



Dave Yost • Auditor of State

**SOUTHEAST LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Southeast Local School District
Portage County
8245 Tallmadge Road
Ravenna, Ohio 44266

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeast Local School District, Portage County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeast Local School District, Portage County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the 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 basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 29, 2013

Southeast Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The discussion and analysis of the Southeast Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- Net assets decreased \$1,705,551, which represents a 4.4% decrease from 2011.
- Capital assets decreased \$1,338,681 during fiscal year 2012.
- During the year, outstanding debt decreased from \$5,225,780 to \$4,897,434 due to principal payments made by the District
- The District was granted a Corrective Action Grant in the amount of \$5,366,950 from the Ohio School Facilities Commission (OSFC) in 2011, as of June 30, 2012 approximately \$2,000,000 has been expended for the school building remediation project.

Using this Annual Report

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While the basic financial statements contain the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Southeast Local School District
Management's Discussion and Analysis
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Unaudited

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

In the *Statement of Net Assets* and the *Statement of Activities*, Governmental Activities include the District's programs and services, including instruction, support services, extracurricular activities, and non instructional services, i.e., food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, bond retirement fund, and classroom facilities fund.

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

Proprietary Fund The District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 18.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Southeast Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2012 compared to 2011:

Table 1
Net Assets

	Governmental Activities	
	2012	2011
Assets		
Current and Other Assets	\$ 24,724,815	\$ 25,293,613
Capital Assets	27,214,277	28,552,958
<i>Total Assets</i>	51,939,092	53,846,571
Liabilities		
Other Liabilities	8,722,612	8,417,198
Long-Term Liabilities	6,325,109	6,832,451
<i>Total Liabilities</i>	15,047,721	15,249,649
Net Assets		
Invested in Capital Assets, Net of Debt	22,416,587	23,419,527
Restricted	5,449,960	7,643,313
Unrestricted	9,024,824	7,534,082
<i>Total Net Assets</i>	\$ 36,891,371	\$ 38,596,922

At year end, capital assets represented 52.4% of total assets. Capital assets include, land, land improvements, buildings and improvements, machinery and equipment, and vehicles. Capital assets, net of related debt were \$22,416,587 at June 30, 2012. These capital assets are used to provide services to students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$5,449,960 or 14.8%, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net assets of \$9,024,824 may be used to meet the government's ongoing obligations to students and creditors.

Total current and other assets showed a net decrease of \$568,798 with a substantial increase in pooled cash and cash equivalents of \$4,620,010 and a decrease in intergovernmental receivables of \$5,215,548 due to the receipt of the OSFC Corrective Action Grant.

The decrease in capital assets was attributed to the depreciation expense exceeding the additions in the current year.

Total liabilities decreased \$201,928, primarily due to principal payments on debt and increase in contracts payable for the school remediation project.

Southeast Local School District
Management's Discussion and Analysis
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Unaudited

Table 2 shows the changes in net assets for fiscal year 2012 and 2011.

Table 2
Changes in Net Assets

	Governmental Activities	
	2012	2011
Revenues		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$ 1,088,623	\$ 942,019
Operating Grants, Contributions and Interest	1,287,611	2,000,005
<i>Total Program Revenues</i>	<u>2,376,234</u>	<u>2,942,024</u>
<i>General Revenues:</i>		
Property Taxes	6,353,407	5,677,926
Grants and Entitlements Not Restricted	11,831,039	17,821,256
Other	72,506	95,151
<i>Total General Revenues</i>	<u>18,256,952</u>	<u>23,594,333</u>
<i>Total Revenues</i>	<u>20,633,186</u>	<u>26,536,357</u>
Program Expenses		
<i>Instruction:</i>		
Regular	8,514,311	8,534,407
Special	2,768,000	2,266,024
Vocational	106,226	106,014
Student Intervention Services	24,862	42,703
Other	945,890	911,396
<i>Support Services:</i>		
Pupils	1,141,590	1,761,766
Instructional Staff	430,217	294,693
Board of Education	174,327	31,683
Administration	1,294,735	1,449,573
Fiscal	438,385	456,709
Business	100,666	121,720
Operation and Maintenance of Plant	3,495,441	1,604,622
Pupil Transportation	1,464,588	1,473,276
Central	89,883	88,687
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	656,587	642,234
Extracurricular Activities	545,982	530,367
<i>Debt Service:</i>		
Interest and Fiscal Charges	147,047	261,630
<i>Total Expenses</i>	<u>22,338,737</u>	<u>20,577,504</u>
<i>Increase (Decrease) in Net Assets</i>	<u>(1,705,551)</u>	<u>5,958,853</u>
<i>Net Assets at Beginning of Year</i>	<u>38,596,922</u>	<u>32,638,069</u>
<i>Net Assets at End of Year</i>	<u>\$ 36,891,371</u>	<u>\$ 38,596,922</u>

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Overall revenue decreased \$5,903,171, due to the advancement from the OSFC Corrective Action Grant from the state in 2011, also the loss of grant monies for the Education Jobs. Program expenses increased from \$20.6 million to \$22.3 million in 2012. This increase in total program expenses reflects the beginning of the school building remediation project, the \$620,176 increase in support services – pupils can be attributed to the increase of services provided from outside sources.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2012	2011	2012	2011
Instruction:				
Regular	\$ 8,514,311	\$ 8,534,407	\$ (7,851,015)	\$ (7,949,410)
Special	2,768,000	2,266,024	(2,168,527)	(870,102)
Vocational	106,226	106,014	(106,226)	(106,014)
Student Intervention Services	24,862	42,703	(24,862)	(42,703)
Other	945,890	911,396	(945,890)	(911,396)
Support Services:				
Pupils	1,141,590	1,761,766	(1,141,590)	(1,761,766)
Instructional Staff	430,217	294,693	(378,619)	(255,856)
Board of Education	174,327	31,683	(106,916)	(31,683)
Administration	1,294,735	1,449,573	(1,228,005)	(1,444,573)
Fiscal	438,385	456,709	(438,274)	(456,709)
Business	100,666	121,720	(100,666)	(121,720)
Operation and Maintenance of Plant	3,495,441	1,604,622	(3,427,052)	(1,604,211)
Pupil Transportation	1,464,588	1,473,276	(1,464,588)	(1,472,069)
Central	89,883	88,687	(89,883)	(88,687)
Operation of Non-Instructional Services:				
Food Service Operations	656,587	642,234	48,368	82,338
Extracurricular Activities	545,982	530,367	(391,711)	(339,289)
Debt Service:				
Interest and Fiscal Charges	147,047	261,630	(147,047)	(261,630)
<i>Total Expenses</i>	<i>\$ 22,338,737</i>	<i>\$ 20,577,504</i>	<i>\$ (19,962,503)</i>	<i>\$ (17,635,480)</i>

The District's cost of services increased \$2,327,023 due to expenses related to the school building remediation project.

The dependence upon general revenues for governmental activities is apparent. Over 89% of governmental activities are supported through taxes and other general revenues; such revenues are 89% of total governmental revenues. The community, as a whole, is by far the primary support for the District students.

Southeast Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Governmental Funds

Information about the District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$25,910,623 and expenditures of \$21,263,546 for fiscal year. The net change in fund balances for the fiscal year was an increase of \$4,648,419 for all governmental funds with the most significant increase in the classroom facilities fund.

The general fund's net change in fund balance for fiscal year 2012 was an increase of \$1,762,715. This increase is primarily due to an increase in tax revenue due to the passage of a levy in May 2010, additional revenue from open enrollment funding, monies from the Impact Aid program, and a full year of Medicaid reimbursements, also a decrease in expenditures due to a drop in utility payments as winter was mild, a freeze on wages and step increases and no textbooks replaced in 2012.

The fund balance of the bond retirement fund increased by \$48,974. This increase is due to the disparity between the tax collections and principal payments on debt.

The fund balance of the classroom facilities fund increased by \$2,699,818. This increase can be attributed to the receipt of OSFC Corrective Action Grant monies received and offset by expenditures for the school remediation project.

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the District did amend its general fund budget a few times. The District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, actual budget basis revenue was \$40,597 higher than the final budget basis revenue of \$18,029,907.

Final appropriations of \$17,495,108 were \$703,442 higher than the actual expenditures of \$16,791,666, as cost savings were recognized for instruction and student support services throughout the year.

Southeast Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$27,214,277 invested in capital assets. Table 4 shows fiscal year 2012 balances compared with 2011.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2012	2011
Land	\$ 400,918	\$ 400,918
Land Improvements	718,861	803,841
Buildings and Improvements	25,105,206	26,424,077
Machinery and Equipment	259,553	300,945
Vehicles	729,739	623,177
<i>Totals</i>	\$ 27,214,277	\$ 28,552,958

The \$1,338,681 decrease in capital assets was attributable to depreciation and disposals exceeding additional purchases current year. See Note 6 for more information about the capital assets of the District.

Debt

At June 30, 2012, the District had \$4,897,434 in debt outstanding. See Note 9 for additional details. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt at Year End

	Governmental Activities	
	2012	2011
2011 Refunding Bonds - Serial, Term and Capital Appreciation Bonds	4,897,434	5,225,780
<i>Total</i>	\$ 4,897,434	\$ 5,225,780

Southeast Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Current Issues

In May of 2010 the District was fortunate to pass a renewal of the original 8.9 mill four year emergency levy approved in May of 2006. This levy is certified to raise \$1,866,247 each year for a period of four years. Our district is facing declining property tax values as are many districts throughout Ohio. The 2011 tax year valuation is \$224,167,450, with 88.7% of that value coming from residential/agricultural and 11.3% from all other property values.

The District relies on the State for approximately 61% of its general operating revenues which is less than years past due to the expiration of the federal stimulus funds. The new state budget bill (HB153) which passed on July 12, 2011, uses a "Bridge" formula for fiscal years 2012 and 2013. At the time of this printing, a new funding formula has not yet been introduced for fiscal years 2014 and beyond. It is not known at this point in time how a new funding formula will affect the revenues we receive from the state. What is known, however, is that the District will receive less funding in large part due to our declining enrollment.

The Board of Education and administration will continue to closely monitor its revenues and expenditures in accordance with its financial forecast. The budgeting and internal controls utilized by the District are well regarded, and we will continue to work diligently to maximize our resources and stay within the parameters of our budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mrs. Cassie J. Bergman, Treasurer of Southeast Local School District, 8245 Tallmadge Road, Ravenna, Ohio 44266 or cbergman@pirate.portage.k12.oh.us.

Southeast Local School District

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 17,255,998
Receivables:	
Accounts	675
Intergovernmental	522,241
Property Taxes	6,844,353
Deferred Charges	101,548
Nondepreciable Capital Assets	400,918
Depreciable Capital Assets (Net)	<u>26,813,359</u>
<i>Total Assets</i>	<u>51,939,092</u>
Liabilities	
Accounts Payable	27,303
Accrued Wages and Benefits	1,397,126
Contracts Payable	743,742
Intergovernmental Payable	440,573
Accrued Vacation Leave Payable	80,967
Matured Compensated Absences Payable	159,889
Accrued Interest Payable	11,354
Claims Payable	234,890
Deferred Revenue	5,626,768
Long Term Liabilities:	
Due Within One Year	432,105
Due In More Than One Year	<u>5,893,004</u>
<i>Total Liabilities</i>	<u>15,047,721</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	22,416,587
Restricted For:	
Capital Outlay	3,456,066
Debt Service	388,093
Set Asides	296,500
Other Purposes	1,309,301
Unrestricted	<u>9,024,824</u>
<i>Total Net Assets</i>	<u>\$ 36,891,371</u>

See accompanying notes to the basic financial statements.

Southeast Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 8,514,311	\$ 559,035	\$ 104,261	\$ (7,851,015)
Special	2,768,000	0	599,473	(2,168,527)
Vocational	106,226	0	0	(106,226)
Student Intervention Services	24,862	0	0	(24,862)
Other	945,890	0	0	(945,890)
Support Services:				
Pupils	1,141,590	0	0	(1,141,590)
Instructional Staff	430,217	0	51,598	(378,619)
Board of Education	174,327	0	67,411	(106,916)
Administration	1,294,735	46,595	20,135	(1,228,005)
Fiscal	438,385	0	111	(438,274)
Business	100,666	0	0	(100,666)
Operation and Maintenance of Plant	3,495,441	0	68,389	(3,427,052)
Pupil Transportation	1,464,588	0	0	(1,464,588)
Central	89,883	0	0	(89,883)
Operation of Non-Instructional Services:				
Food Service Operations	656,587	328,848	376,107	48,368
Extracurricular Activities	545,982	154,145	126	(391,711)
Debt Service:				
Interest and Fiscal Charges	147,047	0	0	(147,047)
Total	\$ 22,338,737	\$ 1,088,623	\$ 1,287,611	(19,962,503)

General Revenues

Property Taxes Levied for:	
General Purposes	5,820,510
Debt Service	451,563
Other Purposes	81,334
Grants and Entitlements Not Restricted to Specific Programs	11,831,039
Investment Earnings	15,202
Miscellaneous	57,304
Total General Revenues	18,256,952
Change in Net Assets	(1,705,551)
Net Assets Beginning of Year	38,596,922
Net Assets End of Year	\$ 36,891,371

See accompanying notes to the basic financial statements.

Southeast Local School District
Balance Sheet
Governmental Funds
June 30, 2012

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 9,500,297	\$ 301,933	\$ 3,764,534	\$ 1,534,590	\$ 15,101,354
Restricted Cash and Cash Equivalents	296,500	0	0	0	296,500
Receivables:					
Accounts	675	0	0	0	675
Intergovernmental	94,093	0	198,151	229,997	522,241
Property Taxes	6,276,722	478,789	0	88,842	6,844,353
<i>Total Assets</i>	<u>\$ 16,168,287</u>	<u>\$ 780,722</u>	<u>\$ 3,962,685</u>	<u>\$ 1,853,429</u>	<u>\$ 22,765,123</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 25,699	\$ 0	\$ 424	\$ 414	\$ 26,537
Accrued Wages and Benefits	1,201,318	0	0	195,808	1,397,126
Contracts Payable	0	0	743,742	0	743,742
Intergovernmental Payable	385,336	0	0	55,237	440,573
Matured Compensated Absences Payable	159,889	0	0	0	159,889
Deferred Revenue	5,838,591	438,227	131,564	119,633	6,528,015
<i>Total Liabilities</i>	<u>7,610,833</u>	<u>438,227</u>	<u>875,730</u>	<u>371,092</u>	<u>9,295,882</u>
Fund Balances					
Restricted	296,500	342,495	3,086,955	1,487,402	5,213,352
Assigned	738,421	0	0	0	738,421
Unassigned	7,522,533	0	0	(5,065)	7,517,468
<i>Total Fund Balances</i>	<u>8,557,454</u>	<u>342,495</u>	<u>3,086,955</u>	<u>1,482,337</u>	<u>13,469,241</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 16,168,287</u>	<u>\$ 780,722</u>	<u>\$ 3,962,685</u>	<u>\$ 1,853,429</u>	<u>\$ 22,765,123</u>

See accompanying notes to the basic financial statements.

Southeast Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2012*

Total Governmental Fund Balances		\$ 13,469,241
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		27,214,277
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 644,630	
Excess Costs	86,801	
Ohio School Facilities Commission	131,564	
Intergovernmental	38,252	
Total		901,247
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		1,622,488
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		101,548
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(11,354)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Refunding Bond	(4,790,000)	
Capital Appreciation Bonds	(4,999)	
Bond Premium	(119,687)	
Refunding Loss	18,138	
Accretion of Interest - Capital Appreciation Bonds	(886)	
Capital Lease	(2,690)	
Vacations Payable	(80,967)	
Compensated Absences	(1,424,985)	
Total		(6,406,076)
<i>Net Assets of Governmental Activities</i>		\$ 36,891,371

See accompanying notes to the basic financial statements.

Southeast Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Property and Other Local Taxes	\$ 5,751,499	\$ 450,514	\$ 0	\$ 80,354	\$ 6,282,367
Intergovernmental	11,711,851	71,905	4,775,385	1,868,935	18,428,076
Investment Income	15,202	111	745	3,699	19,757
Tuition and Fees	588,683	0	0	0	588,683
Extracurricular Activities	51,468	0	0	154,296	205,764
Rentals	1,849	0	0	0	1,849
Charges for Services	0	0	0	328,847	328,847
Miscellaneous	53,811	1,469	0	0	55,280
<i>Total Revenues</i>	<u>18,174,363</u>	<u>523,999</u>	<u>4,776,130</u>	<u>2,436,131</u>	<u>25,910,623</u>
Expenditures					
Current:					
Instruction:					
Regular	6,452,920	0	0	682,889	7,135,809
Special	2,163,159	0	0	584,831	2,747,990
Vocational	101,603	0	0	0	101,603
Student Intervention Services	24,862	0	0	0	24,862
Other	945,890	0	0	0	945,890
Support Services:					
Pupils	1,059,332	0	0	70,420	1,129,752
Instructional Staff	356,809	0	0	71,033	427,842
Board of Education	174,327	0	0	0	174,327
Administration	1,261,562	0	171	22,275	1,284,008
Fiscal	428,968	8,941	0	1,586	439,495
Business	85,570	0	0	0	85,570
Operation and Maintenance of Plant	1,292,755	0	0	74,704	1,367,459
Pupil Transportation	1,566,638	0	0	0	1,566,638
Central	87,523	0	0	0	87,523
Extracurricular Activities	394,116	0	0	145,576	539,692
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	646,601	646,601
Capital Outlay	0	0	2,076,141	0	2,076,141
Debt Service:					
Principal Retirement	15,741	320,000	0	0	335,741
Interest and Fiscal Charges	519	146,084	0	0	146,603
<i>Total Expenditures</i>	<u>16,412,294</u>	<u>475,025</u>	<u>2,076,312</u>	<u>2,299,915</u>	<u>21,263,546</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,762,069</u>	<u>48,974</u>	<u>2,699,818</u>	<u>136,216</u>	<u>4,647,077</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	646	0	0	696	1,342
<i>Total Other Financing Sources (Uses)</i>	<u>646</u>	<u>0</u>	<u>0</u>	<u>696</u>	<u>1,342</u>
<i>Net Change in Fund Balance</i>	1,762,715	48,974	2,699,818	136,912	4,648,419
<i>Fund Balances Beginning of Year</i>	<u>6,794,739</u>	<u>293,521</u>	<u>387,137</u>	<u>1,345,425</u>	<u>8,820,822</u>
<i>Fund Balances End of Year</i>	<u>\$ 8,557,454</u>	<u>\$ 342,495</u>	<u>\$ 3,086,955</u>	<u>\$ 1,482,337</u>	<u>\$ 13,469,241</u>

See accompanying notes to the basic financial statements.

Southeast Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012*

Net Change in Fund Balances - Total Governmental Funds	\$	4,648,419
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 239,836	
Current Year Depreciation	<u>(1,578,517)</u>	(1,338,681)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	71,040	
Excess Costs	11,444	
Ohio School Facilities Commission	(4,775,385)	
Intergovernmental	<u>(585,879)</u>	(5,278,780)
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		335,741
 Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred on the statement of net assets.		
		(9,232)
 In the statement of activities, interest is accrued on outstanding bonds, and bond premium and bond issuance costs and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	442	
Amortization of Premium on Bonds	10,881	
Amortization of Refunding Loss	<u>(1,649)</u>	9,674
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		(232,226)
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	163,255	
Vacations	<u>(2,835)</u>	160,420
 Accretion on capital appreciation bonds is an expenditure in the governmental funds when paid, but is allocated as an expense over the life of the bonds in governmental activities.		
		<u>(886)</u>
 <i>Change in Net Assets of Governmental Activities</i>	 \$	 <u><u>(1,705,551)</u></u>

See accompanying notes to the basic financial statements.

Southeast Local School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual*
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 5,767,036	\$ 5,750,841	\$ 5,716,363	\$ (34,478)
Intergovernmental	11,619,999	11,703,912	11,740,400	36,488
Investment Income	20,290	15,000	15,202	202
Tuition and Fees	323,525	525,335	549,659	24,324
Rentals	1,036	1,000	1,318	318
Miscellaneous	42,756	33,819	47,562	13,743
<i>Total Revenues</i>	<u>17,774,642</u>	<u>18,029,907</u>	<u>18,070,504</u>	<u>40,597</u>
Expenditures				
Current:				
Instruction:				
Regular	7,117,438	6,745,464	6,618,512	126,952
Special	1,692,048	2,315,748	2,261,701	54,047
Vocational	113,947	112,854	110,440	2,414
Student Intervention Services	42,504	33,315	29,426	3,889
Other	738,883	1,012,387	957,777	54,610
Support Services:				
Pupils	1,149,535	1,150,206	1,093,483	56,723
Instructional Staff	364,955	370,729	345,786	24,943
Board of Education	44,870	38,594	28,176	10,418
Administration	1,628,310	1,334,483	1,270,573	63,910
Fiscal	522,004	479,725	469,465	10,260
Business	141,617	117,015	97,271	19,744
Operation and Maintenance of Plant	1,800,961	1,489,393	1,347,185	142,208
Pupil Transportation	1,962,116	1,700,902	1,601,400	99,502
Central	132,778	146,223	130,148	16,075
Extracurricular Activities	476,890	431,810	414,063	17,747
Debt Service:				
Principal Retirement	15,741	15,741	15,741	0
Interest and Fiscal Charges	519	519	519	0
<i>Total Expenditures</i>	<u>17,945,116</u>	<u>17,495,108</u>	<u>16,791,666</u>	<u>703,442</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(170,474)</u>	<u>534,799</u>	<u>1,278,838</u>	<u>744,039</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	600	646	46
Refund of Prior Year Expenditures	109	0	6,239	6,239
<i>Total Other Financing Sources (Uses)</i>	<u>109</u>	<u>600</u>	<u>6,885</u>	<u>6,285</u>
<i>Net Change in Fund Balance</i>	(170,365)	535,399	1,285,723	750,324
<i>Fund Balance Beginning of Year</i>	8,264,357	8,264,357	8,264,357	0
Prior Year Encumbrances Appropriated	31,000	31,000	31,000	0
<i>Fund Balance End of Year</i>	<u>\$ 8,124,992</u>	<u>\$ 8,830,756</u>	<u>\$ 9,581,080</u>	<u>\$ 750,324</u>

See accompanying notes to the basic financial statements.

Southeast Local School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2012

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,858,144
<i>Total Assets</i>	<u>1,858,144</u>
Liabilities	
<i>Current Liabilities</i>	
Accounts Payable	766
Claims Payable	<u>234,890</u>
<i>Total Liabilities</i>	<u>235,656</u>
Net Assets	
Unrestricted	<u>1,622,488</u>
<i>Total Net Assets</i>	<u><u>\$ 1,622,488</u></u>

See accompanying notes to the basic financial statements.

Southeast Local School District
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2012

	Governmental Activities - Internal Service Fund
Operating Revenue	
Charges for Services	\$ 2,465,697
<i>Total Operating Revenues</i>	2,465,697
Operating Expenses	
Purchased Services	446,020
Claims	2,253,864
<i>Total Operating Expenses</i>	2,699,884
<i>Operating Income (Loss)</i>	(234,187)
Non-Operating Revenues (Expenses)	
Interest	1,961
<i>Total Non-Operating Revenues (Expenses)</i>	1,961
<i>Change in Net Assets</i>	(232,226)
<i>Net Assets Beginning of Year</i>	1,854,714
<i>Net Assets End of Year</i>	\$ 1,622,488

See accompanying notes to the basic financial statements.

Southeast Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2012

	Governmental Activities - Internal Service Fund
<i>Increase (Decrease) in Cash and Investments</i>	
Cash Flows From Operating Activities	
Cash Received for Charges for Services	\$ 2,468,378
Cash Paid for Goods and Services	(445,254)
Cash Paid for Claims	(2,252,281)
<i>Net Cash Provided By (Used For) Operating Activities</i>	(229,157)
Cash Flows From Investing Activities	
Cash Receipts for Interest	1,961
<i>Net Cash Provided By (Used For) Investing Activities</i>	1,961
<i>Net Increase (Decrease) in Cash and Investments</i>	(227,196)
<i>Cash and Investments Beginning of Year</i>	2,085,340
<i>Cash and Investments End of Year</i>	\$ 1,858,144
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating Income (Loss)	\$ (234,187)
Adjustments:	
(Increase) Decrease Assets:	
Accounts Receivable	2,681
Increase (Decrease) in Liabilities:	
Accounts Payable	766
Claims Payable	1,583
<i>Total Adjustments</i>	5,030
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ (229,157)

See accompanying notes to the basic financial statements.

Southeast Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 57,459
Accounts Receivable	<u>2,081</u>
<i>Total Assets</i>	<u><u>\$ 59,540</u></u>
 Liabilities	
Accounts Payable	\$ 680
Undistributed Monies	1,401
Due to Students	<u>57,459</u>
<i>Total Liabilities</i>	<u><u>\$ 59,540</u></u>

See accompanying notes to the basic financial statements.

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SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Basis of Presentation - Fund Accounting

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

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

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

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

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

Classroom Facilities Fund - This fund accounts for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for the building and equipping of classroom facilities.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources. The bond retirement does not meet the criteria to be a major fund, the District exercises its right to treat it as one.

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

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

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

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

C. Basis of Presentation – Financial Statements

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

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

Agency funds do not report a measurement focus, as they do not report operations.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 4). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue within the basic financial statements.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The value of donated commodities used during the year is reported on the statement of activities as an expense with a like amount reported within the "operating grants, contributions and interest" program revenue account.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

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

E. Budgetary Process

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

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

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

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

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

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012***

3. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure; and,
4. Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

GAAP Basis	\$ 1,762,715
Net adjustments for revenue accruals	(42,969)
Net adjustments for expenditure accruals	(271,001)
Funds budgeted elsewhere*	(4,453)
Adjustments for encumbrances	<u>(158,569)</u>
Budget Basis	<u><u>\$ 1,285,723</u></u>

**As part of Governmental Accounting Standards Board No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies and public school support funds.

F. Cash and Cash Equivalents

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

During fiscal year 2012, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAROhio). STAROhio is a very liquid investment account which is reported as cash equivalents in the basic financial statements.

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

G. Investments

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

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

The District has invested funds in STAROhio during 2012. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2012.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$15,202, which includes \$4,574 assigned from other District funds.

H. Capital Assets and Depreciation

General capital assets are those assets related to activities reported in the governmental funds. All of the District's capital assets are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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

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

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables and accrued liabilities from the internal service fund are reported on the proprietary fund financial statements.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012***

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

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

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

J. Compensated Absences

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

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

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

K. Net Assets

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

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

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

L. Pensions

The provision for pension costs are recorded when the related payroll is accrued and the obligation is incurred. For governmental funds, unpaid pension liabilities earned as of June 30, 2012 are recorded as a fund liability.

M. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

N. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

O. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories can be used:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education. The Board of Education has by resolution authorized the treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. 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.

Q. Unamortized Bond Issuance Costs

On government-wide financial statements, bonds issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as an asset on the government-wide financial statements.

On the governmental fund financial statements, bond issuance costs are recognized in the current period.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

R. Operating Revenues and Expenses

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2012.

NOTE 2 - ACCOUNTABILITY

The following funds had GAAP deficit balances at June 30, 2012:

<u>Non-Major Special Revenue Funds:</u>	<u>Fund Balance</u>
Miscellaneous state funds	\$ 88
Education Jobs	446
IDEA Grant	4,531

These deficits were caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is when cash is needed rather than when accruals occur.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing no more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

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

Deposits At fiscal year end, the carrying amount of the District's deposits was \$9,304,933 and the bank balance was \$9,405,436. Of the bank balance:

1. \$1,041,761 was covered by federal depository insurance; and
2. \$8,363,675 was exposed to custodial credit risk as discussed above. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments

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

Ending investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2012. This value as of June 30, 2012 was \$8,008,524. STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio to maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2012 is 53 days.

Credit Risk – The District's only investment at June 30, 2012 was in STAROhio, which is rated AAAM by Standard & Poor's. The District's policy doesn't address credit risk.

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

Custodial Credit Risk - For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Securities, held by the counterparty and not in the District's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 4 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The District receives property taxes from Portage County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012***

The amount available as an advance at June 30, 2012 was \$524,932 in the general fund, \$40,562 in the bond retirement debt service fund, and \$7,461 in the classroom facilities fund. The amount available as an advance at June 30, 2011, was \$489,796 in the general fund, \$41,841 in the bond retirement debt service fund, and \$6,928 in the classroom facilities fund.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 215,763,890	96.53%	\$ 216,004,870	96.36%
Public Utility Personal Property	7,763,680	3.47%	8,162,580	3.64%
	<u>\$ 223,527,570</u>	<u>100.00%</u>	<u>\$ 224,167,450</u>	<u>100.00%</u>
 Tax rate per \$1,000 assessed valuation	 \$ 39.63		 \$ 39.37	

NOTE 5 - RECEIVABLES

Receivables at June 30, 2012 consisted of accounts, taxes and intergovernmental receivables. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
General Fund	\$ 94,093
Classroom Facilities	198,151
Other governmental funds:	
IDEA Grant	53,956
Title I - School Improvement	2,750
Education Job	91,828
Title I	67,442
Improving Teacher Quality	14,021
	<u>\$ 522,241</u>

All receivables are considered collectible in the subsequent year.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012***

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 400,918	\$ 0	\$ 0	\$ 400,918
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	2,544,781	0	0	2,544,781
Buildings and Improvements	38,539,912	0	0	38,539,912
Machinery and Equipment	2,129,607	9,895	0	2,139,502
Vehicles	2,559,023	229,941	(37,550)	2,751,414
<i>Total Capital Assets, Being Depreciated</i>	<u>45,773,323</u>	<u>239,836</u>	<u>(37,550)</u>	<u>45,975,609</u>
<i>Accumulated Depreciation</i>				
Land Improvements	(1,740,940)	(84,980)	0	(1,825,920)
Buildings and Improvements	(12,115,835)	(1,318,871)	0	(13,434,706)
Machinery and Equipment	(1,828,662)	(51,287)	0	(1,879,949)
Vehicles	(1,935,846)	(123,379)	37,550	(2,021,675)
<i>Total Accumulated Depreciated</i>	<u>(17,621,283)</u>	<u>(1,578,517)</u>	<u>37,550</u>	<u>(19,162,250)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>28,152,040</u>	<u>(1,338,681)</u>	<u>0</u>	<u>26,813,359</u>
<i>Governmental Activities, Capital Assets, Net</i>	<u>\$ 28,552,958</u>	<u>\$ (1,338,681)</u>	<u>\$ 0</u>	<u>\$ 27,214,277</u>

Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,370,022
Vocational	1,803
Support Services:	
Instructional Staff	832
Administration	4,708
Business	14,825
Operations and Maintenance of Plant	42,165
Pupil Transportation	127,080
Central	2,360
Operation of Food Services	8,432
Extracurricular Activities	6,290
Total Depreciation	<u>\$ 1,578,517</u>

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 7- DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65% and .05% of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10% for plan members and 14% for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$286,139, \$274,062, and \$306,282, respectively; 55% has been contributed for fiscal year 2012 and 100% for the fiscal years 2011 and 2010.

B. State Teachers Retirement System

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

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

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

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$922,160, \$949,028 and \$1,044,913, respectively; 83% has been contributed for fiscal year 2012 and 100% for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$20,246 made by the District and \$14,461 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012 all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 8 - POST EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55% of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$12,441, \$33,184, and \$11,024, respectively; 55% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was .75% of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$16,965, \$17,627, and \$18,214, respectively; 55% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description - The District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$70,935, \$73,002, and \$80,378, respectively; 83% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012***

NOTE 9 – LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in the long-term general obligation bonds, compensated absences and capital lease of the District for the year ended June 30, 2012, is as follows:

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012	Amount Due Within One Year
General Obligation Bonds:					
2011 Refunding Bond:					
Refunding Bond	5,110,000	0	(320,000)	4,790,000	355,000
Capital Appreciation Bonds	4,999	0	0	4,999	0
Accretion on Capital Appreciation Bonds	0	0	886	886	0
Unamortized Premium	130,568	0	(10,881)	119,687	0
Refunding Loss	(19,787)	0	1,649	(18,138)	0
	<u>5,225,780</u>	<u>0</u>	<u>(328,346)</u>	<u>4,897,434</u>	<u>355,000</u>
Other Long-Term Obligations:					
Compensated Absences	1,588,240	12,987	(176,242)	1,424,985	74,415
Capital Lease	18,431	0	(15,741)	2,690	2,690
	<u>1,606,671</u>	<u>12,987</u>	<u>(191,983)</u>	<u>1,427,675</u>	<u>77,105</u>
	<u>\$ 6,832,451</u>	<u>\$ 12,987</u>	<u>\$ (520,329)</u>	<u>\$ 6,325,109</u>	<u>\$ 432,105</u>

2011 School Improvement Refunding General Obligation Bond – On June 2, 2011, the District issued \$5,114,999 refunded general obligation bond. The proceeds of the bonds were used to refund \$5,115,000 of the District's outstanding 2001 Classroom Facilities Improvement bond. The bonds were issued for 13 year period with final maturity at December 1, 2023. At the end of the refunding \$5,136,436 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bond. As of June 30, 2012, \$4,825,000 of these bonds is considered to be defeased.

This refunding bond was issued with a premium of \$141,449, which is reported as an increase to bonds payable. The amounts are being amortized as interest expense over the life of the bonds using the straight-line method, the amortization for June 30, 2012 was \$10,881. The issuance costs of \$120,012 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method; the amortization for June 30, 2012 was \$9,232. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$21,436. This difference, reported in the accompanying financial statements as a difference to bonds payable, is being amortized as interest over the life of the bonds using the straight line method. The amortization of this difference for fiscal year 2012 was \$1,649. The issuance resulted in an economic gain of \$544,501.

The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption.

The capital appreciation bond matures December 1, 2019. This bond was purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as an increase in long-term liability. The maturity amount of the bond is \$20,000.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012***

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2012, follows:

Fiscal Year Ending June 30,	General Obligation Bond			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 355,000	\$ 139,750	\$ 494,750	\$ 0	\$ 0	\$ 0
2014	360,000	132,600	492,600	0	0	0
2015	365,000	125,350	490,350	0	0	0
2016	370,000	118,000	488,000	0	0	0
2017	380,000	110,025	490,025	0	0	0
2018-2022	2,025,000	378,106	2,403,106	4,999	15,001	20,000
2023-2024	935,000	37,669	972,669	0	0	0
	<u>\$4,790,000</u>	<u>\$1,041,500</u>	<u>\$5,831,500</u>	<u>\$ 4,999</u>	<u>\$ 15,001</u>	<u>\$ 20,000</u>

NOTE 10 – STATUTORY RESERVES

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

The following cash basis information describes the change in the year end set-aside amounts for capital acquisition and budget stabilization. Disclosure of this information is required by State statute.

	Capital Improvement Reserve	Budget Stabilization BWC Refund
Set-Aside Restricted Balance, June 30, 2011	\$ 0	\$ 296,500
Current Year Set-Aside Requirement	333,271	0
Contributions in Excess of the Current Fiscal Year Set-Aside Requirement	0	0
Current Year Qualifying Expenditures	(333,271)	0
Excess Qualified Expenditures From Prior Years	0	0
Current Year Offset	0	0
Waiver Granted by the Department of Education	0	0
Prior Year Offset From Bond Proceeds	0	0
Total	<u>\$ 0</u>	<u>\$ 296,500</u>
Balance Carried Forward to Fiscal Year 2013	<u>\$ 0</u>	<u>\$ 296,500</u>
Set-Aside Restricted Balance June 30, 2012	<u>\$ 0</u>	<u>\$ 296,500</u>

The District had qualifying disbursements during the year that reduced the capital improvement set-asides below zero. This amount may not be used to reduce the set-aside requirement in future fiscal years.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 11 - RISK MANAGEMENT

A. Public Entity Risk Pools

The District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the GRP.

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

B. Other Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2012, the District contracted for various insurance coverages, as follows:

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

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

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012***

The District also maintains a self-funded health insurance program for employee health coverage. The plan was started in July of 2003. The claims are processed by the third party administrator, Benefit Services Inc. An internal service fund is presented in the financial statements and reflects premiums paid into the self-insurance fund by other funds which are available to pay claims and administrative costs, and establish claims reserves. Claims are paid weekly through the third party administrator and fixed costs for administrative and stop loss costs are paid on a monthly basis. The District purchases stop-loss coverage through Sun Life Insurance Company to protect the plan in the occurrence of catastrophic claims. The outstanding claims at June 30, 2012 for the self-insurance program amounted to \$234,890.

The claims liability reported in the fund at June 30, 2012 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount in 2011 and 2012 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims	Claims Payments	Balance at Fiscal Year End
2011	\$ 360,297	\$ 1,967,888	\$ (2,094,878)	\$ 233,307
2012	233,307	2,253,864	(2,252,281)	234,890

NOTE 12 - JOINTLY GOVERNED ORGANIZATION

Stark Portage Area Computer Consortium

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

The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges and assessments as charged. SPARCC is governed by a board made up of superintendents from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. During fiscal year 2012, the amount paid by the District was \$78,929. The Southeast Local School District does not maintain an ongoing financial interest or an ongoing financial responsibility.

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

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 13 - CONTINGENCIES

A. Review of Statewide Attendance Data

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

B. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

C. Litigation

The District is not party to any claims or lawsuits that would, in the District's opinion, have a material effect of the basic financial statements.

NOTE 14 – CAPITAL LEASE

Capital lease obligations relate to copier equipment which is leased under a long-term agreement. This lease meets the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee. \$59,300 has been recorded as capital assets relating to capital leases with \$59,300 of accumulated depreciation as of June 30, 2012. Capital lease payments in the general fund have been reclassified and are reflected as debt service in the basic financial statements for the general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. The following schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2012 is summarized below.

Fiscal Year Ending June 30,	Capital Lease		
	Principal	Interest	Total
2013	\$ 2,690	\$ 20	\$ 2,710
	\$ 2,690	\$ 20	\$ 2,710

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 15 – FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:					
Budget Stabilization-BWC Refund	\$ 296,500	\$ 0	\$ 0	\$ 0	\$ 296,500
Debt Service	0	342,495	0	0	342,495
Capital Outlay	0	0	3,086,955	237,547	3,324,502
Food Service	0	0	0	153,988	153,988
Classroom Facilities Maintenance	0	0	0	926,874	926,874
Other Purposes	0	0	0	168,993	168,993
Total Restricted	<u>296,500</u>	<u>342,495</u>	<u>3,086,955</u>	<u>1,487,402</u>	<u>5,213,352</u>
Assigned for:					
Encumbrances					
Instruction	5,121	0	0	0	5,121
Support Services	115,221	0	0	0	115,221
Extracurricular Activities	18,422	0	0	0	18,422
Subsequent Year Appropriations	551,314	0	0	0	551,314
Other Purposes	48,343	0	0	0	48,343
Total Assigned	<u>738,421</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>738,421</u>
Unassigned	<u>7,522,533</u>	<u>0</u>	<u>0</u>	<u>(5,065)</u>	<u>7,517,468</u>
Total Fund Balance (Deficit)	<u>\$8,557,454</u>	<u>\$ 342,495</u>	<u>\$3,086,955</u>	<u>\$1,482,337</u>	<u>\$13,469,241</u>

NOTE 16 – CONSTRUCTION COMMITMENTS

The following construction commitments at June 30, 2012 will be financed with capital project funds revenues:

	<u>Contract Amount</u>	<u>Expenditures as of June 30, 2012</u>	<u>Amount Remaining of Contract</u>
School Building Remediation	\$ 4,878,420	\$ 2,047,298	\$ 2,831,122

SOUTHEAST LOCAL SCHOOL DISTRICT
PORTAGE COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
<i>Non-Cash Assistance (Food Distribution):</i>						
National School Lunch Program	2012	10.555		\$31,659		\$31,659
<i>Cash Assistance:</i>						
National School Breakfast Program	2012	10.553	\$75,345		\$75,345	
National School Lunch Program	2012	10.555	292,568		292,568	
Subtotal - Cash Assistance			<u>367,913</u>		<u>367,913</u>	
<i>Total Child Nutrition Cluster</i>			<u>367,913</u>	<u>31,659</u>	<u>367,913</u>	<u>31,659</u>
Total U.S. Department of Agriculture			<u>367,913</u>	<u>31,659</u>	<u>367,913</u>	<u>31,659</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Title I Cluster:</i>						
Grants to Local Educational Agencies - ESEA Title 1	2011	84.010	30,670		30,859	
	2012		279,304		278,971	
ARRA - Title I	2012	84.389	6,164		6,161	
Subtotal - ESEA Title 1 Cluster			<u>316,138</u>		<u>315,991</u>	
<i>Special Education Cluster:</i>						
Special Education Grants to States - (IDEA Part B)	2011	84.027	61,451		61,451	
	2012		338,725		338,699	
ARRA - IDEA Part B	2011	84.391	20,135		21,392	
Subtotal - Special Education Cluster			<u>420,311</u>		<u>421,542</u>	
Special Education - Preschool Grants	2011	84.173	871		871	
	2012		3,501		3,501	
Subtotal - Special Education - Preschool Grants			<u>4,372</u>		<u>4,372</u>	
<i>Total Special Education Cluster</i>			<u>424,683</u>		<u>425,914</u>	
Technology State Grants - Title II-D	2012	84.318	1,873		1,873	
Improving Teacher Quality State Grants - Title II-A	2011	84.367	12,933		13,251	
	2012		68,781		68,175	
Subtotal - Improving Teacher Quality			<u>81,714</u>		<u>81,426</u>	
Education Jobs	2012	84.410	504,182		504,081	
ARRA - State Fiscal Stabilization Fund	2012	84.394	0		151,427	
Total U.S. Department of Education			<u>1,328,590</u>		<u>1,480,712</u>	
Total			<u><u>\$1,696,503</u></u>	<u><u>\$31,659</u></u>	<u><u>\$1,848,625</u></u>	<u><u>\$31,659</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**SOUTHEAST LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Southeast Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated commodities.



Dave Yost • Auditor of State

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

Southeast Local School District
Portage County
8245 Tallmadge Road
Ravenna, Ohio 44266

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southeast Local School District, Portage County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 29, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

Voinovich Government Center, 242 Federal Plaza W. Suite 302, Youngstown, Ohio 44503-1293
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www.ohioauditor.gov

Southeast Local School District
Portage County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards
Page 2

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

January 29, 2013



Dave Yost • Auditor of State

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

Southeast Local School District
Portage County
8245 Tallmadge Road
Ravenna, Ohio 44266

To the Board of Education:

Compliance

We have audited the compliance of 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 could directly and materially affect the District's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Southeast Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

January 29, 2013

**SOUTHEAST LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Education Jobs CFDA#84.410
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

SOUTHEAST LOCAL SCHOOL DISTRICT

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 28, 2013**