

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2014*

LAURA BRICKNER, TREASURER



Dave Yost • Auditor of State

Board of Education
Seneca East Local School District
13343 East U.S. 224
Attica, Ohio 44807

We have reviewed the *Independent Auditor's Report* of the Seneca East Local School District, Seneca County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 10, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Seneca East Local School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Seneca East Local School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 District, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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 assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 30, 2014

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The discussion and analysis of the Seneca East Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- Net position of governmental activities decreased \$559,326, which represents a 2.68% decrease from 2013.
- General revenues accounted for \$8,075,554 in revenue or 79.06% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,139,457, or 20.94%, of total revenues of \$10,215,011.
- The District had \$10,774,337 in expenses related to governmental activities; \$2,139,457 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,075,554 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the debt service fund. The general fund had \$8,563,086 in revenues and other financing sources and \$8,651,337 in expenditures and other financing uses. During fiscal year 2014, the general fund's fund balance decreased \$88,251 from a balance of \$683,257 to a balance of \$595,006.
- The District's debt service fund had \$955,044 in revenues and \$717,209 in expenditures. During fiscal year 2014, the debt service fund's fund balance increased \$237,835 from a balance of \$616,373 to a balance of \$854,208.

Using these Basic Financial Statements

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

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

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District perform financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position 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 restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operations and maintenance, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the District's most significant funds. The District's only major governmental funds are the general fund and the debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs within the District. The District's internal service fund accounts for a self-funded prescription drug insurance program and a partially self-funded medical insurance program for employees of the District. The basic proprietary fund financial statements can be found on pages 20-21 of this report.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-54 of this report.

The District as a Whole

The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	Net Position	
	Governmental Activities 2014	Governmental Activities 2013
	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current and other assets	\$ 6,478,666	\$ 6,261,515
Capital assets, net	28,520,638	29,352,754
Total assets	<u>34,999,304</u>	<u>35,614,269</u>
<u>Deferred Outflows of Resources</u>	<u>830,070</u>	<u>873,004</u>
<u>Liabilities</u>		
Current liabilities	932,580	989,065
Long-term liabilities	11,589,728	11,861,661
Total liabilities	<u>12,522,308</u>	<u>12,850,726</u>
<u>Deferred Inflows of Resources</u>	<u>2,967,452</u>	<u>2,737,607</u>
<u>Net Position</u>		
Net investment in capital assets	18,913,465	19,283,679
Restricted	770,924	793,792
Unrestricted	655,225	821,469
Total net position	<u>\$ 20,339,614</u>	<u>\$ 20,898,940</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$20,339,614. Of this total, \$770,924 is restricted in use.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

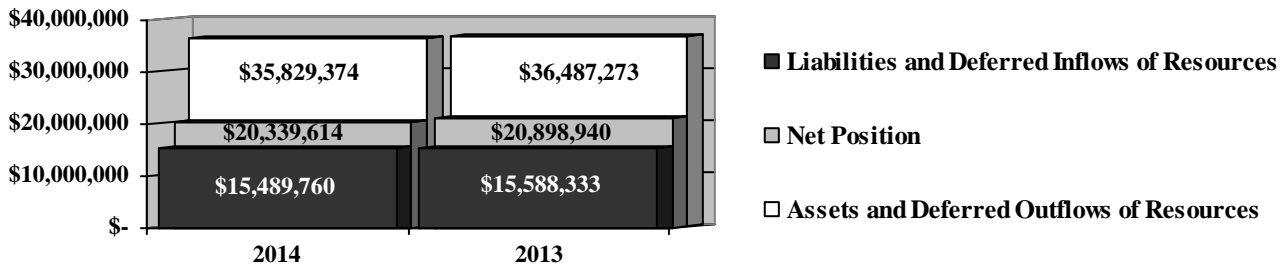
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

At year-end, capital assets represented 81.49% of total assets. Capital assets include land, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2014 was \$18,913,465. These capital assets are used to provide services to the students and are not available for future spending. Although the District's net 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 position, \$770,924, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$655,225 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below shows the District's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30, 2014 and 2013:

Governmental Activities



**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The table below shows the change in net position for fiscal years 2014 and 2013.

	Change in Net Position	
	Governmental Activities 2014	Governmental Activities 2013
	<u>2014</u>	<u>2013</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,153,601	\$ 1,207,127
Operating grants and contributions	985,856	981,760
General revenues:		
Property taxes	2,845,165	3,282,672
School district income taxes	1,123,924	1,094,316
Grants and entitlements	4,081,996	4,237,879
Investment earnings	12,259	12,172
Other	12,210	22,038
Total revenues	<u>10,215,011</u>	<u>10,837,964</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	4,889,951	4,926,245
Special	1,238,670	1,301,813
Vocational	174,772	215,833
Support services:		
Pupil	166,288	173,546
Instructional staff	136,567	515,333
Board of education	70,217	49,659
Administration	611,539	602,578
Fiscal	348,644	337,521
Business	9,535	21,728
Operations and maintenance	846,194	831,335
Pupil transportation	730,682	728,720
Central	202,096	30,185
Operations of non-instructional services		
Food service operations	428,129	488,519
Other non-instructional services	34,828	35,059
Extracurricular activities	387,399	402,613
Debt service:		
Interest and fiscal charges	498,826	498,699
Bond issuance costs	-	154,523
Total expenses	<u>10,774,337</u>	<u>11,313,909</u>
Change in net position	(559,326)	(475,945)
Net position at beginning of year	<u>20,898,940</u>	<u>21,374,885</u>
Net position at end of year	<u>\$ 20,339,614</u>	<u>\$ 20,898,940</u>

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Governmental Activities

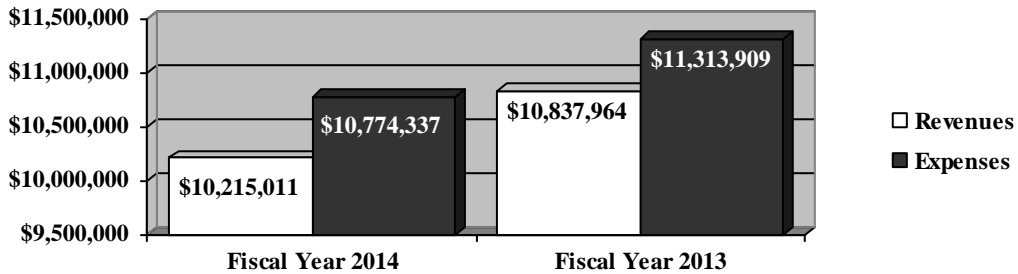
Net position of the District's governmental activities decreased \$559,326. Total governmental expenses of \$10,774,337 were offset by program revenues of \$2,139,457 and general revenues of \$8,075,554. Program revenues supported 19.86% of the total governmental expenses.

The primary sources of revenue for governmental activities in fiscal year 2014 are derived from property taxes, school district income taxes and grants and entitlements. These revenue sources represent 78.82% of total governmental revenue. Property taxes decreased during the year resulting from the timing of collections and advances available from Seneca and Huron Counties. Advances available to the District were \$172,499, \$347,431, and \$283,108 at June 30, 2014, 2013, and 2012, respectively, and were recognized as revenue in the year in which the District could draw on these property tax collections.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,303,393 or 58.50% of total governmental expenses for fiscal year 2014.

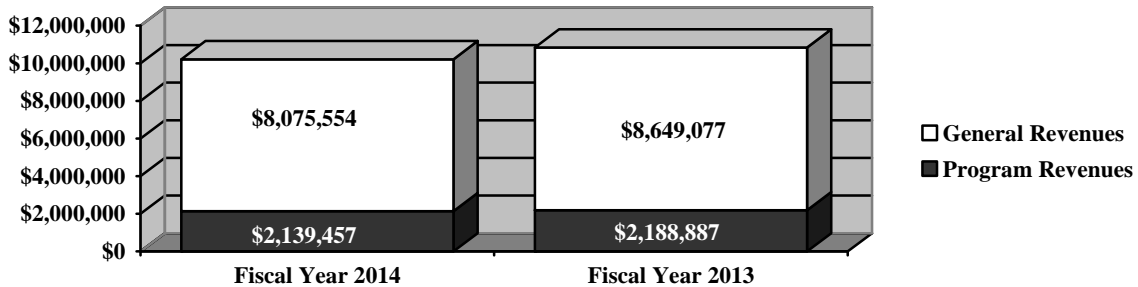
The graph below presents governmental activities revenues and expenses for fiscal year 2014 and 2013.

Governmental Activities - Revenues and Expenses



The graph below presents the District's governmental activities revenues for fiscal year 2014 and 2013.

Governmental Activities - General and Program Revenues



**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program expenses				
Instruction:				
Regular	\$ 4,889,951	\$ 4,114,031	\$ 4,926,245	\$ 4,145,737
Special	1,238,670	498,379	1,301,813	609,889
Vocational	174,772	143,499	215,833	162,121
Support services:				
Pupil	166,288	165,977	173,546	173,184
Instructional staff	136,567	136,567	515,333	504,280
Board of education	70,217	70,217	49,659	49,659
Administration	611,539	611,040	602,578	602,010
Fiscal	348,644	348,644	337,521	337,511
Business	9,535	9,535	21,728	21,728
Operations and maintenance	846,194	811,866	831,335	800,623
Pupil transportation	730,682	730,008	728,720	726,992
Central	202,096	202,096	30,185	30,185
Operations of non-instructional services				
Food service operations	428,129	31,017	488,519	38,805
Other non-instructional services	34,828	34,828	35,059	35,059
Extracurricular activities	387,399	228,350	402,613	234,017
Debt service:				
Interest and fiscal charges	498,826	498,826	498,699	498,699
Bond issuance costs	-	-	154,523	154,523
Total expenses	<u>\$ 10,774,337</u>	<u>\$ 8,634,880</u>	<u>\$ 11,313,909</u>	<u>\$ 9,125,022</u>

The District's dependence upon taxes and other general revenues for governmental activities is apparent, as 75.45% of instruction activities are supported through such revenues. For all governmental activities, general revenue support is 80.14%. The District's taxpayers and grants and entitlements received from the state of Ohio, are the primary support for District's students.

The District's Funds

The District's governmental funds, as presented on the balance sheet on page 15, reported a combined fund balance of \$2,306,786, which is \$385,420 higher than last year's fund balance of \$1,921,366.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

Fund	Fund Balance June 30, 2014	Fund Balance June 30, 2013	Increase (Decrease)	Percentage Change
General	\$ 595,006	\$ 683,257	\$ (88,251)	(12.92) %
Debt service	854,208	616,373	237,835	38.59 %
Nonmajor governmental	857,572	621,736	235,836	37.93 %
Total	<u>\$ 2,306,786</u>	<u>\$ 1,921,366</u>	<u>\$ 385,420</u>	20.06 %

General Fund

The District's general fund revenues were 0.16% lower than in fiscal year 2013, while expenditures decreased 3.69%, resulting in a decrease in the fund balance of the general fund of \$88,251.

The table that follows assists in illustrating the activities of the District's general fund during fiscal year 2014.

	2014 Amount	2013 Amount	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 3,366,762	\$ 3,307,477	\$ 59,285	1.79 %
Tuition	705,760	733,565	(27,805)	(3.79) %
Earnings on investments	11,620	11,675	(55)	(0.47) %
Intergovernmental	4,383,799	4,413,743	(29,944)	(0.68) %
Other revenues	86,503	101,811	(15,308)	(15.04) %
Total	<u>\$ 8,554,444</u>	<u>\$ 8,568,271</u>	<u>\$ (13,827)</u>	(0.16) %
<u>Expenditures</u>				
Instruction	\$ 5,264,901	\$ 5,330,852	\$ (65,951)	(1.24) %
Support services	2,829,929	2,893,249	(63,320)	(2.19) %
Non-instructional services	-	4,506	(4,506)	(100.00) %
Extracurricular activities	226,467	219,406	7,061	3.22 %
Capital outlay	-	184,991	(184,991)	100.00 %
Debt service	41,290	49,954	(8,664)	(17.34) %
Total	<u>\$ 8,362,587</u>	<u>\$ 8,682,958</u>	<u>\$ (320,371)</u>	(3.69) %

Total tax revenue of the general fund increased 1.79% from the prior year; this increase resulted from advances of property taxes available from Seneca and Huron Counties of \$121,780, \$245,664, and \$199,747 at June 30, 2014, 2013, and 2012, respectively, which are recognized as revenue in the year in which the District could draw on these advances rather than when cash is received. The decrease in other revenues can be attributed to a decrease in extracurricular revenues as well as classroom materials and fees. All other revenue line items remained consistent with 2013.

Overall, expenditures decreased \$320,371, or 3.69%, from 2013. Support services disbursements decreased 2.19% primarily due to a decrease in instructional staff costs from the prior year. Extracurricular activities expenses increased 3.22% due to an increase in costs incurred for athletic and academic-related student activities during the year. Further, the District recognized \$184,991 in capital outlay for a new capital lease during 2013.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Debt Service Fund

The District's debt service fund had \$955,044 in revenues and \$717,209 in expenditures. During fiscal year 2014, the debt service fund's fund balance increased \$237,835 from a balance of \$616,373 to a balance of \$854,208.

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 2014, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$8,423,828 and were increased to \$8,585,694 in the final budget. Actual revenues and other financing sources for fiscal year 2014 were \$8,716,744. This represents an increase of \$131,050 from final budgeted revenues and other financing sources.

General fund original budgeted expenditures and other financing uses were \$8,708,280, which remained the same throughout the year. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$8,675,429, which were \$32,851 below budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$28,520,638 invested in land, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows the balances of the District's capital assets at June 30, 2014 compared to June 30, 2013.

Capital Assets at June 30, Net of Depreciation

	Governmental Activities	
	2014	2013
Land	\$ 20,972	\$ 20,972
Building and improvements	27,063,836	27,679,327
Furniture and equipment	1,044,192	1,242,747
Vehicles	391,638	409,708
Total	\$ 28,520,638	\$ 29,352,754

The overall decrease in capital assets of \$832,116 is due to depreciation expense of \$936,531 exceeding capital asset additions of \$104,415 during fiscal year 2014.

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

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Debt Administration

At June 30, 2014, the District had \$9,811,361 in general obligation bonds and \$139,566 in capital lease obligations outstanding. Of this total, \$520,860 is due within one year and \$9,430,067 is due in greater than one year.

The following table summarizes the bonds and lease obligations outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities 2014	Governmental Activities 2013
	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 9,811,361	\$ 10,015,861
Capital lease obligations	<u>139,566</u>	<u>173,883</u>
Total	<u>\$ 9,950,927</u>	<u>\$ 10,189,744</u>

See Note 11 to the basic financial statements for additional information regarding these transactions and the District's debt administration.

Current Financial Related Activities

As the preceding analysis demonstrates, the District relies heavily upon property taxes, income taxes, and intergovernmental revenue from the State of Ohio to support its operations. These revenue sources represented 26.07%, 13.29%, and 51.25% of total general fund revenues, respectively, during fiscal year 2014. The District ended the year with a budgetary-basis unencumbered balance in the general fund of \$730,044. The District's relies on unrestricted revenues of the general fund for its operations more than in prior years due to reductions in federal funding. The reduction in these revenues has impacted the District's governmental funds and the District's financial condition as a whole.

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 questions about this report or need additional financial information contact Ms. Laura Brickner, Treasurer, Seneca East Local School District, 13343 East U.S. 224, Attica, Ohio 44807.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 2,686,280
Cash with fiscal agent	118
Receivables:	
Property taxes	3,257,338
Income taxes	442,287
Accounts	122
Accrued interest	521
Intergovernmental	65,139
Prepayments	9,415
Materials and supplies inventory	17,446
Capital assets:	
Nondepreciable capital assets	20,972
Depreciable capital assets, net	28,499,666
Capital assets, net	28,520,638
Total assets	34,999,304
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	830,070
 Liabilities:	
Accounts payable	6,264
Accrued wages and benefits payable	697,417
Pension obligation payable	158,087
Intergovernmental payable	49,096
Accrued interest payable	21,716
Long-term liabilities:	
Due within one year	579,141
Due in more than one year	11,010,587
Total liabilities	12,522,308
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year	2,967,452
 Net position:	
Net investment in capital assets	18,913,465
Restricted for:	
Classroom facilities maintenance	355,467
Debt service	374,974
Federally funded programs	27,601
Student activities	12,882
Unrestricted	655,225
Total net position	\$ 20,339,614

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

		Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 4,889,951	\$ 740,867	\$ 35,053	\$ (4,114,031)
Special	1,238,670	4,053	736,238	(498,379)
Vocational	174,772	-	31,273	(143,499)
Support services:				
Pupil	166,288	-	311	(165,977)
Instructional staff	136,567	-	-	(136,567)
Board of education	70,217	-	-	(70,217)
Administration	611,539	-	499	(611,040)
Fiscal	348,644	-	-	(348,644)
Business	9,535	-	-	(9,535)
Operations and maintenance	846,194	34,328	-	(811,866)
Pupil transportation	730,682	-	674	(730,008)
Central	202,096	-	-	(202,096)
Operation of non-instructional services:				
Food service operations	428,129	215,544	181,568	(31,017)
Other non-instructional services	34,828	-	-	(34,828)
Extracurricular activities	387,399	158,809	240	(228,350)
Debt service:				
Interest and fiscal charges	498,826	-	-	(498,826)
Total governmental activities	\$ 10,774,337	\$ 1,153,601	\$ 985,856	(8,634,880)
 General revenues:				
Property taxes levied for:				
General purposes				2,012,543
Debt service				796,562
Classroom facilities maintenance				36,060
Income taxes levied for:				
General purposes				1,123,924
Grants and entitlements not restricted to specific programs				4,081,996
Investment earnings				12,259
Miscellaneous				12,210
Total general revenues				8,075,554
Change in net position				(559,326)
Net position at beginning of year				20,898,940
Net position at end of year				\$ 20,339,614

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 963,317	\$ 805,679	\$ 917,284	\$ 2,686,280
Cash with fiscal agent.	-	-	118	118
Receivables:				
Property taxes	2,305,403	910,533	41,402	3,257,338
Income taxes.	442,287	-	-	442,287
Accounts	122	-	-	122
Accrued interest.	521	-	-	521
Interfund loans	27,819	-	-	27,819
Intergovernmental.	37,656	-	27,483	65,139
Prepayments	9,415	-	-	9,415
Materials and supplies inventory.	1,844	-	15,602	17,446
Total assets.	<u>\$ 3,788,384</u>	<u>\$ 1,716,212</u>	<u>\$ 1,001,889</u>	<u>\$ 6,506,485</u>
Liabilities:				
Accounts payable	\$ 5,580	\$ -	\$ 684	\$ 6,264
Accrued wages and benefits payable	666,744	-	30,673	697,417
Compensated absences payable	38,242	-	-	38,242
Interfund loans payable	-	-	27,819	27,819
Intergovernmental payable	47,657	-	1,439	49,096
Pension obligation payable	141,080	-	17,007	158,087
Total liabilities	<u>899,303</u>	<u>-</u>	<u>77,622</u>	<u>976,925</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	2,100,591	829,140	37,721	2,967,452
Delinquent property tax revenue not available.	83,032	32,864	1,491	117,387
Intergovernmental revenue not available.	34,844	-	27,483	62,327
Income tax revenue not available	75,608	-	-	75,608
Total deferred inflows of resources.	<u>2,294,075</u>	<u>862,004</u>	<u>66,695</u>	<u>3,222,774</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	1,844	-	15,602	17,446
Prepayments	9,415	-	-	9,415
Restricted:				
Debt service.	-	854,208	-	854,208
Classroom facilities maintenance.	-	-	353,976	353,976
Extracurricular activities	-	-	12,882	12,882
Other purposes	-	-	118	118
Committed:				
Capital improvements	-	-	520,272	520,272
Termination benefits	116,066	-	-	116,066
Assigned:				
Student instruction	2,392	-	-	2,392
Student and staff support.	22,768	-	-	22,768
Extracurricular activities	13,730	-	-	13,730
Other purposes	67,923	-	-	67,923
Unassigned (deficit)	360,868	-	(45,278)	315,590
Total fund balances.	<u>595,006</u>	<u>854,208</u>	<u>857,572</u>	<u>2,306,786</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,788,384</u>	<u>\$ 1,716,212</u>	<u>\$ 1,001,889</u>	<u>\$ 6,506,485</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances		\$	2,306,786
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			28,520,638
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.			
Property taxes receivable	\$	117,387	
Income taxes receivable		75,608	
Intergovernmental receivable		62,327	
Total		<u>62,327</u>	255,322
Unamortized premiums on bonds issued are not recognized in the funds.			(976,698)
Unamortized amounts on refundings are not recognized in the funds.			830,070
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(21,716)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(9,811,361)	
Capital lease obligations		(139,566)	
Compensated absences		(623,861)	
Total		<u>(10,574,788)</u>	<u>(10,574,788)</u>
Net position of governmental activities		\$	<u>20,339,614</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 2,229,960	\$ 882,674	\$ 40,018	\$ 3,152,652
Income taxes	1,136,802	-	-	1,136,802
Tuition	705,760	-	-	705,760
Earnings on investments	11,620	-	639	12,259
Charges for services	-	-	215,544	215,544
Extracurricular	17,735	-	142,267	160,002
Classroom materials and fees	39,160	-	-	39,160
Rental income	17,316	-	15,737	33,053
Contributions and donations	6,250	-	240	6,490
Contract services	82	-	-	82
Other local revenues	5,960	-	-	5,960
Intergovernmental - state	4,329,143	72,370	24,403	4,425,916
Intergovernmental - federal	54,656	-	585,234	639,890
Total revenues	<u>8,554,444</u>	<u>955,044</u>	<u>1,024,082</u>	<u>10,533,570</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,310,608	-	62,848	4,373,456
Special	802,717	-	395,662	1,198,379
Vocational	151,576	-	-	151,576
Support services:				
Pupil	173,456	-	326	173,782
Instructional staff	106,380	-	2	106,382
Board of education	67,776	-	-	67,776
Administration	576,496	-	523	577,019
Fiscal	310,477	18,769	847	330,093
Business	1,495	-	-	1,495
Operations and maintenance	806,652	-	1,726	808,378
Pupil transportation	586,682	-	86,387	673,069
Central	200,515	-	-	200,515
Operation of non-instructional services:				
Food service operations	-	-	388,171	388,171
Other non-instructional services	-	-	4,275	4,275
Extracurricular activities	226,467	-	136,229	362,696
Debt service:				
Principal retirement	34,317	420,000	-	454,317
Interest and fiscal charges	6,973	278,440	-	285,413
Total expenditures	<u>8,362,587</u>	<u>717,209</u>	<u>1,076,996</u>	<u>10,156,792</u>
Excess (deficiency) of revenues over (under) expenditures	<u>191,857</u>	<u>237,835</u>	<u>(52,914)</u>	<u>376,778</u>
Other financing sources (uses):				
Transfers in	8,642	-	288,750	297,392
Transfers (out)	<u>(288,750)</u>	<u>-</u>	<u>-</u>	<u>(288,750)</u>
Total other financing sources (uses)	<u>(280,108)</u>	<u>-</u>	<u>288,750</u>	<u>8,642</u>
Net change in fund balances	(88,251)	237,835	235,836	385,420
Fund balances at beginning of year	<u>683,257</u>	<u>616,373</u>	<u>621,736</u>	<u>1,921,366</u>
Fund balances at end of year	<u>\$ 595,006</u>	<u>\$ 854,208</u>	<u>\$ 857,572</u>	<u>\$ 2,306,786</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

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, 2014

Net change in fund balances - total governmental funds	\$	385,420
 <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.		
Capital asset additions	\$ 104,415	
Current year depreciation	(936,531)	
Total		(832,116)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(307,487)	
Income taxes	(12,878)	
Intergovernmental	1,806	
Total		(318,559)
 Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	420,000	
Capital leases	34,317	
Total		454,317
 In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Accrued interest payable	(5,498)	
Accreted interest on capital appreciation bonds	(215,500)	
Amortization of bond premiums	50,519	
Amortization of deferred charges	(42,934)	
Total		(213,413)
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
		14,239
 An 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 fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		(49,214)
Change in net position of governmental activities	\$	(559,326)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 2,182,057	\$ 2,222,371	\$ 2,353,844	\$ 131,473
Income taxes.	1,006,700	1,170,215	1,170,215	-
Tuition.	733,565	705,760	705,760	-
Earnings on investments	3,462	3,336	2,822	(514)
Classroom materials and fees	36,493	39,060	39,160	100
Rental income	10,859	3,552	3,552	-
Contributions and donations	9,118	8,750	8,750	-
Other local revenues	4,788	6,510	6,500	(10)
Intergovernmental - state	4,397,858	4,329,143	4,329,143	-
Intergovernmental - federal	15,884	54,656	54,656	-
Total revenues.	<u>8,400,784</u>	<u>8,543,353</u>	<u>8,674,402</u>	<u>131,049</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,123,542	4,297,065	4,296,327	738
Special.	1,073,857	820,087	816,432	3,655
Vocational.	159,925	158,193	155,934	2,259
Support services:				
Pupil.	149,628	175,085	173,741	1,344
Instructional staff	107,306	120,991	120,311	680
Board of education.	47,388	51,946	50,279	1,667
Administration.	534,636	592,106	590,684	1,422
Fiscal.	307,962	315,640	313,932	1,708
Business	2,972	1,495	1,495	-
Operations and maintenance	805,985	854,985	851,047	3,938
Pupil transportation	603,831	582,932	575,958	6,974
Central.	185,452	209,361	206,424	2,937
Operation of non-instructional services.	4,506	3,506	-	3,506
Extracurricular activities.	201,290	207,467	206,296	1,171
Total expenditures	<u>8,308,280</u>	<u>8,390,859</u>	<u>8,358,860</u>	<u>31,999</u>
Excess of revenues over expenditures	<u>92,504</u>	<u>152,494</u>	<u>315,542</u>	<u>163,048</u>
Other financing sources (uses):				
Refund of prior year's expenditures	4,585	21,316	21,317	1
Transfers (out)	(400,000)	(289,421)	(288,750)	671
Advances in.	18,459	21,025	21,025	-
Advances (out)	-	(28,000)	(27,819)	181
Total other financing sources (uses)	<u>(376,956)</u>	<u>(275,080)</u>	<u>(274,227)</u>	<u>853</u>
Net change in fund balance	(284,452)	(122,586)	41,315	163,901
Fund balance at beginning of year	656,162	656,162	656,162	-
Prior year encumbrances appropriated	32,567	32,567	32,567	-
Fund balance at end of year	<u>\$ 404,277</u>	<u>\$ 566,143</u>	<u>\$ 730,044</u>	<u>\$ 163,901</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Fund
Operating expenses:	
Purchased services	\$ 6,942
Claims	1,172
Insurance costs	<u>32,458</u>
Total operating expenses	<u>40,572</u>
Transfer out	<u>(8,642)</u>
Operating loss/change in net position	(49,214)
Net position at beginning of year	<u>49,214</u>
Net position at end of year	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Cash payments for purchased services	\$ (9,391)
Cash payments for claims	(3,295)
Cash payments for insurance costs.	<u>(41,517)</u>
Net cash used in operating activities.	<u>(54,203)</u>
Cash flows from noncapital financing activities:	
Cash used in transfers out	<u>(8,642)</u>
Net cash used by noncapital financing activities.	<u>(8,642)</u>
Net decrease in cash and cash equivalents	(62,845)
Cash and cash equivalents at beginning of year	<u>62,845</u>
Cash and cash equivalents at end of year.	<u><u>\$ -</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (40,572)
Changes in liabilities:	
Decrease in accounts payable.	(11,508)
Decrease in claims payable	<u>(2,123)</u>
Net cash used in operating activities	<u><u>\$ (54,203)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 201,222	\$ 107,607
Total assets.	201,222	\$ 107,607
Liabilities:		
Accounts payable	-	\$ 345
Due to students	-	107,262
Total liabilities	-	\$ 107,607
Net position:		
Held in trust for scholarships	201,222	
Total net position.	\$ 201,222	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 435
Gifts and contributions	42,379
Total additions	42,814
Deductions:	
Scholarships awarded	38,766
Change in net position.	4,048
Net position at beginning of year.	197,174
Net position at end of year	\$ 201,222

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1971. The District serves an area of approximately 154 square miles and is located in Seneca and Huron Counties. The District is staffed by 70 certified employees and 37 classified employees who provide services to 959 students from preschool through grade 12 and other community members. The District currently operates 2 elementary schools, an elementary/junior high school, a high school, and an administration building.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of thirty-eight public school districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Payments made by the District to NOECA for services during fiscal year 2014 totaled \$20,230. Financial information may be obtained from the North Point Educational Service Center, which serves as fiscal agent, 1210 East Bogart Road, Sandusky, Ohio 44870.

Vanguard-Sentinel Career Center

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

Bay Area Council

The Bay Area Council was established in 1986 to carry out a cooperative program for the purchase of natural gas among boards of education located in Erie, Huron, Ottawa, Sandusky, Seneca, and Wood Counties. The Bay Area Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member boards of education. The Bay Area Council is governed by a Board of Directors. This Board is elected by an Assembly consisting of a representative from each participating school district. Financial information may be obtained from the North Point Educational Service Center, which serves as fiscal agent, 1210 East Bogart Road, Sandusky, Ohio 44870.

Northwestern Ohio Educational Research Council, Incorporated

The Northwestern Ohio Educational Research Council, Inc. is a non-profit organization under the direction of a Board of Directors. The Council was formed to provide conferences and training to personnel of the participating districts. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. To obtain financial information write to the Northwestern Ohio Educational Research Council, Inc., Andrew M. Smith, Treasurer, at 411 E. Market Street, Celina, Ohio 45822.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

North Central Ohio Regional Council of Governments (NCORCOG)

NCORCOG is a legally separate body politic and corporate served by an eight-member Board of Directors that meets the definition of regional Council of governments under Chapter 167 of the Ohio Revised Code. NCORCOG is a regional source for shared services. Cost savings achieved are designed to not only maintain existing essential services, but to enhance them as well.

The initial, founding members, and Board of Directors are North Central Ohio Educational Service Center, Seneca County, the City of Tiffin, Clinton Township, Village of New Riegel, North Central Academy, Tiffin City School District, and Seneca East Local School District. The Superintendent of North Central Ohio Educational Service Center serves as Chair of the Board. The Chair is a non-voting member and shall only vote in the event of a tie. The Treasurer of North Central Ohio Educational Service Center serves as ex-officio/advisor for fiscal matters and is also a non-voting member. Membership is voluntary pursuant to resolution, ordinance or other appropriate action. Application of membership shall be subject to approval by the Board of Directors. Each political subdivision shall be entitled to one vote.

North Central Ohio ESC serves as the fiscal agent. NCORCOG issues a publicly available, stand-alone financial report. The report may be obtained by writing to the Treasurer of the North Central Ohio Educational Service Center, 928 W. Market Street, Tiffin, Ohio 44883.

RELATED ORGANIZATION

Seneca East Public Library

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

INSURANCE PURCHASING POOLS

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

The Association is a public entity risk pool consisting of the North Central Ohio Educational Service Center, four school districts - Old Fort, Bettsville, Seneca East and Mohawk and one city school, Tiffin. The Association was established pursuant to Section 9.833, Ohio Revised Code, in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of its members. The North Central Ohio Educational Service Center serves as fiscal agent of the Association; to obtain financial information by writing to the Treasurer of the North Central Ohio ESC, 928 West Market Street, Suite A, Tiffin, Ohio 44883.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 12.D. for further detail regarding the GRP.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance.

The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt service fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for payment.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted or committed for specified purposes other than debt service or capital projects.

PROPRIETARY FUND

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

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following is a description of the District's internal service fund:

Internal Service Fund - The internal service fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost-reimbursement basis. The District's internal service fund accounted for a self-funded prescription drug insurance program and a partially self-funded medical insurance program for employees of the District. Effective July 1, 2013, the District was no longer self-insured.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position 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. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

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

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

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

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of this fund are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange 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, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from income taxes is recognized in the fiscal year in which the underlying exchange transaction is accrued (See Note 7).

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, income taxes, interest, contributions and donations, grants and entitlements, and other local revenues.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a corresponding amount reported as intergovernmental revenue.

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds, except agency funds. The specific timetable for fiscal year 2014 is as follows:

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

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. By no later than January 20, the Board-adopted budget is filed with the Seneca County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificates issued for fiscal year 2014.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2014. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a portion of restricted, committed or assigned classifications of fund balance.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Cash and Investments

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

During fiscal year 2014, investments were limited to nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposits, are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, the replacement fund (a nonmajor governmental fund), the capital projects fund (a nonmajor governmental fund), the classroom facilities maintenance fund (a nonmajor governmental fund), and the private-purpose trust fund. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$11,620, which includes \$7,148 assigned from other funds.

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

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

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

H. Capital Assets

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

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$1,500. Donated capital assets are recorded at their fair market values as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans among the governmental activities are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental activities column on the statement of net position.

J. Compensated Absences

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2014, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave for employees expected to become eligible to retire in the future, all employees with at least 10 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2014 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds; however, 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 and capital lease obligations are recognized as a liability on the fund financial statements when due.

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally 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 in the general fund.

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

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 (the highest level of decision making authority). 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.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 nor 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, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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 only used to report a deficit fund 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 restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Prepayments

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

O. Estimates

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

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Interfund Activity

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

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

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

R. Bond Issuance Costs, Bond Premiums and Discounts, Accounting Gain or Loss

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which these items are incurred.

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the statement of net position is presented in Note 11.

For current and advance refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the refunded debt is amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow of resources or a deferred outflow of resources.

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. Neither type of transaction occurred during fiscal year 2014.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor governmental fund</u>	<u>Deficit</u>
Food service	\$ 4,636
Title I, disadvantaged children	25,040

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS

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 not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 - DEPOSITS - (Continued)

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

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

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the District had \$2,770 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS - (Continued)

B. Cash with Fiscal Agent

At fiscal year-end, the District had \$118 in cash and cash equivalents held by the North Central Ohio Educational Service Center. This amount is included on the balance sheet as “cash with fiscal agent”.

The North Central Ohio Educational Service Center holds this flow through grant money for the District together with that of other school districts and therefore the District cannot classify this money in accordance with GASB Statement No. 40.

C. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits, including \$478,354 in non-negotiable certificates of deposit, was \$2,992,339. Based on the criteria described in GASB Statement No. 40, “*Deposits and Investment Risk Disclosures*”, as of June 30, 2014, \$2,526,740 of the District’s bank balance of \$3,026,740 was exposed to custodial risk as discussed below, while \$500,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All 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 a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

D. Investments

The District held no investments at June 30, 2014.

E. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and cash equivalents per footnote</u>	
Carrying amount of deposits	\$ 2,992,339
Cash on hand	2,770
Cash with fiscal agent	<u>118</u>
Total	<u>\$ 2,995,227</u>
 <u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 2,686,398
Private-purpose trust fund	201,222
Agency funds	<u>107,607</u>
Total	<u>\$ 2,995,227</u>

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported on the fund financial statements:

<u>Transfers to other governmental funds from:</u>	
General fund	\$ 288,750
<u>Transfers to general fund from:</u>	
Internal service	<u>\$ 8,642</u>
Total	<u>\$ 297,392</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The \$8,642 transfer from the internal service fund to the general fund was a residual equity transfer. Effective July 1, 2013, the District was no longer self-insured.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

- B. Interfund balances at June 30, 2014 as reported on the fund statements include the following interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 27,819</u>

This interfund balance will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the statement of net position.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Seneca and Huron Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$121,780 in the general fund, \$48,529 in the debt service fund and \$2,190 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$245,664 in the general fund, \$97,318 in the debt service fund and \$4,449 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 113,541,740	94.18	\$ 113,809,240	93.76
Public utility personal	<u>7,018,500</u>	<u>5.82</u>	<u>7,574,820</u>	<u>6.24</u>
Total	<u>\$ 120,560,240</u>	<u>100.00</u>	<u>\$ 121,384,060</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 38.99		\$ 38.99	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The voters of the District passed a 1% school district income tax that was renewed in May 2010. This tax is effective for five years and will expire on December 31, 2015. School district income tax revenue credited to the general fund during fiscal year 2014 was \$1,136,802.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - RECEIVABLES

Receivables at June 30, 2014 consisted of property and income taxes, accounts, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 3,257,338
Income taxes	442,287
Accounts	122
Accrued interest	521
Intergovernmental	<u>65,139</u>
Total	<u>\$ 3,765,407</u>

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

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Balance 6/30/13	Additions	Disposals	Balance 6/30/14
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 20,972	\$ -	\$ -	\$ 20,972
Total capital assets, not being depreciated	<u>20,972</u>	<u>-</u>	<u>-</u>	<u>20,972</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	30,774,517	-	-	30,774,517
Furniture and equipment	2,164,576	18,734	-	2,183,310
Vehicles	<u>1,075,799</u>	<u>85,681</u>	-	<u>1,161,480</u>
Total capital assets, being depreciated	<u>34,014,892</u>	<u>104,415</u>	<u>-</u>	<u>34,119,307</u>
<i>Less: accumulated depreciation</i>				
Buildings and improvements	(3,095,190)	(615,491)	-	(3,710,681)
Furniture and equipment	(921,829)	(217,289)	-	(1,139,118)
Vehicles	<u>(666,091)</u>	<u>(103,751)</u>	-	<u>(769,842)</u>
Total accumulated depreciation	<u>(4,683,110)</u>	<u>(936,531)</u>	<u>-</u>	<u>(5,619,641)</u>
Governmental activities capital assets, net	<u>\$ 29,352,754</u>	<u>\$ (832,116)</u>	<u>\$ -</u>	<u>\$ 28,520,638</u>

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 469,389
Special	32,229
Vocational	21,889
 <u>Support services:</u>	
Pupil	13,911
Instructional staff	43,851
Board of education	2,441
Administration	56,395
Fiscal	17,114
Business	8,040
Operations and maintenance	34,885
Pupil transportation	134,011
Food service operations	42,990
Other non-instructional services	30,553
Extracurricular	<u>28,833</u>
Total depreciation expense	<u>\$ 936,531</u>

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

The District has entered into capitalized leases for copier equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of furniture and equipment have been capitalized in the amount of \$184,991. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2014 was \$55,497, leaving a current book value of \$129,494. A corresponding liability was recorded in the government-wide financial statements. Principal payments for capital leases in the 2014 fiscal year totaled \$34,317 and were paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 41,290
2016	41,290
2017	41,290
2018	<u>27,526</u>
Total minimum lease payments	151,396
Less: amount representing interest	<u>(11,830)</u>
Total	<u>\$ 139,566</u>

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2014, the following changes occurred in governmental activities' long-term obligations:

	Balance 06/30/13	Additions	Reductions	Balance 06/30/14	Amounts Due in One Year
Governmental activities:					
General obligation bonds	\$ 10,015,861	\$ 215,500	\$ (420,000)	\$ 9,811,361	\$ 485,000
Capital lease obligations	173,883	-	(34,317)	139,566	35,860
Retirement incentive	6,600	-	(6,600)	-	-
Compensated absences	638,100	69,115	(45,112)	662,103	58,281
Total long-term liabilities	<u>\$ 10,834,444</u>	<u>\$ 284,615</u>	<u>\$ (506,029)</u>	10,613,030	<u>\$ 579,141</u>
Add: Unamortized premium on Series 2013 General Obligation Refunding Bonds				976,698	
Total long-term obligations reported on the statement of net position				<u>\$ 11,589,728</u>	

Compensated Absences: Compensated absences will be paid from the fund from which employees' salaries are paid, which for the District is primarily the general fund.

Retirement Incentive: During fiscal year 2011, the District offered a retirement incentive to employees who retired and agreed to be rehired for one additional year. Under the retirement incentive, the District agreed to provide assistance in paying health insurance premiums after retirement for a period of eighteen months. Three employees accepted the incentive to be paid in eighteen monthly installments of \$100 (single coverage) or \$500 (family coverage), beginning in July 2012. At June 30, 2014, all retirement incentive obligations have been paid.

Capital Lease Obligation: Capital lease obligations will be paid from the general fund. See Note 10 for details.

- B. *Series 2005 General Obligation Bonds:* On November 1, 2005, the District issued Series 2005 General Obligation Bonds. Proceeds of \$11,845,986 from the issuance were used to finance the District's portion of its Ohio School Facilities Commission project and retired the \$9,000,000 in bond anticipation notes issued on May 3, 2005.

The issue is comprised of both current interest bonds, par value \$11,800,000, and capital appreciation bonds, par value \$45,986. Interest rates on the current interest bonds range from 3.5% to 4.5% with interest payments due on June 1 and December 1 of each year until final maturity at December 1, 2033. A portion of the Series 2005 General Obligation Bonds was refunded during fiscal year 2013 in the amount of \$8,550,000. Principal payments made during 2014 amounted to \$365,000 and were paid from the debt service fund; principal remaining to be paid by the District on the current interest portion of Series 2005 General Obligation Bonds is \$780,000 at June 30, 2014.

The capital appreciation bonds mature on December 1, 2018, 2019, and 2020 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date at stated approximate yields to maturity of 4.65%, 4.70%, and 4.80%, respectively. The accreted value at maturity for the capital appreciation bonds is \$1,335,000. Total accreted interest of \$368,303 has been included in the statement of net position.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity of the Series 2005 General Obligation Bonds for fiscal year 2014.

	Balance 06/30/13	Additions	Reductions	Balance 06/30/14
Series 2005 General Obligation Bonds:				
Current interest bonds	\$ 1,145,000	\$ -	\$ (365,000)	\$ 780,000
Capital appreciation bonds	45,986	-	-	45,986
Accreted interest on capital appreciation bonds	<u>274,882</u>	<u>93,421</u>	<u>-</u>	<u>368,303</u>
Total Series 2005 General Obligation Bonds	<u>\$ 1,465,868</u>	<u>\$ 93,421</u>	<u>\$ (365,000)</u>	<u>\$ 1,194,289</u>

Future debt service requirements for the Series 2005 General Obligation Bonds are as follows:

Fiscal Year Ending	Series 2005 General Obligation Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	June 30,	Principal	Interest	Total	Principal	Interest
2015	\$ 380,000	\$ 25,075	\$ 405,075	\$ -	\$ -	\$ -
2016	400,000	8,500	408,500	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	19,126	425,874	445,000
2020 - 2021	-	-	-	26,860	863,140	890,000
Total	<u>\$ 780,000</u>	<u>\$ 33,575</u>	<u>\$ 813,575</u>	<u>\$ 45,986</u>	<u>\$ 1,289,014</u>	<u>\$ 1,335,000</u>

- C. Series 2013 General Obligation Refunding Bonds: On June 18, 2013, the District issued Series 2013 General Obligation Refunding Bonds to advance refund \$8,550,000 of the Series 2005 current interest bonds. Issuance proceeds of \$9,424,792 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased in substance and has been removed from the statement of net position; as of June 30, 2014, the balance of the defeased debt amounted to \$8,550,000.

The refunding issue is comprised of both current interest bonds, par value \$7,975,000, and capital appreciation bonds, par value \$574,993. The interest rates on the current interest bonds range from 1.0% to 3.5% with interest payments due on June 1 and December 1 of each year until final maturity at December 1, 2033. Principal payments made during 2014 amounted to \$55,000 and were paid from the debt service fund. The balance of the current interest refunding bonds at June 30, 2014, is \$7,920,000.

The capital appreciation bonds mature on December 1, 2016, 2017, and 2021 at a redemption price equal to 100% of the principal plus accrued interest to the redemption date at stated approximate yields to maturity of 1.35%, 1.55%, and 2.75%, respectively. The accreted value at maturity for the capital appreciation bonds is \$1,565,000. Total accreted interest of \$122,079 has been included in the statements of activities.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The reacquisition price exceeded the net carrying amount of the refunded debt by \$874,792; this amount is amortized as a deferred outflow of resources over the remaining term of the refunded debt, which is equal to the life of the new debt issued. The advance refunding was undertaken to reduce combined total debt service payments through December 1, 2033 by \$503,179 and resulted in an economic gain of \$381,298.

The following is a schedule of activity of the Series 2013 General Obligation Refunding Bonds for fiscal year 2014:

	Balance 06/30/13	Additions	Reductions	Balance 06/30/14
Series 2013 General				
Obligation Refunding Bonds:				
Current interest bonds	\$ 7,975,000	\$ -	\$ (55,000)	\$ 7,920,000
Capital appreciation bonds	574,993	-	-	574,993
Accreted interest on capital appreciation bonds	-	122,079	-	122,079
Total Series 2013 General				
Obligation Refunding Bonds	<u>\$ 8,549,993</u>	<u>\$ 122,079</u>	<u>\$ (55,000)</u>	<u>\$ 8,617,072</u>

Future debt service requirements for the Series 2013 General Obligation Refunding Bonds are as follows:

Fiscal Year Ending	Series 2013 General Obligation Refunding Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	June 30,	Principal	Interest	Total	Principal	Interest
2015	\$ 105,000	\$ 248,999	\$ 353,999	\$ -	\$ -	\$ -
2016	110,000	247,924	357,924	-	-	-
2017	-	247,373	247,373	262,049	257,951	520,000
2018	-	247,374	247,374	214,875	305,125	520,000
2019	75,000	246,680	321,680	-	-	-
2020 - 2024	1,205,000	1,196,002	2,401,002	98,069	426,931	525,000
2025 - 2029	2,915,000	892,313	3,807,313	-	-	-
2030 - 2034	3,510,000	342,670	3,852,670	-	-	-
Total	<u>\$ 7,920,000</u>	<u>\$ 3,669,335</u>	<u>\$ 11,589,335</u>	<u>\$ 574,993</u>	<u>\$ 990,007</u>	<u>\$ 1,565,000</u>

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

- D. *Legal Debt Margin:*** The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$2,457,794 (including available funds of \$854,208) and an unvoted debt margin of \$121,384.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the District contracted for the following insurance coverage:

Coverage provided by Ohio Casualty - The Netherlands Insurance Co. is as follows:

Buildings and Contents -replacement cost (\$2,500 deductible)	
Computer Equipment (\$500 deductible) - blanket all locations	
Maintenance Equipment (\$500 deductible)	\$ 20,000
Misc. Radio (\$500 deductible)	10,000
Musical Instruments (\$500 deductible)	100,000
Automobile Liability	1,000,000
Uninsured Motorists	100,000
Medical Payments -per person	5,000
General Liability -	
Each Occurrence Limit	1,000,000
Damage to Premises Rented Limit - any one premises	300,000
Medical Expense Limit - any one person	15,000
Personal and Advertising Injury Limit - any one person or organization	1,000,000
General Aggregate Limit	2,000,000
Products/Completed Operations Aggregate Limit	2,000,000
School Leaders Errors and Omissions	
Each Wrongful Act Limit	1,000,000
Aggregate Limit	1,000,000
Aggregate Defense Expense Amount - non-monetary relief	100,000
Deductible - one wrongful act	2,500

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - RISK MANAGEMENT - (Continued)

Sexual Misconduct and Molestation Liability	
Each Loss Limit	\$1,000,000
Aggregate Limit	1,000,000
Innocent Party Aggregate Defense Expense Amount	300,000

Employers Stop Gap liability	
Bodily Injury by Accident - each accident limit	1,000,000
Bodily Injury By Disease - policy limit	1,000,000
Bodily Injury By Disease - each employee limit	1,000,000
Aggregate	2,000,000

Coverage provided by Ohio Casualty - The Midwestern Indemnity Company is as follows:

Umbrella Liability		
Each Occurrence Limit	Any one occurrence or offense	2,000,000
Aggregate Limits	General Aggregate Limit	2,000,000
	Products/Completed Operations	2,000,000
Self Insurance Retention	Any one occurrence	0

Coverages provided by Ohio Mutual Insurance Association	
Farm Buildings and Contents (\$100 deductible)	101,900
Coverage provided by Farmers Mutual	17,500

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

B. Health, Dental, Vision and Life Insurance

During fiscal year 2014, the District provided dental, vision and life insurance to employees through the North Central Ohio Joint Self Insurance Association. The North Central Ohio Joint Self Insurance Association is a public entity risk pool for five member school Districts and the North Central Ohio Educational Service Center. The risk of loss transfers entirely to the pool. The District paid a monthly premium to the pool for dental, vision and life insurance. The agreement for formation of the pool provided that it will be self-sustaining through member premiums and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$50,000 for any employee.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Prescription Drug Insurance

Effective July 1, 2013, the District was no longer self-insured for employee prescription drug insurance. PRM Plus, Inc. was the third party administrator of the plan. All run-out claims were paid during fiscal year 2014.

		Beginning Balance		Claims Incurred		Claims Paid		Ending Balance
2014	\$	2,123	\$	1,172	\$	(3,295)	\$	-
2013		4,579		49,896		(52,352)		2,123

D. Workers' Compensation Plan

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

The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the Plan for fiscal year 2014.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 13 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent 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 2014, 13.05 percent and 0.05 percent 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 a statutory maximum amount of 14 percent for plan members and 14 percent 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, 2014, 2013 and 2012 were \$148,060, \$142,128 and \$131,845, respectively; 79.19 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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 stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 13 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$536,174, \$527,799 and \$525,386, respectively; 83.37 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$9,679 made by the District and \$7,604 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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 program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. 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 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the 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 the SERS' Ohio website, 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 percent 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 2014, 0.14 percent 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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$17,856, \$1,624 and \$5,180, respectively; 79.19 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$8,590, \$7,512 and \$7,063, respectively; 79.19 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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 report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (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 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$41,244, \$37,700 and \$37,527, respectively; 83.37 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) 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

	<u>General fund</u>
Budget basis	\$ 41,315
Net adjustment for revenue accruals	(159,882)
Net adjustment for expenditure accruals	8,955
Net adjustment for other sources and uses	(5,881)
Funds budgeted elsewhere	330
Adjustment for encumbrances	26,912
GAAP basis	\$ (88,251)

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 farm fund, the public school support fund and the termination benefits fund.

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	164,830
Current year qualifying expenditures	(65,613)
Current year offsets	(63,425)
Prior year offset from bond proceeds	<u>(35,792)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

During fiscal year 2005 the District issued \$11,845,986 in capital related general obligation bonds. These proceeds may be used to reduce the capital acquisition set-aside to zero in future years. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$11,081,288 at June 30, 2014.

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	<u>\$ 25,160</u>

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SENECA EAST LOCAL SCHOOL DISTRICT



Single Audit Reports

June 30, 2014

SENECA EAST LOCAL SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$17,520	\$0	\$17,520	\$0
National School Lunch Program	3L60	10.555	<u>149,177</u>	<u>22,930</u>	<u>149,177</u>	<u>22,930</u>
Total Nutrition Cluster			<u>166,697</u>	<u>22,930</u>	<u>166,697</u>	<u>22,930</u>
Total U.S. Department of Agriculture			<u>166,697</u>	<u>22,930</u>	<u>166,697</u>	<u>22,930</u>
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	<u>204,947</u>	<u>0</u>	<u>204,947</u>	<u>0</u>
Total Special Education Cluster			<u>204,947</u>	<u>0</u>	<u>204,947</u>	<u>0</u>
Title I Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	<u>322,849</u>	<u>0</u>	<u>173,013</u>	<u>0</u>
Total Title I Cluster			<u>322,849</u>	<u>0</u>	<u>173,013</u>	<u>0</u>
Improving Teacher Quality	3Y60	84.367	<u>35,053</u>	<u>0</u>	<u>35,053</u>	<u>0</u>
Total Department of Education			<u>562,849</u>	<u>0</u>	<u>413,013</u>	<u>0</u>
Total Federal Assistance			<u>\$729,546</u>	<u>\$22,930</u>	<u>\$579,710</u>	<u>\$22,930</u>

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

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

To the Board of Education
Seneca East Local School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Seneca East Local School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 30, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 30, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattensburg & Associates, Inc.

Plattensburg & Associates, Inc.
Cincinnati, Ohio
December 30, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Education
Seneca East Local School District

Report on Compliance for Each Major Federal Program

We have audited the Seneca East Local School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the

auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 30, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 30, 2014

**SENECA EAST LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section I – Summary of Auditor’s Results

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any material reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were the any other significant control deficiencies reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under Section .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (list):</i>	Special Education Cluster: Special Education Grants to States CFDA# 84.027
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS

None

Section III – Federal Award Findings and Questioned Costs

None

SENECA EAST LOCAL SCHOOL DISTRICT
June 30, 2014

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133

The Seneca East Local School District had no prior audit findings or questioned costs.



Dave Yost • Auditor of State

SENECA-EAST LOCAL SCHOOL DISTRICT

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 24, 2015**