2.3 percent increase from 2007.
- General revenues accounted for \$18,743,027 in revenue or 89.7 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,142,199 or 10.3 percent of total revenues of \$20,885,226.
- The District had \$20,207,369 in expenses related to governmental activities; \$2,142,199 of these expenses was offset by program specific charges for services, grants or contributions.
- Among major funds, the general fund had \$18,445,542 in revenues and \$16,718,268 in expenditures. The general fund's fund balance increased \$1,727,774 to \$1,704,800.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – management's discussion and analysis and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. The Government-Wide Financial Statements – These statements provide both long-term and short-term information about the District's overall financial status.
2. The Fund Financial Statements – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008

The two government-wide statements report the District's net assets and how they have changed. Net-assets (the difference between the District's assets and liabilities) is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

The government-wide financial statements of the District reflect the following category for its activities:

Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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 that can readily be converted to cash. The governmental fund 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 financial statements.

Proprietary Funds – The District uses an internal service fund to report activities that provide services for the District's other programs and activities. Proprietary funds are reported in the same manner that all activities are reported in the statement of net assets and the statement of activities.

Fiduciary Funds – The District is the trustee, or fiduciary, for various student managed activity programs listed as agency. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008***

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net assets for 2008 compared to 2007.

	Governmental Activities	
	2008	2007
Current and other assets	\$ 13,517,499	\$ 11,584,122
Capital assets, net	32,619,705	34,012,556
Total assets	<u>46,137,204</u>	<u>45,596,678</u>
Long-term liabilities	7,424,392	7,680,373
Other liabilities	8,699,806	8,581,156
Total liabilities	<u>16,124,198</u>	<u>16,261,529</u>
Net assets		
Invested in capital assets, net of related debt	26,972,705	28,090,556
Restricted	1,726,897	2,003,000
Unrestricted (deficit)	1,313,404	(758,407)
Total net assets	<u>\$ 30,013,006</u>	<u>\$ 29,335,149</u>

Total assets showed a net increase of \$540,526, with a substantial increase in pooled cash and cash equivalents of \$2,780,986. This increase was due to the District receiving the full allocation amount of the emergency levy in fiscal year 2008 and only half of that in fiscal year 2007. This increase in cash was offset by decreases in taxes and intergovernmental receivables. A decrease of \$509,255 in intergovernmental receivables was attributed to lower revenue from the Section 8002 Impact Aid Program. The decrease of \$1,392,851 in capital assets was attributed to the depreciation expense exceeding the additions for the current year. The total liabilities decreased \$137,331 and was attributed to a decrease in deferred revenue in relation to property taxes available.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008***

Changes in Net Assets - The following table shows the changes in net assets for the fiscal year 2008 compared to 2007.

	Governmental Activities	
	2008	2007
Revenues		
Program Revenues:		
Charges for Sales and Services	\$ 687,097	\$ 741,332
Operating Grants and Contributions	1,455,102	1,174,118
General Revenues:		
Property Taxes	6,357,962	5,578,222
Grants and Entitlements	12,107,413	12,292,616
Miscellaneous and Investment Earnings	277,652	300,159
Total Revenues	20,885,226	20,086,447
Program Expenses:		
Instruction	10,099,978	10,134,564
Support Services:		
Pupils	1,700,615	1,093,525
Instructional Staff	518,365	427,294
Board of Education	30,450	28,616
Administration	1,125,589	1,397,149
Fiscal Services	387,573	406,319
Business	101,078	2,965
Operation and Maintenance of Plant	1,428,649	1,339,008
Pupil Transportation	1,167,615	1,162,172
Central	2,129,033	1,770,302
Operation of Non-Instructional Services	12,002	14,041
Operation of Food Service	647,018	638,812
Extracurricular Activities	542,563	513,704
Interest and Fiscal Charges	316,841	324,124
Total Expenses	20,207,369	19,252,595
Change in Net Assets	677,857	833,852
Beginning Net Assets	29,335,149	28,501,297
Ending Net Assets	\$ 30,013,006	\$ 29,335,149

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008

Overall revenue increased approximately \$798,779 over fiscal year 2007. Program expenses increased from \$19.3 million in 2007 to \$20.2 million in 2008. The increase in total program expenses reflects increases in salaries, fringe benefits (health insurance and retirement), purchased services (utilities and special education costs) and other expenses.

Governmental Activities

Net assets of the District's governmental activities increased by \$677,857.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Property taxes made up 30.44 percent of revenues for governmental activities for Southeast Local Schools in fiscal year 2008. These revenues increased \$779,740 over 2007, primarily from the second year collections of the emergency levy.

Revenue Sources	2008	Percent of Total
General Grants	\$ 12,107,413	57.97%
Program Revenues	2,142,199	10.26%
General Tax Revenues	6,357,962	30.44%
Miscellaneous and Investment Earnings	277,652	1.33%
Total Revenue	\$ 20,885,226	100.00%

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$3,091,785, which is above last year's total of \$1,394,069. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase (Decrease)
General	\$ 1,704,800	\$ (22,974)	\$ 1,727,774
Bond Retirement	298,929	309,785	(10,856)
Other Governmental	1,088,056	1,107,258	(19,202)
Total	\$ 3,091,785	\$ 1,394,069	\$ 1,697,716

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008***

General Fund—The table that follows assists in illustrating the financial activities and balance of the General Fund:

	2008 Revenues	2007 Revenues	Increase (Decrease)
Taxes	\$ 5,850,267	\$ 5,111,666	\$ 738,601
Tuition and Fees	123,483	177,957	(54,474)
Investment Earnings	132,491	80,559	51,932
Intergovernmental	12,266,010	12,701,176	(435,166)
Other Revenue Types	73,291	19,384	53,907
Total	<u>\$ 18,445,542</u>	<u>\$ 18,090,742</u>	<u>\$ 354,800</u>

General Fund revenues in 2008 increased approximately 2.0 percent compared to revenues in fiscal year 2007. The primary factor contributing to this increase was due to an increase in taxes.

	2008 Expenditures	2007 Expenditures	Increase (Decrease)
Instruction	\$ 8,029,761	\$ 8,021,210	\$ 8,551
Supporting Services:			
Pupils	1,508,392	972,347	536,045
Instructional Staff	400,934	281,876	119,058
Board of Education	30,450	28,616	1,834
Administration	1,038,769	1,315,967	(277,198)
Fiscal Services	368,801	383,503	(14,702)
Business	100,488	0	100,488
Operation and Maintenance of Plant	1,263,031	1,218,276	44,755
Pupil Transportation	1,248,048	1,033,389	214,659
Central	2,349,278	2,295,779	53,499
Operation of Non-Instructional Services	0	916	(916)
Extracurricular Activities	380,316	368,609	11,707
Total	<u>\$ 16,718,268</u>	<u>\$ 15,920,488</u>	<u>\$ 797,780</u>

The District's general fund expenditures remained fairly stable, increasing \$797,780, or about 5.0 percent. The primary factors contributing to this increase was due to pupil support services and transportation costs.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008

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.

For the general fund, the actual revenue was \$18,837,532 representing a \$731,537 increase from the final budget estimates of \$18,105,995. Most of this difference was in the area of intergovernmental revenue. The School District's general unencumbered fund balance at end of year was \$3,406,915.

The District revises its appropriations throughout the fiscal year. During fiscal year 2008, no significant fluctuations between actual and final budget were noted. Final expenditures plus outstanding encumbrances were under the final appropriated amounts by \$944,601. There were no individually significant events that caused this variance. The District has adopted a fund level of budgeting.

For the general fund, the final budget basis revenue estimate was \$18,105,995, which was lower than the original budget estimate of \$18,109,446. This difference of \$3,451 was due to changes in state and federal grants as well as state foundation funding, the exact amounts of which are often unknown during the original budgeting process. Near the closing of the fiscal year, the Treasurer adjusts the final budget (estimated resources) in the accounting system to reflect the actual amounts received or anticipated to be received by June 30, 2008. Due to these adjustments, the major variance between the actual and final budgets are due to the receipt of unanticipated governmental funds for Catastrophic Cost reimbursement and the 8002 Impact Aid program.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2008 the District had \$32,619,705 net of accumulated depreciation invested in land, land improvements, buildings, equipment and vehicles. The following table shows fiscal year 2007 and 2008 balances:

	<u>Governmental Activities</u>		Increase
	<u>2008</u>	<u>2007</u>	<u>(Decrease)</u>
Land	\$ 1,475,065	\$ 1,475,065	\$ 0
Land Improvements	1,470,634	1,437,674	32,960
Buildings and Improvements	38,539,912	38,539,912	0
Machinery and Equipment	1,965,191	1,930,788	34,403
Vehicles	1,951,265	1,835,045	116,220
Less: Accumulated Depreciation	(12,782,362)	(11,205,928)	(1,576,434)
Total	<u>\$ 32,619,705</u>	<u>\$ 34,012,556</u>	<u>\$ (1,392,851)</u>

The primary cause for this decrease in capital assets is due to depreciation on the assets.

Additional information on the District's capital assets can be found in Note 6.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008

Debt

At June 30, 2008, the District had \$5,874,602 in bonds outstanding, \$275,000 of which is due within one year. The following table summarizes the District's debt outstanding as of June 30.

	<u>2008</u>	<u>2007</u>
Governmental Activities:		
General Obligation Bonds:		
Classroom Facilities	\$ 5,874,602	\$ 6,107,735

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2008, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 9.

Current Financial Related Issues

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. We are currently faced with escalating fuel and utility costs as are all districts throughout the state of Ohio. The District is committed in its endeavors to expend the funds of the May 2006 8.9 mill four year emergency levy as outlined to the taxpayers. Our current tax valuation is \$229,292,198. with 90% of that coming from residential/agricultural.

Since the District relies on the State for approximately 68% of general operating revenues, we continue to be affected by any cuts that are made by the State. At this point in time, the District is concerned over the financial condition of the State and the corresponding budget cuts. Many decisions that have been made at the State level have had a negative financial impact on districts such as the phase out of the personal property tax. Our tangible personal property tax base is now less than 1% of our total valuation. The long term effects of these decisions remain to be seen.

In conclusion, the budgeting and internal controls utilized by the District are well regarded. The District will continue to work diligently to maximize our resources and stay within the parameters of our budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 any questions about this report or need additional financial information contact Mrs. Cassie J. Bergman, Treasurer of Southeast Local School District, 8245 Tallmadge Rd., Ravenna, Ohio 44266.

Basic Financial Statements

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 6,695,849
Receivables:	
Taxes	6,547,421
Intergovernmental	238,675
Materials and Supplies Inventory	29,372
Inventory Held for Resale	6,182
Nondepreciable Capital Assets	1,475,065
Depreciable Capital Assets, Net	<u>31,144,640</u>
Total Assets	<u>46,137,204</u>
Liabilities:	
Accounts Payable	35,486
Accrued Wages and Benefits	1,749,316
Intergovernmental Payable	473,706
Claims Payable	376,122
Deferred Revenue	5,924,561
Accrued Vacations Payable	45,951
Matured Compensated Absences Payable	94,664
Long -Term Liabilities:	
Due Within One Year	380,100
Due Within More Than One Year	<u>7,044,292</u>
Total Liabilities	<u>16,124,198</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	26,972,705
Restricted for:	
Capital Projects	251,258
Debt Service	322,916
Other Purposes	870,864
Set Asides	281,859
Unrestricted (Deficit)	<u>1,313,404</u>
Total Net Assets	<u>\$ 30,013,006</u>

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Program Revenues		Net (Expense) Revenue and and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
			Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$ 7,492,696	\$ 57,223	\$ 350,944	\$ (7,084,529)
Special	1,558,682	28,565	676,474	(853,643)
Vocational	115,244	0	0	(115,244)
Other	933,356	0	0	(933,356)
Support Services:				
Pupils	1,700,615	0	0	(1,700,615)
Instructional Staff	518,365	0	98,533	(419,832)
Board of Education	30,450	0	0	(30,450)
Administration	1,125,589	0	7,250	(1,118,339)
Fiscal	387,573	0	0	(387,573)
Business	101,078	0	0	(101,078)
Operation and Maintenance of Plant	1,428,649	3,142	26,454	(1,399,053)
Pupil Transportation	1,167,615	0	0	(1,167,615)
Central	2,129,033	0	0	(2,129,033)
Operation of Non-Instructional Services	12,002	0	49,783	37,781
Operation of Food Services	647,018	390,709	245,664	(10,645)
Extracurricular Activities	542,563	207,458	0	(335,105)
Interest and Fiscal Charges	316,841	0	0	(316,841)
Total Governmental Activities	\$ 20,207,369	\$ 687,097	\$ 1,455,102	(18,065,170)

General Revenues

Property Taxes Levied for:	
General Purposes	5,798,945
Debt Service	479,631
Other Purposes	79,386
Grants and Entitlements not Restricted to Specific Programs	12,107,413
Investment Earnings	209,841
Miscellaneous	67,811
Total General Revenues	18,743,027
 <i>Change in Net Assets</i>	 677,857
 <i>Net Assets Beginning of Year</i>	 29,335,149
<i>Net Assets End of Year</i>	\$ 30,013,006

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Balance Sheet
Governmental Funds
June 30, 2008

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 3,164,881	\$ 274,609	\$ 1,191,528	\$ 4,631,018
Cash and Cash Equivalents - Restricted	281,859	0	0	281,859
Receivables:				
Taxes	5,950,473	513,240	83,708	6,547,421
Intergovernmental	108,230	0	130,445	238,675
Materials and Supplies Inventory	29,372	0	0	29,372
Inventory Held for Resale	0	0	6,182	6,182
Total Assets	\$ 9,534,815	\$ 787,849	\$ 1,411,863	\$ 11,734,527
Liabilities:				
Accounts Payable	\$ 12,122	\$ 0	\$ 23,364	\$ 35,486
Accrued Wages and Benefits	1,590,398	0	158,918	1,749,316
Intergovernmental Payable	448,279	0	25,427	473,706
Matured Compensated Absences Payable	87,099	0	7,565	94,664
Deferred Revenue	5,692,117	488,920	108,533	6,289,570
Total Liabilities	7,830,015	488,920	323,807	8,642,742
Fund Balances:				
Reserved for Encumbrances	29,763	0	22,421	52,184
Reserved for Property Taxes	283,921	24,320	3,965	312,206
Reserved for Textbooks and Instructional Materials	281,859	0	0	281,859
Unreserved:				
Undesignated, Reported in:				
General Fund	1,109,257	0	0	1,109,257
Special Revenue Funds	0	0	810,412	810,412
Capital Projects Funds	0	0	251,258	251,258
Debt Service Funds	0	274,609	0	274,609
Total Fund Balances	1,704,800	298,929	1,088,056	3,091,785
Total Liabilities and Fund Balances	\$ 9,534,815	\$ 787,849	\$ 1,411,863	\$ 11,734,527

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

**Reconciliation of Total Governmental Fund Balances
To Net Assets of Governmental Activities
June 30, 2008**

Total Governmental Fund Balances	\$	3,091,785
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		32,619,705
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:		
Grants	\$ 28,790	
Excess Cost	25,565	
Delinquent Property Taxes	310,654	365,009
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
Classroom Facilities Serial Bonds	(5,390,000)	
Classroom Facilities Capital Appreciation Bonds	(257,000)	
Accretion of Capital Appreciation Bonds	(227,602)	(5,874,602)
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(1,549,790)	
Accrued Vacation Payable	(45,951)	(1,595,741)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		1,406,850
Net Assets of Governmental Activities	\$	<u>30,013,006</u>

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

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

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 5,850,267	\$ 484,082	\$ 80,106	\$ 6,414,455
Intergovernmental	12,266,010	64,341	1,243,245	13,573,596
Investment Earnings	132,491	0	38,182	170,673
Tuition and Fees	123,483	0	3,469	126,952
Rentals	2,479	0	0	2,479
Extracurricular Activities	0	0	203,990	203,990
Charges for Services	0	0	390,709	390,709
Gifts and Donations	3,000	0	663	3,663
Miscellaneous	67,812	0	26,454	94,266
Total Revenues	<u>18,445,542</u>	<u>548,423</u>	<u>1,986,818</u>	<u>20,980,783</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,981,685	0	164,035	6,145,720
Special	1,002,698	0	567,747	1,570,445
Vocational	112,022	0	0	112,022
Other	933,356	0	0	933,356
Support Services:				
Pupils	1,508,392	0	163,505	1,671,897
Instructional Staff	400,934	0	66,769	467,703
Board of Education	30,450	0	0	30,450
Administration	1,038,769	0	68,295	1,107,064
Fiscal	368,801	9,306	1,559	379,666
Business	100,488	0	124,404	224,892
Operation and Maintenance of Plant	1,263,031	0	0	1,263,031
Pupil Transportation	1,248,048	0	0	1,248,048
Central	2,349,278	0	0	2,349,278
Operation of Non-Instructional Services	0	0	11,996	11,996
Food Service Operations	0	0	645,178	645,178
Extracurricular Activities	380,316	0	157,732	538,048
Capital Outlay	0	0	34,800	34,800
Debt Service:				
Principal Retirement	0	275,000	0	275,000
Interest and Fiscal Charges	0	274,973	0	274,973
Total Expenditures	<u>16,718,268</u>	<u>559,279</u>	<u>2,006,020</u>	<u>19,283,567</u>
Excess of Revenues Over (Under) Expenditures	<u>1,727,274</u>	<u>(10,856)</u>	<u>(19,202)</u>	<u>1,697,216</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	500	0	0	500
Net Change in Fund Balance	1,727,774	(10,856)	(19,202)	1,697,716
Fund Balance (Deficit) at Beginning of Year	<u>(22,974)</u>	<u>309,785</u>	<u>1,107,258</u>	<u>1,394,069</u>
Fund Balance (Deficit) at End of Year	<u>\$ 1,704,800</u>	<u>\$ 298,929</u>	<u>\$ 1,088,056</u>	<u>\$ 3,091,785</u>

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

*Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances - Total Governmental Funds \$ 1,697,716

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

Governmental funds report capital outlays as expenditures,
however, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense. This is the amount by which
depreciation expense exceeded additions in the current period.

Capital Asset Additions	\$ 272,863	
Current Year Depreciation	(1,665,714)	
Total		(1,392,851)

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

Grants	(37,533)	
Excess Cost	(40,695)	
Delinquent Property Taxes	(56,498)	(134,726)

Repayment of note and bond principal are expenditures in the governmental
funds, but the repayment reduces long-term liabilities in the
statement of net assets.

Bond Principal		275,000
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Some expenses reported in the statement of activities do not
use the current financial resources and therefore, are not reported
as expenditures in governmental funds.

Decrease in Compensated Absences	22,848	
Increase in Vacation Payable	(19,679)	
Total		3,169

In statement of activities, interest is accrued on outstanding bonds, whereas
in governmental funds, an interest expenditure is reported when due.

Current Year Bond Accretion		(41,867)
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The internal service fund used by management to charge the costs
of insurance to individual funds is not reported in the district-wide
statement of activities. The net revenue (expense) of internal service
funds is reported with governmental activities.

		271,416
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Change in Net Assets of Governmental Activities		\$ 677,857
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SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 5,869,238	\$ 5,861,959	\$ 5,832,837	\$ (29,122)
Intergovernmental	11,989,858	11,974,878	12,694,112	719,234
Investment Income	75,000	93,808	132,491	38,683
Tuition and Fees	158,350	158,350	123,483	(34,867)
Rental	1,000	1,000	2,479	1,479
Gifts and Donations	500	500	3,000	2,500
Miscellaneous	15,500	15,500	49,130	33,630
Total Revenues	<u>18,109,446</u>	<u>18,105,995</u>	<u>18,837,532</u>	<u>731,537</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,580,930	5,979,658	5,883,386	96,272
Special	1,109,503	1,079,421	989,556	89,865
Vocational	111,255	109,837	109,803	34
Other	951,463	985,025	874,113	110,912
Support Services:				
Pupils	1,132,947	1,671,525	1,478,204	193,321
Instructional Staff	346,672	433,892	374,381	59,511
Board of Education	30,417	31,917	31,412	505
Administration	1,385,354	1,143,818	993,955	149,863
Fiscal	401,487	421,212	370,554	50,658
Business	90,100	103,194	100,535	2,659
Operation and Maintenance of Plant	1,327,678	1,338,388	1,254,470	83,918
Pupil Transportation	1,266,060	1,304,995	1,222,848	82,147
Central	2,427,000	2,571,694	2,570,747	947
Extracurricular Activities	378,795	392,799	368,810	23,989
Total Expenditures	<u>17,539,661</u>	<u>17,567,375</u>	<u>16,622,774</u>	<u>944,601</u>
Excess of Revenues Over (Under) Expenditures	569,785	538,620	2,214,758	1,676,138
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	100	100	500	400
Insurance Recoveries	0	0	20,556	20,556
Advances In	0	0	792	792
Total Other Financing Sources (Uses)	<u>100</u>	<u>100</u>	<u>21,848</u>	<u>21,748</u>
Net Change in Fund Balance	569,885	538,720	2,236,606	1,697,886
Fund Balance (Deficit) at Beginning of Year	1,152,401	1,152,401	1,152,401	0
Prior Year Encumbrances Appropriated	17,908	17,908	17,908	0
Fund Balance (Deficit) at End of Year	<u>\$ 1,740,194</u>	<u>\$ 1,709,029</u>	<u>\$ 3,406,915</u>	<u>\$ 1,697,886</u>

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Statement of Fund Net Assets
Proprietary Fund
June 30, 2008

	Governmental Activities - Internal Service Funds
Assets:	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,782,972</u>
Liabilities:	
<i>Current Liabilities:</i>	
Claims Payable	<u>376,122</u>
Net Assets:	
Unrestricted	<u><u>\$ 1,406,850</u></u>

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

*Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2008*

	Governmental Activities - Internal Service Funds
Operating Revenues:	
Charges for Services	\$ 2,589,053
Operating Expenses:	
Purchased Services	293,990
Claims	2,062,816
Total Operating Expenses	<u>2,356,806</u>
Operating Income	232,247
Non-Operating Revenue :	
Investment Earnings	<u>39,169</u>
Change in Net Assets	271,416
Net Assets (Deficit) Beginning of Year	<u>1,135,434</u>
Net Assets (Deficit) End of Year	<u>\$ 1,406,850</u>

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2008

	Governmental Activities Internal Service Fund
Cash Flows From Operating Activities:	
Cash Received for Charges for Services	\$ 2,801,473
Cash Paid for Goods and Services	(293,990)
Cash Paid for Claims	(2,065,567)
<i>Net Cash Provided By (Used For) Operating Activities</i>	441,916
Cash Flows From Investing Activities:	
Cash Receipts for Interest	39,169
<i>Net (Increase) in Cash and Cash Equivalents</i>	481,085
<i>Cash and Cash Equivalents at Beginning of Year</i>	1,301,887
<i>Cash and Cash Equivalents at End of Year</i>	\$ 1,782,972
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income	\$ 232,247
Increase (Decrease) in Liabilities:	
Claims Payable	(2,751)
Due From Other Funds	212,420
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ 441,916

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Statement of Assets & Liabilities
Fiduciary Funds
June 30, 2008

	<u>Agency Fund</u>
Assets:	
Cash and Cash Equivalents	<u>\$ 40,362</u>
Liabilities:	
Due to Students	<u>\$ 40,362</u>

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 92 non-certified and approximately 140 certified teaching personnel and administrative employees providing education to 2,180 students.

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

Southeast Local School District participates in a jointly governed organization, the Stark-Portage Area Computer Consortium (SPARCC). SPARCC provides the data processing services needed by the participating Districts. Information regarding this organization is presented in Note 12.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District will apply Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, to any governmental activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are grouped into the categories governmental, proprietary and fiduciary.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

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

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

Bond Retirement Fund - This fund provides for the retirement of bonds. All revenue derived from general or special levies, either within or exceeding the ten-mil limitation, which is levied for debt charges on bonds or loans, shall be paid into this fund.

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

Proprietary Funds - The proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net assets. The District's only proprietary fund is an internal service fund.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program that accounts for health and medical claims of District employees.

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 has no trust funds. 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 managed activities.

C. Basis of Presentation – Financial Statements

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 internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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 government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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

Agency funds do not report a measurement focus, as they do 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 and the statements presented for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues -Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the 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 property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 4). 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 fiscal 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.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue within the basic financial statements.

Grants and entitlements received before the eligibility requirements are met and receivables that will not be collected within the available period have been reported as deferred revenue in the governmental fund financial statements.

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 on the statement of activities as an expense with a like amount reported within the "operating grants and contributions" program revenue account. Unused donated commodities are reported in the account "Inventory held for resale" within the basic financial statements.

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

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board of Education.

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

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

The major differences between the budget basis and GAAP basis are that:

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

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

Net Change in Fund Balance

GAAP Basis	\$ 1,727,774
Net Adjustment for Revenue Accruals	413,338
Net Adjustment for Expenditure Accruals	135,319
Adjustment for Encumbrances	<u>(39,825)</u>
Budget Basis	<u>\$ 2,236,606</u>

F. Cash and Cash Equivalents

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

During fiscal year 2008, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAROhio). STAROhio is a very liquid investment account which is reported as cash equivalents in the basic financial statements.

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

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", the District records all its investments at fair value. See Note 3, for more detail on the District's investments.

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

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$132,491, which includes \$51,209 assigned from other School District funds.

H. Inventory

On the government-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when consumed.

Inventories of the food service special revenue fund are stated at cost, which is determined on a first-in, first-out basis. Inventory consists of donated food and purchased food held for resale held for resale and is expensed when consumed.

I. Prepaid Items

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

J. Capital Assets and Depreciation

General capital assets are those assets related to activities reported in the governmental funds. All of the District's capital assets are classified as general capital assets. 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.

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

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:

Description	Estimated Lives (in years)
Land Improvements	20
Building and Improvements	25 - 75
Machinery and Equipment	8 - 20
Vehicles	5 - 10

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables and accrued liabilities from the internal service fund are reported on the proprietary fund 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, claims and judgments, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

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

<u>Obligation</u>	<u>Fund</u>
Compensated Absences	General Fund & Food Service Fund
General Obligation Bond	Bond Retirement Fund

L. Compensated Absences

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the termination method. Employees earn one and one-fourth days of sick leave per month up to a maximum of 15 days per year. Upon retirement, a percentage of unused sick leave is paid based upon years of experience. The percentages are 15 percent for 0-5 years, 30 percent for 6-15 years and 35 percent for 16 years and up. Maintenance and custodial employees receive an additional 15 days of severance for 6-15 years of service and an additional 30 days of severance for 16 years of service at retirement.

For the certified staff, the percentages are 10% for 0-5 years, 25% for 6-15 years, and 30% for 16 years and up. Regardless of the percentage received, the maximum number of days payable under this provision per year is 75.

For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as expenditure in the fund from which the individual earning the leave is paid.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

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. Restricted assets in the General Fund include amounts set aside as a reserve for textbooks and instructional materials. See Note 10 for additional information regarding set asides.

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

N. Pensions

The provision for pension costs are recorded when the related payroll is accrued and the obligation is incurred. For governmental funds, pension liabilities earned as of June 30, 2008 are recorded as a fund liability.

O. 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 funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets may include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material or for the purchase and maintaining of capital assets of the District. See Note 10 for additional information regarding set asides.

Q. Reservations of Fund Balance

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

R. Estimates

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

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

S. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are interfund charges for the internal service funds. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

T. 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. The District had no extraordinary or special items during fiscal year 2008.

U. Implementation of New Accounting Policies

For the year ended 2008, the School District has implemented GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*", GASB Statement No. 48, "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*", GASB Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations*", and GASB Statement No. 50, "*Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27.*"

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, "*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*", and GASB Statement No. 27, "*Accounting for Pensions by State and Local Governmental Employers*", to conform with requirements of GASB Statement No. 43, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension*

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

Plans", and GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions".

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

The fund deficits at June 30, 2008 were \$38,289 in the food service fund and \$4,771 in the Title I fund. These deficits were caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is when cash is needed rather than when accruals occur.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Interim deposits are deposits of interim monies. Interim monies are those monies that 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 no more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public uninsured 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 payment of principal and interest by the United States;

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan.
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and 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 Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Custodial credit risk is the risk that, in the event of bank failure, the County's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

Undeposited Cash At year-end, the District had \$2,500 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

Deposits At fiscal year end, the carrying amount of the District's deposits was \$3,914,476 and the bank balance was \$4,182,553. Of the bank balance:

1. \$448,151 was covered by federal depository insurance; and
2. \$3,734,402 was exposed to custodial credit risk as discussed above. Of this balance, collateral of \$1,652,024 was held in the name of Southeast Local School District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District's policy indicates that investments must mature within five years, unless matched to a specific obligation or debt of the District. During the year, the District's only investment was in STAROhio.

Ending investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2008. This value as of June 30, 2008 was \$2,819,235.

Credit Risk – The District's only investment at June 30, 2008 was in STAROhio, which is rated AAAM by Standard & Poor's. The School District's policy doesn't address credit risk.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in any one issuer. During the year, the District's only investment was in STAROhio.

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2008 were levied after October 1, 2007 on assessed values as of January 1, 2006, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 2006, and equalization adjustments were made in 2003. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of true value for capital assets and 23 percent of true value for inventory. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year

preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011.

The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006 – 2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Southeast Local District and periodically remits to the District its portion of the taxes collected. The County Auditor also periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance at June 30, 2008 was \$283,921 in the general fund, \$24,320 in the bond retirement debt service fund, \$3,965 in the classroom facility maintenance fund.

On the 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.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008***

The assessed value upon which the fiscal year 2008 receipts were based is:

	2007 Second Half Collections	2008 First Half Collections
Agricultural/Residential and Other Real Estate	\$ 219,916,778	\$ 221,026,830
Public Utility Personal	8,541,850	6,803,250
Tangible Personal Property	1,275,739	1,462,118
Total Assessed Value	\$ 229,734,367	\$ 229,292,198
 Tax rate per \$1,000 of assessed valuation	\$ 39.36	\$ 39.37

NOTE 5 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes and intergovernmental receivables. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
General Fund	\$ 108,230
<u>Other governmental funds:</u>	
IDEA Grant	70,139
Title I	39,523
Improving Teacher Quality	20,783
Total Intergovernmental Receivable	\$ 238,675

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

NOTE 6 - CAPITAL ASSETS

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

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 1,475,065	\$ 0	\$ 0	\$ 1,475,065
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	1,437,674	32,960	0	1,470,634
Building and Improvements	38,539,912	0	0	38,539,912
Machinery and Equipment	1,930,788	34,403	0	1,965,191
Vehicles	1,835,045	205,500	(89,280)	1,951,265
<i>Total Capital Assets, being depreciated</i>	<u>43,743,419</u>	<u>272,863</u>	<u>(89,280)</u>	<u>43,927,002</u>
<i>Accumulated Depreciation</i>				
Land Improvements	(1,321,912)	(116,129)	0	(1,438,041)
Building and Improvements	(6,840,351)	(1,318,871)	0	(8,159,222)
Machinery and Equipment	(1,438,158)	(123,513)	0	(1,561,671)
Vehicles	(1,605,507)	(107,201)	89,280	(1,623,428)
<i>Total Accumulated Depreciation</i>	<u>(11,205,928)</u>	<u>(1,665,714)</u>	<u>89,280</u>	<u>(12,782,362)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>32,537,491</u>	<u>(1,392,851)</u>	<u>0</u>	<u>31,144,640</u>
<i>Governmental Activities, Capital Assets, net</i>	<u>\$ 34,012,556</u>	<u>\$ (1,392,851)</u>	<u>\$ 0</u>	<u>\$ 32,619,705</u>

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,424,562
Support Services:	
Vocational	1,174
Instructional Staff	63,916
Administration	3,404
Operation and Maintenance of Plant	33,305
Pupil Transportation	120,628
Central	2,360
Operation of Food Services	11,221
Extracurricular Activities	<u>5,144</u>
Total Depreciation	<u><u>\$ 1,665,714</u></u>

NOTE 7- 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, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at www.ohsers.org under Forms and Publications.

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. The current rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The District’s contributions to SERS for the years ended June 30, 2008, 2007 and 2006 were \$252,420, \$231,391 and \$252,420, respectively; 50% has been contributed for fiscal year 2008, and 100% for the fiscal years 2007 and 2006.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007 (the latest information available), the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

The District’s required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2008, 2007 and 2006 were \$869,382, \$912,779 and \$982,993, respectively; 83% has been contributed for fiscal year 2008, and 100% for the fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$20,968 made by the District and \$12,473 made by the plan members.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 8 - POST EMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The District's contributions for fiscal years ended June 30, 2008, 2007 and 2006 were \$66,876, \$70,213 and \$67,718 respectively.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007 (the latest information available), the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was \$93.50; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007 (the latest information available), the actuarially required allocation was .68 percent. The District's contributions for the year ended June 30, 2008 were \$15,087, which equaled the required contributions for the year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

June 30, 2007, the health care allocation was 3.32 percent. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest information available), was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District's contributions for the years ended June 30, 2008, 2007 and 2006 were \$105,840, \$114,981 and \$108,009 respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

NOTE 9 – LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in the long-term general obligation bonds and compensated absences of the District for the year ended June 30, 2008, is as follows:

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008	Amount Due Within One Year
<i>General Obligation Bonds:</i>					
School Improvement					
Classroom Facilities Improvement					
Serial Bonds	\$5,665,000	\$ 0	(\$275,000)	\$5,390,000	\$275,000
Classroom Facilities Improvement					
Capital Appreciation Bonds	257,000	0	0	257,000	0
Accretion on Capital					
Appreciation Bonds	185,735	41,867	0	227,602	0
<i>Total General Obligation Bonds</i>	<u>6,107,735</u>	<u>41,867</u>	<u>(275,000)</u>	<u>5,874,602</u>	<u>275,000</u>
<i>Other Long-term Liabilities:</i>					
Compensated Absences	1,572,638	2,539	(25,387)	1,549,790	105,100
<i>Total Governmental Long-term Obligations</i>	<u>\$ 7,680,373</u>	<u>\$ 44,406</u>	<u>\$ (300,387)</u>	<u>\$ 7,424,392</u>	<u>\$ 380,100</u>

Compensated absences will be paid from the fund from which the person is paid. In prior years this has primarily been the general fund.

Classroom Facilities Improvement Bonds- On May 15, 2001, the District issued \$7,212,000 in bonds for school construction. The bonds mature on December 1, 2023 and bear an interest rate between 4.0 and 5.1 percent. The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption.

The capital appreciation bonds mature on December 1, 2010 and December 1, 2023. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as long-term liability. The maturity amount of the bonds is \$580,000. For fiscal year 2008, \$41,867 was accreted for a liability of \$227,602.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2008, follows:

Fiscal Year Ending June 30,	General Obligation Bond			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	275,000	263,217	538,217	0	0	0
2010	0	257,236	257,236	134,303	155,697	290,000
2011	0	257,236	257,236	122,697	167,303	290,000
2012	290,000	249,986	539,986	0	0	0
2013	305,000	235,110	540,110	0	0	0
2014-2018	1,760,000	925,675	2,685,675	0	0	0
2019-2023	2,240,000	427,723	2,667,723	0	0	0
2024	520,000	13,260	533,260	0	0	0
Totals	<u>\$ 5,390,000</u>	<u>\$ 2,629,443</u>	<u>\$ 8,019,443</u>	<u>\$ 257,000</u>	<u>\$ 323,000</u>	<u>\$ 580,000</u>

NOTE 10 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves for the purpose of textbooks and other instructional materials and an additional amount for capital improvements. During the fiscal year ended June 30, 2008, the reserve activity (cash-basis) was as follows:

	Capital Improvement	Textbook Instructional Materials	Total
Set-Aside Carry Over Balance as of June 30, 2007	\$ 0	\$ 501,677	\$ 501,677
Current Year Set-Aside Requirement	321,324	321,324	642,648
Qualifying Offset	(321,324)	0	(321,324)
Qualifying Disbursements	0	(541,142)	(541,142)
Total	<u>\$ 0</u>	<u>\$ 281,859</u>	<u>\$ 281,859</u>
Cash Balance Carried Forward to FY 2009	<u>\$ 0</u>	<u>\$ 281,859</u>	<u>\$ 281,859</u>
Amount to Restrict for Set-Asides			<u>\$ 281,859</u>

The District may use any negative amount in the textbooks set-aside to reduce set-aside requirements of future fiscal years. Amounts remaining at the fiscal year-end are represented by a reserve fund balance presented on the balance sheet. Qualifying offsets for the capital improvement reserve represent Ohio Schools Facilities Improvement Bonds issued in fiscal year 2001. These proceeds are eligible to be carried forward over the life of the bonds.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 11 - RISK MANAGEMENT

A. Public Entity Risk Pools

The District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. 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 Districts is calculated as one experience and a common premium rate is applied to all Districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria. The Sheakley Group provides administrative, cost control and actuarial services to the GRP.

B. Other Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2008, the District contracted for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>	
		<u>Description</u>	<u>Amount</u>
Ohio School Plan	Automobile/Fleet	Buses	\$ 1,000
		Auto-Comprehensive	250
		Auto - Collision	500
Ohio School Plan	Property	General	1,000
Ohio School Plan	General Liability	General	0
		Employee Benefits Liability	0
		Employers Liability	0
		Educational Legal Liability	2,500

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

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008**

The District also maintains a self-funded health insurance program for employee health coverage. The plan was started in July of 2003. The claims are processed by the third party administrator, Benefit Services Inc. An internal service fund is presented in the financial statements and reflects premiums paid into the self-insurance fund by other funds which are available to pay claims and administrative costs, and establish claims reserves. Claims are paid weekly through the third party administrator and fixed costs for administrative and stop loss costs are paid on a monthly basis. The District purchases stop-loss coverage through Sun Life Insurance Company to protect the plan in the occurrence of catastrophic claims. The outstanding claims at June 30, 2008 for the self-insurance program amounted to \$376,122.

The claims liability reported in the fund at June 30, 2008 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount in 2007 and 2008 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims	Claims Payments	Balance at Fiscal Year End
2007	\$ 457,867	\$ 1,908,815	\$ (1,987,809)	\$ 378,873
2008	378,873	2,062,816	(2,065,567)	376,122

NOTE 12 - JOINTLY GOVERNED ORGANIZATION

Stark Portage Area Computer Consortium

The Stark Portage Area Computer Consortium (SPARCC) is the computer service organization used by the Southeast Local District. SPARCC is an association of public Districts in a geographic area determined by the Ohio Department of Education. The Stark County Educational Service Center acts as the fiscal agent for the consortium.

The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges and assessments as charged. SPARCC is governed by a board made up of superintendents from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. During fiscal year 2008, the amount paid by the District was \$73,468. The Southeast Local School District does not maintain an ongoing financial interest or an ongoing financial responsibility.

Payments to SPARCC are made from the general fund. Financial information can be obtained from Gene Feucht, who serves as director, at 2100 38th Street, NW, Canton, Ohio 44709.

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

NOTE 13 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is not a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2008.

NOTE 14 – INTERFUND TRANSACTIONS

Interfund receivables and payables may result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made, or (4) to eliminate negative cash balances. The general fund repaid an advance from the Drug Free School Grant fund of \$792, in fiscal year 2008. As of June 30, 2008, all interfund loans have been repaid.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 16, 2008

To the Board of Education
Southeast Local School District
Portage County, Ohio
8245 Tallmadge Road
Ravenna, Ohio 44266

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Southeast Local School District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southeast Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

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

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

Rea & Associates, Inc.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 16, 2008

The Board of Education
Southeast Local School District
8245 Tallmadge Road
Ravenna, Ohio 44266

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of the Southeast Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2008. Southeast Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of the Southeast Local School District's management. Our responsibility is to express an opinion on Southeast Local School District's compliance based on our audit.

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

In our opinion, Southeast Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of the Southeast Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Southeast Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southeast Local School District's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we did note a control deficiency that we have reported to management of Southeast Local School District in a separate letter dated December 16, 2008.

Schedule of Expenditures of Federal Awards

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southeast Local School District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 16, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements of the Southeast Local School District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

**SOUTHEAST LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Expenditures
U. S. Department of Education (Passed Through Ohio Department of Education):					
Title I	84.010	C1-S1-2007	\$ 46,821	\$ 60,598	\$ 0
Title I	84.010	C1-S1-2008	<u>172,728</u>	<u>161,704</u>	<u>0</u>
Total Title I			219,549	222,302	0
<i>Special Education Cluster</i>					
IDEA-B	84.027	6B-SF-2007	76,430	91,727	0
IDEA-B	84.027	6B-SF-2008	<u>394,084</u>	<u>392,161</u>	<u>0</u>
Total IDEA-B			470,514	483,888	0
Title IV-A Safe and Drug-Free Schools	84.186	DR-S1-2007	3,373	2,582	0
Title IV-A Safe and Drug-Free Schools	84.186	DR-S1-2008	<u>6,520</u>	<u>2,087</u>	<u>0</u>
Total Safe and Drug-Free Schools and Communities			9,893	4,669	0
Title V	84.298	C2-S1-2007	172	626	0
Title V	84.298	C2-S1-2008	<u>4,607</u>	<u>2,702</u>	<u>0</u>
Total Title V			4,779	3,328	0
Title II-D	84.318	TJ-S1-2008	2,148	2,148	0
Title II-D	84.318	TJ-S1-2007	<u>47</u>	<u>338</u>	<u>0</u>
Total Title II-D			2,195	2,486	0
Title II-A	84.367	TR-S1-2007	10,972	19,118	0
Title II-A	84.367	TR-S1-2008	<u>70,034</u>	<u>65,940</u>	<u>0</u>
Total Title II-A			81,006	85,058	0
Total Department of Education			<u>787,936</u>	<u>801,731</u>	<u>0</u>
U. S. Department of Agriculture (Passed Through Ohio Department of Education):					
Nutrition Cluster:					
School Breakfast Program (B)	10.553		32,068	32,068	0
National School Lunch Program - Non Cash (A)(B)	10.555		40,464	0	40,464
National School Lunch Program (B)	10.555		<u>235,174</u>	<u>235,174</u>	<u>0</u>
Total Nutrition Cluster			307,706	267,242	40,464
Total Department of Agriculture			<u>307,706</u>	<u>267,242</u>	<u>40,464</u>
Total Federal Assistance			<u>\$ 1,095,642</u>	<u>\$ 1,068,973</u>	<u>\$ 40,464</u>

(A) Government commodities are reported at the fair market value of the commodities received and disbursed.

(B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

**SOUTHEAST LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, Section .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	IDEA B 84.027; Title I 84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

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

N/A – no findings are reported

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

N/A – no findings are reported

**SOUTHEAST LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-01	Ohio Revised Code Section 5705.10, negative fund balance indicates that money from one fund was used to cover the expenses of another fund.	Yes	Finding Corrected
2007-02	Ohio Revised Code Section 5705.41(B), funds had expenditures and encumbrances which exceeded appropriations.	Yes	Finding Corrected
2007-03	Financial statement adjustments	Yes	Finding Corrected
2007-04	34CFR 80.20 Expenditures reported on cash requests did not agree with ledgers.	Yes	Finding Corrected
2007-05	A-102 common rule. Expenditures incurred prior to substantially approved date charged to program	Yes	Finding Corrected
2007-06	Charging FY04 and FY05 expenditures to the FY06 IDEA B grant	Yes	Finding Corrected
2007-07	Providing special education and related services to students without an IEP on file.	Yes	Finding Corrected



Mary Taylor, CPA
Auditor of State

SOUTHEAST LOCAL SCHOOL DISTRICT

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 20, 2009**