

SOUTHEAST LOCAL SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
Columbus, Ohio 43215

Telephone 614-466-4514
800-282-0370

Facsimile 614-728-7398
www.auditor.state.oh.us

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

We have reviewed the Independent Auditor's Report of the Southeast Local School District, Portage County, prepared by Gary B. Fink & Associates, Inc., for the audit period July 1, 2000 through June 30, 2001. 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.

JIM PETRO
Auditor of State

April 15, 2002

This Page is Intentionally Left Blank.

**SOUTHEAST LOCAL SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

TABLE OF CONTENTS

<i>INDEPENDENT AUDITOR'S REPORT</i>	1
 <i>GENERAL PURPOSE FINANCIAL STATEMENTS</i>	
Combined Balance Sheet – All Fund Types and Accounts Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types and Expendable Trust Fund	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types	7
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Type	10
Combined Statement of Cash Flows – Proprietary Fund Type	11
Notes to the General Purpose Financial Statements	12
Statement of Changes in Assets and Liabilities – Agency Fund	38
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	41
Schedule of Expenditures of Federal Awards	43
Notes to the Schedule of Expenditures of Federal Awards	44
Schedule of Findings and Questioned Costs	45

This Page is Intentionally Left Blank.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of the Southeast Local School District (the District), as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Southeast Local School District, as of June 30, 2001 and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the general purpose financial statements, the District adopted Governmental Accounting Standards Board Statement No. 33 as of and for the year ended June 30, 2001. This results in a change to the District's accounting for certain nonexchange revenues.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT (continued)

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



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

January 31, 2002

GENERAL PURPOSE FINANCIAL STATEMENTS

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
<u>Assets and Other Debits:</u>				
Assets:				
Cash and Cash Equivalents	\$958,096	\$257,598	\$7,547,548	\$8,856,664
Receivables (net of allowance for doubtful accounts):				
Taxes	4,179,801	89,431	690,411	0
Accounts	523	12,148	0	0
Intergovernmental	0	79,810	0	0
Interfund Loan Receivable	55,119	0	0	0
Inventory of Supplies at Cost	15,662	0	0	0
Prepaid Items	3,735	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	299,009	0	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for				
General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$5,511,945</u>	<u>\$438,987</u>	<u>\$8,237,959</u>	<u>\$8,856,664</u>
<u>Liabilities, Equity and Other Credits:</u>				
Liabilities:				
Accounts Payable	\$75,293	\$46,939	\$0	\$11,756
Accrued Wages and Benefits	1,606,877	67,837	0	0
Intergovernmental Payables	247,674	7,509	0	0
Interfund Loan Payable	0	14,576	0	0
Due to Students	0	0	0	0
Deferred Revenue - Taxes	3,932,699	84,039	648,778	0
Deferred Revenue - Donated Commodities	0	0	0	0
General Obligation Notes Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Compensated Absences Payable	15,281	0	0	0
Total Liabilities	<u>5,877,824</u>	<u>220,900</u>	<u>648,778</u>	<u>11,756</u>
Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	89,464	29,382	0	305,359
Reserved for Prepaid Items	3,735	0	0	0
Reserved for Supplies Inventory	15,662	0	0	0
Reserved for Property Taxes	247,102	5,392	41,633	0
Reserved for Budget Stabilization	299,009	0	0	0
Reserved for Debt Service	0	0	7,547,548	0
Unreserved:				
Undesignated	(1,020,851)	183,313	0	8,539,549
Total Equity and Other Credits	<u>(365,879)</u>	<u>218,087</u>	<u>7,589,181</u>	<u>8,844,908</u>
Total Liabilities, Equity and Other Credits	<u>\$5,511,945</u>	<u>\$438,987</u>	<u>\$8,237,959</u>	<u>\$8,856,664</u>

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

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

<i>Proprietary Fund Type</i>	<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)
Enterprise Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$6,980	\$27,967	\$0	\$0	\$17,654,853
0	0	0	0	4,959,643
0	0	0	0	12,671
18,650	0	0	0	98,460
0	0	0	0	55,119
14,903	0	0	0	30,565
0	0	0	0	3,735
0	0	0	0	299,009
68,847	0	11,633,185	0	11,702,032
0	0	0	7,547,548	7,547,548
0	0	0	7,746,897	7,746,897
<u>\$109,380</u>	<u>\$27,967</u>	<u>\$11,633,185</u>	<u>\$15,294,445</u>	<u>\$50,110,532</u>
\$6,746	\$0	\$0	\$0	\$140,734
45,319	0	0	0	1,720,033
24,367	0	0	114,870	394,420
40,543	0	0	0	55,119
0	27,967	0	0	27,967
0	0	0	0	4,665,516
4,412	0	0	0	4,412
0	0	0	7,212,000	7,212,000
0	0	0	7,212,000	7,212,000
0	0	0	6,544	6,544
14,983	0	0	749,031	779,295
<u>136,370</u>	<u>27,967</u>	<u>0</u>	<u>15,294,445</u>	<u>22,218,040</u>
0	0	11,633,185	0	11,633,185
(26,990)	0	0	0	(26,990)
0	0	0	0	424,205
0	0	0	0	3,735
0	0	0	0	15,662
0	0	0	0	294,127
0	0	0	0	299,009
0	0	0	0	7,547,548
0	0	0	0	7,702,011
(26,990)	0	11,633,185	0	27,892,492
<u>\$109,380</u>	<u>\$27,967</u>	<u>\$11,633,185</u>	<u>\$15,294,445</u>	<u>\$50,110,532</u>

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<i>Governmental Fund Types</i>			<i>Fiduciary Fund Type</i>		Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Fund	
Revenues:						
Local Sources:						
Taxes	\$3,759,887	\$45,319	\$349,865	\$0	\$0	\$4,155,071
Tuition	20,185	0	0	0	0	20,185
Investment Earnings	130,009	0	4,883	286,413	0	421,305
Extracurricular Activities	0	168,041	0	0	0	168,041
Class Material and Fees	54,227	0	0	0	0	54,227
Intergovernmental - State	8,916,251	139,008	32,850	1,464,856	0	10,552,965
Intergovernmental - Federal	119,894	461,802	0	0	0	581,696
Gifts and Donations	0	0	0	0	4,000	4,000
All Other Revenues	82,135	16,447	0	0	0	98,582
Total Revenues	13,082,588	830,617	387,598	1,751,269	4,000	16,056,072
Expenditures:						
Current:						
Instruction	8,390,153	351,842	0	159,159	6,248	8,907,402
Supporting Services:						
Pupils	529,313	55,931	0	0	0	585,244
Instructional Staff	688,839	147,172	0	5,334	0	841,345
Board of Education	21,429	0	0	0	0	21,429
Administration	1,030,416	126,722	0	0	0	1,157,138
Fiscal Services	333,976	799	6,165	0	0	340,940
Business	136,028	0	0	0	0	136,028
Operation and Maintenance of Plant	958,623	0	0	484,002	0	1,442,625
Pupil Transportation	1,331,398	1,500	0	49,659	0	1,382,557
Central	50,058	0	0	0	0	50,058
Extracurricular Activities	350,524	135,823	0	0	0	486,347
Capital Outlay	0	0	0	540,038	0	540,038
Debt Service:						
Interest and Fiscal Charges	0	0	0	2,300	0	2,300
Total Expenditures	13,820,757	819,789	6,165	1,240,492	6,248	15,893,451
Excess (Deficiency) of						
Revenues Over (Under) Expenditures	(738,169)	10,828	381,433	510,777	(2,248)	162,621
Other Financing Sources (Uses):						
Proceeds from Sale of Notes	0	0	0	7,212,000	0	7,212,000
Proceeds from Sale of Bonds Premium and	0	0	7,212,000	0	0	7,212,000
Accrued Interest on Bonds Sold	0	0	9,315	0	0	9,315
Operating Transfers In	0	0	0	102,300	0	102,300
Operating Transfers Out	0	0	(102,300)	0	0	(102,300)
Total Other Financing Sources (Uses)	0	0	7,119,015	7,314,300	0	14,433,315
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses						
Restated Fund Balance Beginning of Year	(738,169)	10,828	7,500,448	7,825,077	(2,248)	14,595,936
Increase in Inventory Reserve	366,556	207,259	88,733	1,019,831	2,248	1,684,627
Fund Balance (Deficit) End of Year	5,734	0	0	0	0	5,734
	<u>(\$365,879)</u>	<u>\$218,087</u>	<u>\$7,589,181</u>	<u>\$8,844,908</u>	<u>\$0</u>	<u>\$16,286,297</u>

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

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 2001

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$4,073,561	\$3,708,746	(\$364,815)	\$39,927	\$39,927	\$0
Tuition	18,623	20,403	1,780	0	0	0
Investment Earnings	118,665	130,009	11,344	0	0	0
Extracurricular Activities	0	0	0	111,105	155,979	44,874
Class Material and Fees	49,495	54,227	4,732	0	0	0
Intergovernmental - State	8,138,262	8,916,251	777,989	52,717	114,008	61,291
Intergovernmental - Federal	109,433	119,894	10,461	314,726	441,839	127,113
All Other Revenues	18,487	20,254	1,767	11,715	16,447	4,732
Total Revenues	<u>12,526,526</u>	<u>12,969,784</u>	<u>443,258</u>	<u>530,190</u>	<u>768,200</u>	<u>238,010</u>
Expenditures:						
Current:						
Instruction	8,173,674	8,141,408	32,266	280,344	344,707	(64,363)
Supporting Services:						
Pupils	612,966	524,215	88,751	70,225	53,306	16,919
Instructional Staff	850,681	732,366	118,315	107,920	146,794	(38,874)
Board of Education	34,609	23,105	11,504	0	0	0
Administration	1,108,849	992,266	116,583	148,024	127,421	20,603
Fiscal Services	394,783	343,294	51,489	0	799	(799)
Business	134,635	132,400	2,235	0	0	0
Operation and Maintenance of Plant	1,166,925	991,941	174,984	0	0	0
Pupil Transportation	1,341,589	1,292,233	49,356	1,500	1,500	0
Central	43,900	46,240	(2,340)	0	0	0
Extracurricular Activities	383,450	351,917	31,533	112,169	160,924	(48,755)
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>14,246,061</u>	<u>13,571,385</u>	<u>674,676</u>	<u>720,182</u>	<u>835,451</u>	<u>(115,269)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,719,535)	(601,601)	1,117,934	(189,992)	(67,251)	122,741
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds	0	0	0	0	0	0
Proceeds from Sale of Notes	0	0	0	0	0	0
Premium and Accrued Interest on Notes Sold	0	0	0	0	0	0
Refunds of Prior Years' Expenditures	61,804	67,712	5,908	0	0	0
Refunds of Prior Years' Receipts	(2,000)	0	2,000	0	0	0
Operating Transfers Out	(50,000)	0	50,000	0	0	0
Advances Out	(20,000)	0	20,000	0	0	0
Total Other Financing Sources (Uses)	<u>(10,196)</u>	<u>67,712</u>	<u>77,908</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,729,731)	(533,889)	1,195,842	(189,992)	(67,251)	122,741
Fund Balance at Beginning of Year	1,348,383	1,348,383	0	224,594	224,594	0
Prior Year Encumbrances	332,511	332,511	0	10,849	10,849	0
Fund Balance at End of Year	<u>(\$48,837)</u>	<u>\$1,147,005</u>	<u>\$1,195,842</u>	<u>\$45,451</u>	<u>\$168,192</u>	<u>\$122,741</u>

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

(Continued)

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 2001

	<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$309,968	\$308,232	(\$1,736)	\$0	\$0	\$0
Tuition	0	0	0	0	0	0
Investment Earnings	21	4,883	4,862	4,958	286,413	281,455
Extracurricular Activities	0	0	0	0	0	0
Class Material and Fees	0	0	0	0	0	0
Intergovernmental - State	143	32,850	32,707	25,357	1,464,856	1,439,499
Intergovernmental - Federal	0	0	0	0	0	0
All Other Revenues	41	9,315	9,274	0	0	0
Total Revenues	310,173	355,280	45,107	30,315	1,751,269	1,720,954
Expenditures:						
Current:						
Instruction	0	0	0	188,230	163,379	24,851
Supporting Services:						
Pupils	0	0	0	45,000	0	45,000
Instructional Staff	0	0	0	50,400	64,681	(14,281)
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal Services	0	6,165	(6,165)	0	0	0
Business	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	443,110	506,310	(63,200)
Pupil Transportation	0	0	0	250,400	274,459	(24,059)
Central	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	0	554,548	(554,548)
Debt Service:						
Principal Retirement	0	100,000	(100,000)	0	0	0
Interest and Fiscal Charges	0	2,300	(2,300)	0	17,174	(17,174)
Total Expenditures	0	108,465	(108,465)	977,140	1,580,551	(603,411)
Excess (Deficiency) of Revenues Over (Under) Expenditures	310,173	246,815	(63,358)	(946,825)	170,718	1,117,543
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds	31,294	7,212,000	7,180,706	0	0	0
Proceeds from Sale of Notes	0	0	0	124,843	7,212,000	7,087,157
Premium and Accrued Interest on Notes Sold	0	0	0	0	17,174	17,174
Refunds of Prior Years' Expenditures	0	0	0	0	0	0
Refunds of Prior Years' Receipts	0	0	0	0	0	0
Operating Transfers Out	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	31,294	7,212,000	7,180,706	124,843	7,229,174	7,104,331
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	341,467	7,458,815	7,117,348	(821,982)	7,399,892	8,221,874
Fund Balance at Beginning of Year	88,733	88,733	0	1,122,913	1,122,913	0
Prior Year Encumbrances	0	0	0	16,744	16,744	0
Fund Balance at End of Year	\$430,200	\$7,547,548	\$7,117,348	\$317,675	\$8,539,549	\$8,221,874

(Continued)

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 2001

	<i>Totals (Memorandum Only)</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Local Sources:			
Taxes	\$4,423,456	\$4,056,905	(\$366,551)
Tuition	18,623	20,403	1,780
Investment Earnings	123,644	421,305	297,661
Extracurricular Activities	111,105	155,979	44,874
Class Material and Fees	49,495	54,227	4,732
Intergovernmental - State	8,216,479	10,527,965	2,311,486
Intergovernmental - Federal	424,159	561,733	137,574
All Other Revenues	30,243	46,016	15,773
Total Revenues	<u>13,397,204</u>	<u>15,844,533</u>	<u>2,447,329</u>
Expenditures:			
Current:			
Instruction	8,642,248	8,649,494	(7,246)
Supporting Services:			
Pupils	728,191	577,521	150,670
Instructional Staff	1,009,001	943,841	65,160
Board of Education	34,609	23,105	11,504
Administration	1,256,873	1,119,687	137,186
Fiscal Services	394,783	350,258	44,525
Business	134,635	132,400	2,235
Operation and Maintenance of Plant	1,610,035	1,498,251	111,784
Pupil Transportation	1,593,489	1,568,192	25,297
Central	43,900	46,240	(2,340)
Extracurricular Activities	495,619	512,841	(17,222)
Capital Outlay	0	554,548	(554,548)
Debt Service:			
Principal Retirement	0	100,000	(100,000)
Interest and Fiscal Charges	0	19,474	(19,474)
Total Expenditures	<u>15,943,383</u>	<u>16,095,852</u>	<u>(152,469)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,546,179)	(251,319)	2,294,860
Other Financing Sources (Uses):			
Proceeds from Sale of Bonds	31,294	7,212,000	7,180,706
Proceeds from Sale of Notes	124,843	7,212,000	7,087,157
Premium and Accrued Interest on Notes Sold	0	17,174	17,174
Refunds of Prior Years' Expenditures	61,804	67,712	5,908
Refunds of Prior Years' Receipts	(2,000)	0	2,000
Operating Transfers Out	(50,000)	0	50,000
Advances Out	(20,000)	0	20,000
Total Other Financing Sources (Uses)	<u>145,941</u>	<u>14,508,886</u>	<u>14,362,945</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,400,238)	14,257,567	16,657,805
Fund Balance at Beginning of Year	2,784,623	2,784,623	0
Prior Year Encumbrances	360,104	360,104	0
Fund Balance at End of Year	<u>\$744,489</u>	<u>\$17,402,294</u>	<u>\$16,657,805</u>

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<i>Enterprise Funds</i>
<u>Operating Revenues:</u>	
Sales	\$392,538
Tuition and Fees	16,385
Total Operating Revenues	408,923
<u>Operating Expenses:</u>	
Salaries and Wages	225,013
Fringe Benefits	80,868
Contractual Services	10,314
Materials and Supplies	306,528
Depreciation	10,810
Other Operating Expenses	30
Total Operating Expenses	633,563
Operating Loss	(224,640)
<u>Non-Operating Revenues/Expenses:</u>	
Operating Grants	136,375
Federally Donated Commodities	54,688
Total Non-Operating Revenues	191,063
Net Loss	(33,577)
Retained Earnings at Beginning of Year	6,587
Accumulated Deficit at End of Year	(\$26,990)

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

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u><i>Enterprise Funds</i></u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$392,538
Cash Received from Tuition and Fee Payments	\$16,385
Cash Payments for Goods and Services	(252,868)
Cash Payments to Employees for Services and Benefits	(289,041)
Net Cash Used for Operating Activities	<u>(132,986)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	135,632
Advances In	40,543
Advances Out	(42,541)
Net Cash Provided by Noncapital Financing Activities	<u>133,634</u>
Net Increase in Cash and Cash Equivalents	648
Cash and Cash Equivalents at Beginning of Year	<u>6,332</u>
Cash and Cash Equivalents at End of Year	<u><u>\$6,980</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Loss	(\$224,640)
Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities:	
Depreciation Expense	10,810
Donated Commodities Used During the Year	54,688
Changes in Assets and Liabilities:	
Decrease in Inventory	3,810
Increase in Accounts Payable	6,710
Increase in Accrued Wages and Benefits	10,904
Decrease in Intergovernmental Payables	(2,763)
Decrease in Deferred Revenue	(1,204)
Increase in Compensated Absences Payable	8,699
Total Adjustments	<u>91,654</u>
Net Cash Used for Operating Activities	<u><u>(\$132,986)</u></u>

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

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

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 78 non-certified and approximately 149 certified teaching personnel and administrative employees providing education to 2,355 students.

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

Southeast Local School District participates in two jointly governed organizations, the Stark-Portage Area Computer Consortium (SPARCC) and the Portage County School Consortium. SPARCC provides the data processing services needed by the participating school districts. The Portage County School Consortium is an insurance group purchasing consortium. Information regarding these organizations is presented in Note 19.

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

B. Basis of Presentation - Fund Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

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

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

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

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

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

Fiduciary Funds

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

C. Basis of Accounting

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

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

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

Current property taxes measurable at June 30, 2001, of which are not intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end. In the proprietary funds, unused donated commodities are reported as deferred revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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

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

D. Budgetary Process

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

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

1. Tax Budget

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

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2001.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

3. Appropriations

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

4. Encumbrances

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

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	(\$738,169)	\$10,828	\$7,500,448	\$7,825,077
Increase (Decrease):				
Accrued Revenues at June 30, 2001, received during FY 2002	(247,625)	(97,350)	(41,633)	0
Accrued Revenues at June 30, 2000, received during FY 2001	202,445	34,933	0	0
Accrued Expenditures at June 30, 2001, paid during FY 2002	1,945,125	122,285	0	11,756
Accrued Expenditures at June 30, 2000, paid during FY 2001	(1,530,446)	(63,117)	0	(19,826)
FY 2000 Prepays for FY 2001	3,735	0	0	0
FY 2001 Prepays for FY 2002	(3,735)	0	0	0
Fund Debt:				
Note Retirement	0	0	0	(100,000)
Encumbrances Outstanding at June 30, 2001	(165,219)	(74,830)	0	(317,115)
Budget Basis	<u>(\$533,889)</u>	<u>(\$67,251)</u>	<u>\$7,458,815</u>	<u>\$7,399,892</u>

E. Cash and Cash Equivalents

During fiscal year 2001, cash and cash equivalents included amounts in demand deposits, repurchase agreements and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio and repurchase agreements are very liquid investments and are reported as cash equivalents in the general purpose financial statements.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and cash equivalents represents the balance on hand as if each fund maintained its own cash and investment account. See Note 5, "Cash and Cash Equivalents."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements) which are reported at cost. See Note 4, "Cash and Cash Equivalents."

The District has invested funds in the State Treasury Asset Reserve of Ohio during 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, the District has allocated its interest earnings. Interest revenue credited to the General Fund during 2001 amounted to \$130,009, which includes \$68,077 assigned from District funds. Interest revenue credited to the Permanent Improvement Fund (capital projects fund) during 2001 amounted to \$48,586, which includes \$16,736 assigned from other District funds.

G. Inventory

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

H. Prepaid Items

Payments to vendors for services that will benefit periods beyond June 30, 2001 are recorded as prepaid items using the consumption method. A current asset for the prepaid item is recorded at the time of purchase and an expenditure is reported in the fiscal year in which the services are consumed. At fiscal year end, because prepaid items are not available to finance future governmental fund expenditures, the fund balances are reserved by an amount equal to the carrying amount of the asset.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fixed Assets and Depreciation

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

1. Property, Plant and Equipment - General Governmental Purposes

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

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

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

2. Property, Plant and Equipment - Proprietary Fund

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

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

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

J. Revenues – Exchange and Non-Exchange Transactions

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

K. Long-Term Obligations

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

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

L. Compensated Absences

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Pensions

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

N. Interfund Transactions

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

- Operating transfers are reported as “Other Financing Sources and Uses” in the governmental funds, as “Operating Transfers In” by the recipient fund, and “Operating Transfers Out” by the disbursing fund.
- Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.
- Residual equity transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. There were no residual equity transfers during the fiscal year.

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

O. Restricted Assets

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

P. Reservations of Fund Balance

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Total Columns on Combined Financial Statements - Overview

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

R. Estimates

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

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2001, the District has implemented GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions” and GASB Statement No. 36 “Recipient Reporting for Certain Shared Nonexchange Revenues”. The effect on fund balance as a result of implementing GASB 33 and GASB 36 is described in Note 3, “Prior Period Adjustment.”

NOTE 3 - PRIOR PERIOD ADJUSTMENT

As a result of implementing GASB 33 and GASB 36, the fund balance of the Special Revenue Funds at June 30, 2000 was restated. The fund balance was restated from amounts previously reported as follows:

Special Revenue Funds:	
Balance at 6/30/00 (as reported)	\$173,431
Adjustment due to GASB 33 and 36 implementation	<u>33,828</u>
Balance at 6/30/00 (restated)	<u><u>\$207,259</u></u>

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

A. Fund Deficits

The fund deficits at June 30, 2001 of \$365,879 in the General Fund, \$771 in the Ohio Reads Fund and \$8,928 in the Title I Fund (special revenue funds) arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The fund deficit of \$27,691 in the Food Services Fund (enterprise fund) arises from the recognition of expenses on the accrual basis of accounting which are greater than expenses on the cash basis of accounting. The following funds had a negative fund balance (non-GAAP basis) at June 30, 2001: the Food Services Fund (enterprise fund) of \$40,543 and the Title VI-B Fund (special revenue fund) of \$14,576.

B. Excess of Expenditures Over Appropriations

Various object and function level expenditures plus outstanding encumbrances exceeded appropriations as adopted by the District's Board of Education within several funds at February 28, 2001 and June 30, 2001. In addition, appropriations were not properly and timely posted to the District's accounting ledgers.

C. Allocation of Interest Among Funds

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

NOTE 5 - CASH AND CASH EQUIVALENTS

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

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

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

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

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

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

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

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

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

Deposits:

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

Investments:

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

A. Deposits

At year end, the carrying amount of the District’s deposits was an overdraft of \$6,307 and the bank balance was \$163,421. Federal depository insurance covered the entire bank balance.

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

B. Investments

The District's investments at June 30, 2001 were as follows:

	<u>Category 3</u>	<u>Fair Value</u>
Categorized Investments		
Repurchase Agreements	<u>\$112,674</u>	<u>\$112,674</u>
Noncategorized Investments		
STAR Ohio	<u>N/A</u>	<u>17,847,495</u>
Total Investments	<u><u>\$112,674</u></u>	<u><u>\$17,960,169</u></u>

C. Reconciliation of Cash, Cash Equivalents and Investments

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$17,953,862	\$0
Repurchase Agreements	(112,674)	112,674
STAR Ohio	<u>(17,847,495)</u>	<u>17,847,495</u>
Per GASB Statement No. 3	<u><u>(\$6,307)</u></u>	<u><u>\$17,960,169</u></u>

NOTE 6 - 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 2001 were levied after October 1, 2000 on assessed values as of January 1, 2000, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 2000, and equalization adjustments were made in 1997. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

NOTE 6 - PROPERTY TAXES (Continued)

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Southeast Local School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed value upon which the fiscal year 2001 receipts were based are:

	2000 Second Half Collections	2001 First Half Collections
Agricultural/Residential and Other Real Estate	\$116,638,580	\$148,221,730
Public Utility Personal	15,476,370	13,487,890
Tangible Personal Property	7,520,568	8,186,692
Total Assessed Value	<u>\$139,635,518</u>	<u>\$169,896,312</u>
Tax rate per \$1,000 of assessed valuation	\$42.93	\$47.29

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, interfund loans, accounts and intergovernmental receivables.

NOTE 8 - INTERFUND BALANCES

Individual interfund loans receivable and payable balances at June 30, 2001, are as follows:

	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$55,119	\$0
Special Revenue Fund:		
Title VI-B Fund	0	14,576
Enterprise Fund:		
Food Services Fund	0	40,543
Totals	<u>\$55,119</u>	<u>\$55,119</u>

NOTE 9- OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds at June 30, 2001:

Fund	Transfer In	Transfer Out
Debt Service Fund:		
Bond Retirement Fund	\$0	\$102,300
Capital Project Fund:		
Permanent Improvement Fund	<u>102,300</u>	<u>0</u>
Total All Funds	<u><u>\$102,300</u></u>	<u><u>\$102,300</u></u>

NOTE 10 - FIXED ASSETS

A. General Fixed Assets

Summary by category of changes in general fixed assets at June 30, 2001:

Class	June 30, 2000	Additions	Deletions	June 30, 2001
Land and Improvements	\$1,506,048	\$286,998	\$0	\$1,793,046
Buildings and Improvements	4,874,273	0	0	4,874,273
Machinery and Equipment	2,275,051	220,060	(51,793)	2,443,318
Vehicles	1,506,622	297,915	(6,290)	1,798,247
Construction In Progress	198,106	526,195	0	724,301
Totals	<u><u>\$10,360,100</u></u>	<u><u>\$1,331,168</u></u>	<u><u>(\$58,083)</u></u>	<u><u>\$11,633,185</u></u>

B. Proprietary Fixed Assets

Summary by category at June 30, 2001:

Category	Historical Cost	Accumulated Depreciation	Book Value
Machinery, Equipment, Furniture and Fixtures	<u>\$216,203</u>	<u>(\$147,356)</u>	<u>\$68,847</u>
Total Property, Plant and Equipment	<u><u>\$216,203</u></u>	<u><u>(\$147,356)</u></u>	<u><u>\$68,847</u></u>

NOTE 11 - DEFINED BENEFIT PENSION PLANS

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

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

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

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS of Ohio issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2001, 4.2% was allocated to fund the pension benefit and 9.8% to fund health care. The District's contributions for pension obligations to the SERS of Ohio for the years ending June 30, 2001, 2000, and 1999 were \$80,081, \$142,358, and \$140,858, respectively; 37.0% has been contributed for fiscal year 2001 and 100% has been contributed for the fiscal years 2000 and 1999. \$186,481, representing the unpaid contribution for fiscal year 2001, is recorded as a liability with the respective funds and the General Long-Term Obligations Account Group.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. The portion of the 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 9.8%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2001, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The amount contributed to fund health care benefits, including the surcharge amounted to \$215,981 during fiscal year 2001.

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

All certified employees of the District are eligible to participate in the State Teachers Retirement System of Ohio, a cost-sharing, multiple-employer defined benefit pension plan.

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2001, 9.5% was allocated to fund the pension benefit and 4.5% to fund health care. The District's contributions for pension obligations to the STRS of Ohio for the years ending June 30, 2001, 2000, and 1999 were \$653,895, \$414,797, and \$367,460, respectively; 81.9% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$174,100, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

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

Benefits are funded on a pay-as-you-go basis. The Revised Code grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2001, the Board allocated employer contributions are equal to 4.5% of covered payroll to the Health Care Reserve Fund, which amounted to \$309,699 for the District. The balance of the Health Care Reserve Fund was \$3.256 billion at June 30, 2001. For the fiscal year ended June 30, 2001, the net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients statewide.

NOTE 12 - COMPENSATED ABSENCES

The District provides a liability for accumulated unpaid sick leave and vacation time benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. At June 30, 2001, the total accumulated unpaid sick and vacation time recorded in the General Long-Term Obligations Account Group was:

	<u>Sick Leave</u>	<u>Vacation</u>	<u>Total</u>
Liability	\$730,435	\$18,596	\$749,031

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

NOTE 13 - NOTES PAYABLE

Notes Payable activity of the District for the year ended June 30, 2001, was as follows:

	<u>Balance June 30, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2001</u>
Energy Conservation Note - 4.60%	\$100,000	\$0	(\$100,000)	\$0

NOTE 14 - OTHER GENERAL LONG-TERM OBLIGATIONS

Detail of the changes in the long-term intergovernmental payable, capital leases and compensated absences of the District for the year ended June 30, 2001 is as follows:

	<u>Balance June 30, 2000</u>	<u>Issued (Retired)</u>	<u>Balance June 30, 2001</u>
General Long-Term Debt:			
(General Obligation Bond Anticipation Notes)			
Classroom Facilities Improvement 2001	\$0	\$7,212,000	\$7,212,000
(General Obligation Bonds)			
Classroom Facilities Improvement 2001	0	7,212,000	7,212,000
Total General Long-Term Debt	<u>0</u>	<u>14,424,000</u>	<u>14,424,000</u>
Other General Long-Term Obligations:			
Intergovernmental Payable	86,149	28,721	114,870
Capital Leases Payable	14,680	(8,136)	6,544
Compensated Absences	667,547	81,484	749,031
Total Other General Long-Term Obligations	<u>768,376</u>	<u>102,069</u>	<u>870,445</u>
Total General Long-Term Debt and			
Other General Long-Term Obligations	<u>\$768,376</u>	<u>\$14,526,069</u>	<u>\$15,294,445</u>

NOTE 14 - OTHER GENERAL LONG-TERM OBLIGATIONS (Continued)

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2001, follows:

Years	General Obligation Bond	
	Principal	Interest
2002	\$110,000	\$345,180
2003	220,000	323,798
2004	225,000	314,898
2005	235,000	305,698
2006	250,000	295,998
2007-2011	1,057,000	1,661,535
2012-2016	1,600,000	1,093,675
2017-2021	2,030,000	555,065
2022-2024	1,485,000	203,013
Totals	<u>\$7,212,000</u>	<u>\$5,098,860</u>

NOTE 15 - CAPITAL LEASE COMMITMENTS

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

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2001:

Year Ending June 30,	Capital Lease
2002	\$15,102
Minimum Lease Payments	15,102
Less: Amount representing interest at the District's incremental borrowing rate of interest	(8,558)
Present Value of minimum lease payments	<u>\$6,544</u>

NOTE 16 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves for the purpose of textbooks and other instructional materials and an additional amount for capital improvements. Amounts may also be set-aside for a budget stabilization reserve, which can be used to offset any future budget deficit. During the fiscal year ended June 30, 2001, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Budget Stabilization Reserve	Total
Set-aside Cash Balance as of June 30, 2000	(\$198,370)	\$0	\$177,046	(\$21,324)
Current Year Set-Aside Requirement	276,124	276,124	121,963	674,211
Current Year Offset Credits	0	0	0	0
Qualifying Disbursements	<u>(304,638)</u>	<u>(397,712)</u>	<u>0</u>	<u>(702,350)</u>
Total	<u>(\$226,884)</u>	<u>(\$121,588)</u>	<u>\$299,009</u>	<u>(\$49,463)</u>
Cash Balance Carried Forward to FY 2002	<u>(\$226,884)</u>	<u>\$0</u>	<u>\$299,009</u>	<u>\$72,125</u>
Amount Restricted for Budget Stabilization				<u>\$299,009</u>
Total Restricted Assets				<u>\$299,009</u>

Since the qualifying disbursements for the capital acquisition set-aside exceeded the fiscal year 2001 requirement, no amount will be carried forward to the next fiscal year. The District may use the negative amount in the textbooks set-aside to reduce set-aside requirements of future fiscal years. Amounts remaining at the fiscal year-end are represented by cash and cash equivalents and are presented as restricted assets on the Combined Balance Sheet. Corresponding amounts are reported as reserves of fund balances.

NOTE 17 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two Enterprise Funds to account for the operation of Food Services and Uniform School Supply sales. The key financial information for the year ended June 30, 2001 for these enterprise activities is as follows:

	Food Services	Uniform School Supply	Total
Operating Revenues	\$392,538	\$16,385	\$408,923
Depreciation Expense	10,810	0	10,810
Operating Loss	(219,009)	(5,631)	(224,640)
Net Loss	(27,946)	(5,631)	(33,577)
Federally Donated Commodities	54,688	0	54,688
Operating Grants	136,375	0	136,375
Total Assets	102,400	6,980	109,380
Net Working Capital	(81,555)	701	(80,854)
Total Equity (Accumulated Deficit)	(27,691)	701	(26,990)

NOTE 18 - RISK MANAGEMENT

A. Public Entity Risk Pools

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

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

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

The Health and Welfare Trust is organized under provisions of Section 501(c)(9) of the Internal Revenue Code. Its purpose is to facilitate the management of risks associated with providing employee benefits coverages such as health and accident insurance, disability insurance and life insurance. A third-party administrator is retained by the consortium to facilitate the operation of the Health and Welfare Trust. The District pays all insurance premiums directly to the consortium. Although the District does not participate in the day-to-day management of the consortium, one of the District's administrators serves as a trustee of the consortium's governing board as provided in the consortium's enabling authority. Although the District recognizes that it retains a contingent liability to provide insurance coverages should the assets of the consortium become depleted, it is the opinion of management that the assets of the consortium are sufficient to meet its claims. As of June 30, 2001, the pool had cash reserves of \$2,233,746.

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

NOTE 18 - RISK MANAGEMENT (Continued)

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 2001, the District contracted with Nationwide Insurance Company for various insurance coverages, as follows:

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

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

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. Stark Portage Area Computer Consortium

The Stark Portage Area Computer Consortium (SPARCC) is the computer service organization (A-site) used by the Southeast Local School District. SPARCC is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Stark County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges and assessments as charged. SPARCC is governed by a board made up of superintendents from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The Southeast Local School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to SPARCC are made from the General Fund. Financial information can be obtained from Gene Feucht, who serves as director, at 2100 38th Street, NW, Canton, Ohio 44709. During fiscal year 2001, the Southeast Local School District contributed \$31,688 to SPARCC.

B. Portage County School Consortium

Portage County School Consortium is an insurance group purchasing consortium made up of 12 school districts in Portage County. All member districts pay an insurance premium directly to the consortium. The Southeast Local School District paid \$1,552,726 for health insurance premiums to the consortium for the 2001 fiscal year.

NOTE 20 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

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, 2001.

C. State School Funding

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of January 31, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

NOTE 21 – CONSTRUCTION COMMITMENTS

As of June 30, 2001, the District had entered into a contract with Myers & Associates for architectural services relating to the Ohio School Facilities Commission construction project. Details of the project at June 30, 2001 are as follows:

<u>Company</u>	<u>Contract Amount</u>	<u>Amount Spent as of 06/30/01</u>	<u>Amount Remaining to be Spent for Completion</u>
Myers & Associates	\$1,724,844	\$526,195	\$1,198,649

SOUTHEAST LOCAL SCHOOL DISTRICT, OHIO
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Balance June 30, 2000	Additions	Deductions	Balance June 30, 2001
<u>Student Managed Activity Fund</u>				
Assets:				
Cash and Cash Equivalents	\$28,003	\$101,427	(\$101,463)	\$27,967
Total Assets	<u>\$28,003</u>	<u>\$101,427</u>	<u>(\$101,463)</u>	<u>\$27,967</u>
Liabilities:				
Due to Students	\$28,003	\$101,427	(\$101,463)	\$27,967
Total Liabilities	<u>\$28,003</u>	<u>\$101,427</u>	<u>(\$101,463)</u>	<u>\$27,967</u>

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

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

We have audited the general purpose financial statements of the Southeast Local School District (the District), as of and for the year ended June 30, 2001, and have issued our report thereon dated January 31, 2002. As discussed in Note 2 to the general purpose financial statements, the District adopted Governmental Accounting Standards Board Statement No. 33 as of and for the year ended June 30, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs as Items 2001-1, 2001-2 and 2001-3. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 31, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated January 31, 2002.

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

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

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

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

January 31, 2002

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

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

Compliance

We have audited the compliance of the Southeast Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Southeast Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

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

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over compliance that we have reported to management of the District in a separate letter dated January 31, 2002.

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



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

January 31, 2002

**Southeast Local School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2001**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Receipts	Disbursements
<u>U.S. Department of Agriculture</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Food Distribution	10.550	----	\$46,073	\$47,281
National School Lunch Program	10.555	----	<u>129,159</u>	<u>129,159</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>175,232</u>	<u>176,440</u>
<u>U.S. Department of Education</u>				
Impact Aid	84.041	45-OH-2001-0227	<u>119,165</u>	<u>119,165</u>
<i>Passed Through Ohio Department of Education:</i>				
Innovative Education Program Strategies (ESEA Title VI)	84.298	049221-C2-S1-2001	11,549	6,566
Innovative Education Program Strategies (ESEA Title VI)	84.298	049221-C2-S1-2000	<u>0</u>	<u>3,806</u>
Total Innovative Education Program Strategies			<u>11,549</u>	<u>10,372</u>
Title I Grants to Local Educational Agencies	84.010	049221-C1-S1-2001	235,590	197,003
Title I Grants to Local Educational Agencies	84.010	049221-C1-S1-2000C	11,755	11,755
Title I Grants to Local Educational Agencies	84.010	049221-C1-S1-2000	<u>22,073</u>	<u>35,786</u>
Total Title I			<u>269,418</u>	<u>244,544</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	049221-DR-S1-2001	2,903	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	049221-DR-S1-2000	0	3,214
Safe and Drug-Free Schools and Communities - State Grants	84.186	049221-DR-S1-1999C	<u>3,595</u>	<u>3,595</u>
Total Safe and Drug-Free Schools and Communities			<u>6,498</u>	<u>6,809</u>
Class Size Reduction (Title VI-R)	84.340	049221-CR-S1-2001	46,012	31,843
Class Size Reduction (Title VI-R)	84.340	049221-CR-S1-2000	<u>0</u>	<u>7,383</u>
Total Class Size Reduction			<u>46,012</u>	<u>39,226</u>
Special Education Cluster:				
Special Education - Grants to States (Title VI-B Flow-Thru)	84.027	049221-6B-SF-2001P	100,000	114,576
Special Education - Grants to States (Title VI-B Flow-Thru)	84.027	049221-6B-SF-2000P	<u>0</u>	<u>49,557</u>
Total Special Education Cluster			<u>100,000</u>	<u>164,133</u>
Eisenhower Professional Development State Grants	84.281	049221-MS-S1-2001	8,362	1,536
Eisenhower Professional Development State Grants	84.281	049221-MS-S1-2000	<u>0</u>	<u>7,000</u>
Total Eisenhower Professional Development State Grants			<u>8,362</u>	<u>8,536</u>
Total U.S. Department of Education			<u>561,004</u>	<u>592,785</u>
Total Federal Assistance			<u>\$736,236</u>	<u>\$769,225</u>

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

SOUTHEAST LOCAL SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

SOUTHEAST LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505

FOR THE FISCAL YEAR ENDED JUNE 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS

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

SOUTHEAST LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

(d)(1)(vii)	Major Program:	Title I Grants to Local Educational Agencies, CFDA #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?	Yes

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

Finding Number 2001-1

Section 5705.10, Revised Code, states, in part, that money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The following funds had a negative fund balance at June 30, 2001: the Food Service Fund of \$40,543 and the Title VI-B Grant Fund of \$14,576.

Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Revised Code. This will ensure that money is only used for the purposes for which each fund was established.

Finding Number 2001-2

Section 5705.41(B), Revised Code, states, in part, that no subdivision or taxing unit is to expend money unless it has been appropriated.

Various object and function level expenditures plus outstanding encumbrances exceeded appropriations as adopted by the District's Board of Education within several funds at February 28, 2001 and June 30, 2001.

We also noted during our review of the District's budgetary process throughout the fiscal period under audit that appropriations were not properly and timely posted to the District's accounting ledgers.

SOUTHEAST LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

This could cause budgetary violations of the Revised Code to occur and not be detected by the District's management. Also, this could cause the budgetary basis operating statement in the general purpose financial statements to be misstated.

The Treasurer should frequently compare actual expenditures plus outstanding encumbrances to approved appropriations at the legal level of budgetary control to avoid potential overspending. In addition, the Treasurer should periodically compare approved appropriations measures to the District's accounting ledgers to ensure that all appropriation amounts are posted in an accurate and timely manner.

Finding Number 2001-3

Sections 135.21, 5705.10 and 3315.01(A) of the Revised Code and 7 CFR Part 210.14(a), state, in part, that interest earned on monies deposited by a treasurer which do not belong in the treasury of the subdivision, due to their status as custodial funds, because he is acting as ex officio treasurer, or otherwise, generally must be apportioned to the funds to which the principal belongs (including undivided tax funds). All other interest earned must be credited to the general fund of the subdivision, with the following exceptions:

- Interest earned on money received from the federal government may be due to the fund to which the principal belongs.
- The board of education of any school district may adopt a resolution requiring the treasurer of the district to credit the earnings made on the investment of the principal of the monies specified in the resolution to the fund from which the earnings arose, or any other fund of the district as the board specifies in its resolution.
- All investment earnings of a school district project construction fund shall be credited to the fund.
- All monies received by or accruing to the food service fund of any school district, including but not limited to, children's payments, earnings on investments and other local revenues should be credited to and used by those funds.

This does not apply to the earnings made on the investment of any bond retirement fund.

Interest has been credited to the Permanent Improvement Fund without the evidence of a resolution of the District's Board of Education specifying this action. The District's Board of Education should adopt a resolution authorizing the Treasurer to credit interest to the Permanent Improvement Fund as soon as possible.

SOUTHEAST LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505

FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

SOUTHEAST LOCAL SCHOOL DISTRICT

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 9, 2002**