

**Southeast Local School District**  
**Portage County, Ohio**

*Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2016





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Southeast Local School District, Portage County, prepared by Rea & Associates, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

January 4, 2017

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**Southeast Local School District  
Portage County, Ohio**

*For the Fiscal Year Ended June 30, 2016  
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November 15, 2016

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

## **Independent Auditor's Report**

### **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 Southeast Local School District, Portage County, Ohio, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***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.

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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 Southeast Local School District, Portage County, Ohio, as of June 30, 2016, 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, the Schedule of District Contributions, and the Schedule of the District's Proportionate Share of the Net Pension Liability on pages 5-14, 58-59, and 60, respectively, 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2016 on our consideration of the District's internal control over financial reporting and on 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 District's internal control over financial reporting and compliance.

*Hea & Associates, Inc.*

Medina, Ohio

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**Southeast Local School District**  
**Portage County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

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The discussion and analysis of the Southeast Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

***Financial Highlights***

Key financial highlights for 2016 are as follows:

- Net position decreased \$178,608, which represents a 1% decrease from 2015.
- Capital assets decreased \$1,998,038 during fiscal year 2016.
- During the fiscal year, outstanding debt decreased from \$3,806,647 to \$3,427,469 due to principal payments made by the District.

***Using this Annual Report***

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

The *Statement of Net 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 is by far the most significant fund.

***Reporting the District as a Whole***

*Statement of Net Position and the Statement of Activities*

While the basic financial statements contain the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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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 which restrict revenue growth, facility conditions, required educational programs, and other factors.

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

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

***Fund Financial Statements***

The major funds financial statements begin on page 17. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

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

***Proprietary Fund*** The District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 22.

***Reporting the District's Fiduciary Responsibilities***

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate Statement of Fiduciary Assets and Liabilities on page 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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**The District as a Whole**

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2016 compared to 2015:

**Table 1**  
**Net Position**

	Governmental Activities	
	2016	2015
<b>Assets</b>		
Current and Other Assets	\$ 26,763,071	\$ 25,792,105
Capital Assets	21,550,475	23,548,513
<i>Total Assets</i>	48,313,546	49,340,618
<b>Deferred Outflows of Resources</b>		
Pension	2,145,391	1,450,108
<i>Total Deferred Outflows of Resources</i>	2,145,391	1,450,108
<b>Liabilities</b>		
Current and Other Liabilities	3,137,899	2,925,818
Long-Term Liabilities:		
Due Within One Year	453,824	447,207
Due Within More Than One Year:		
Net Pension Liability	21,157,228	19,161,480
Other Amounts	4,410,186	4,636,561
<i>Total Liabilities</i>	29,159,137	27,171,066
<b>Deferred Inflows of Resources</b>		
Property Taxes and Other	4,926,792	5,518,263
Pension	1,912,865	3,462,646
<i>Total Deferred Inflows of Resources</i>	6,839,657	8,980,909
<b>Net Position</b>		
Net Investment in Capital Assets	18,110,738	19,361,659
Restricted	2,145,262	2,387,157
Unrestricted	(5,795,857)	(7,110,065)
<i>Total Net Position</i>	\$ 14,460,143	\$ 14,638,751

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During 2015, the District adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.



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In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows of resources. The District is also reporting a net pension liability and deferred inflows/outflows related to pension on the accrual basis of accounting.

At year end, capital assets represented 45% of total assets. Capital assets include, land, land improvements, buildings and improvements, machinery and equipment, and vehicles. Net investment in capital assets was \$18,110,738 at June 30, 2016. These capital assets are used to provide services to students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$2,145,262 or 15%, represents resources that are subject to external restrictions on how they may be used. The deficit balance of government-wide unrestricted net position was (\$5,795,857), which is primarily caused from the implementation of GASB 68.

Total current and other assets showed a net increase of \$970,966 with a substantial increase in pooled cash and cash equivalents and segregated cash of \$883,351. This is partially due to an increase in taxes, partially offset by an increase in operations and maintenance for the roofing project and new technology updates.

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

Total liabilities increased \$1,988,071, primarily due to a change in net pension liability. The decrease in deferred inflows of resources can be attributed to an increase in taxes available for advance and a decrease related to pension.

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In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2016 and 2015.

**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2016	2015
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,394,786	\$ 1,248,028
Operating Grants	2,413,346	2,541,029
<b>Total Program Revenues</b>	<b>3,808,132</b>	<b>3,789,057</b>
<i>General Revenues:</i>		
Property Taxes	6,962,059	5,729,506
Grants and Entitlements Not Restricted	11,015,615	10,979,547
Other	140,542	59,227
<b>Total General Revenues</b>	<b>18,118,216</b>	<b>16,768,280</b>
<b>Total Revenues</b>	<b>21,926,348</b>	<b>20,557,337</b>
<b>Program Expenses</b>		
<i>Instruction:</i>		
Regular	8,064,939	7,612,368
Special	3,100,457	2,917,724
Vocational	168,131	117,699
Student Intervention Services	2,067	1,838
Other	1,125,455	1,193,986
<i>Support Services:</i>		
Pupils	1,396,318	1,637,593
Instructional Staff	515,282	386,987
Board of Education	23,990	70,617
Administration	1,236,973	1,119,242
Fiscal	461,617	457,502
Business	40,240	71,288
Operation and Maintenance of Plant	3,072,173	1,700,198
Pupil Transportation	1,525,372	1,561,689
Central	22,833	23,022
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	731,263	722,242
Extracurricular Activities	508,294	504,814
<i>Debt Service:</i>		
Interest and Fiscal Charges	109,552	117,376
<b>Total Expenses</b>	<b>22,104,956</b>	<b>20,216,185</b>
<b>Increase (Decrease) in Net Position</b>	<b>(178,608)</b>	<b>341,152</b>
<b>Net Position at Beginning of Year</b>	<b>14,638,751</b>	<b>14,297,599</b>
<b>Net Position at End of Year</b>	<b>\$ 14,460,143</b>	<b>\$ 14,638,751</b>

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Overall revenue increased \$1,369,011, mainly due to an increase in property tax revenue.

Program expenses increased \$1,888,771, mainly due to an increase in operations and maintenance for a roofing project and new technology updates, as well as a slight increase in wages.

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

**Table 3**  
**Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2016	2015	2016	2015
Instruction:				
Regular	\$ 8,064,939	\$ 7,612,368	\$ 7,156,835	\$ 6,781,713
Special	3,100,457	2,917,724	1,286,080	1,036,046
Vocational	168,131	117,699	91,789	57,104
Student Intervention Services	2,067	1,838	2,067	1,838
Other	1,125,455	1,193,986	1,125,455	1,193,986
Support Services:				
Pupils	1,396,318	1,637,593	1,371,318	1,612,593
Instructional Staff	515,282	386,987	495,622	374,159
Board of Education	23,990	70,617	23,990	70,617
Administration	1,236,973	1,119,242	1,189,112	1,065,127
Fiscal	461,617	457,502	461,617	457,502
Business	40,240	71,288	40,240	71,288
Operation and Maintenance of Plant	3,072,173	1,700,198	3,055,936	1,675,264
Pupil Transportation	1,525,372	1,561,689	1,459,153	1,489,797
Central	22,833	23,022	22,833	23,022
Operation of Non-Instructional Services:				
Food Service Operations	731,263	722,242	21,999	5,285
Extracurricular Activities	508,294	504,814	383,226	394,411
Debt Service:				
Interest and Fiscal Charges	109,552	117,376	109,552	117,376
<i>Total Expenses</i>	<b>\$ 22,104,956</b>	<b>\$ 20,216,185</b>	<b>\$ 18,296,824</b>	<b>\$ 16,427,128</b>

The dependence upon general revenues for governmental activities is apparent. Almost 83% of governmental activities are supported through taxes and other general revenues; such revenues are 83% of total governmental revenues. The community, as a whole, is by far the primary support for the District students.

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***Governmental Funds***

Information about the District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$21,925,791 and expenditures of \$20,619,087 for the fiscal year. The net change in fund balances for the fiscal year was an increase of \$1,306,915 for all governmental funds with the most significant increase in the general fund.

The general fund's net change in fund balance for fiscal year 2016 was an increase of \$1,198,503. This increase is primarily in property taxes due to amounts available to advance.

***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 2016, the District amended its general fund budget. The District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue was \$278,065 higher than the final budget basis revenue of \$18,677,097. The underestimation of intergovernmental revenues was the primary difference.

Original budget basis revenue of \$17,587,790 was \$1,089,307 lower than the final budget basis revenue of \$18,677,097, due to an initial underestimation of federal impact-aid and tuition and fees.

Final expenditure appropriations of \$20,806,977 were \$1,385,044 higher than the actual expenditures of \$19,421,933, as cost savings were recognized for all programs throughout the year.

Final expenditure appropriations of \$20,806,977 were \$1,179,814 lower than the original budget expenditures of \$21,986,791, primarily due to a decrease in regular instruction.

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***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2016, the District had \$21,550,475 invested in capital assets. Table 4 shows fiscal year 2016 balances compared with 2015.

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

	Governmental Activities	
	2016	2015
Land	\$ 400,918	\$ 400,918
Construction in Progress	0	388,674
Land Improvements	410,315	482,670
Buildings and Building Improvements	19,829,723	21,148,594
Machinery and Equipment	212,043	254,817
Vehicles	697,476	872,840
<i>Totals</i>	\$ 21,550,475	\$ 23,548,513

The \$1,998,038 decrease in capital assets was attributable to depreciation and disposals exceeding additional current year purchases. See Note 6 for more information about the capital assets of the District.

**Debt**

At June 30, 2016, the District had \$3,427,469 in debt outstanding. See Note 9 for additional details. Table 5 summarizes bonds outstanding.

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2016	2015
2011 Refunding Bond-Serial, Term and Capital Appreciation Bonds	\$ 3,427,469	\$ 3,806,647

***Current Issues***

In May 2014, the District was fortunate to pass a renewal of the original 8.9 mill four year emergency levy approved in May 2010. This levy is certified to raise \$1,866,247 each year for a period of four years. The 2014 tax year valuation is \$217,016,710; with 88% of that value coming from residential/agricultural and 12% from all other property values.

The District relies on the State for approximately 54% of its general operating revenues. This is the first year of the biennial budget which contains provisions for districts to remain on the Guarantee. Due to declining enrollment, the District is on the state guarantee. The fiscal year 2016 Guarantee amount accounted for 19% of the state foundation funds received.

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

***Contacting the District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mrs. Cassie J. Bergman, Treasurer of Southeast Local School District, 8245 Tallmadge Road, Ravenna, Ohio 44266 or [Cbergman@sepirates.org](mailto:Cbergman@sepirates.org).

**Southeast Local School District**  
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*Statement of Net Position*  
*June 30, 2016*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 18,241,841
Cash and Cash Equivalents in Segregated Accounts	1,447,076
Receivables:	
Accounts	29,022
Intergovernmental	334,618
Property Taxes	6,710,514
Nondepreciable Capital Assets	400,918
Depreciable Capital Assets (Net)	21,149,557
<i>Total Assets</i>	48,313,546
 <b>Deferred Outflows of Resources</b>	
Pension	2,145,391
<i>Total Deferred Outflows of Resources</i>	2,145,391
 <b>Liabilities</b>	
Accounts Payable	50,413
Accrued Wages and Benefits	1,723,825
Contracts Payable	649,450
Intergovernmental Payable	317,712
Accrued Vacation Leave Payable	160,459
Matured Compensated Absences Payable	35,343
Accrued Interest Payable	9,057
Claims Payable	191,640
Long Term Liabilities:	
Due Within One Year	453,824
Due In More Than One Year:	
Net Pension Liability (See Note 7)	21,157,228
Other Amounts Due in More Than One Year	4,410,186
<i>Total Liabilities</i>	29,159,137
 <b>Deferred Inflows of Resources</b>	
Property Taxes Levied for the Next Year	4,926,792
Pension	1,912,865
<i>Total Deferred Inflows of Resources</i>	6,839,657
 <b>Net Position</b>	
Net Investment in Capital Assets	18,110,738
Restricted For:	
Capital Outlay	18,259
Debt Service	433,147
Set Asides	296,500
Other Purposes	1,397,356
Unrestricted	(5,795,857)
<i>Total Net Position</i>	\$ 14,460,143

See accompanying notes to the basic financial statements.

**Southeast Local School District**  
**Portage County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 8,064,939	\$ 843,755	\$ 64,349	\$ (7,156,835)
Special	3,100,457	140,249	1,674,128	(1,286,080)
Vocational	168,131	0	76,342	(91,789)
Student Intervention Services	2,067	0	0	(2,067)
Other	1,125,455	0	0	(1,125,455)
Support Services:				
Pupils	1,396,318	0	25,000	(1,371,318)
Instructional Staff	515,282	0	19,660	(495,622)
Board of Education	23,990	0	0	(23,990)
Administration	1,236,973	27,806	20,055	(1,189,112)
Fiscal	461,617	0	0	(461,617)
Business	40,240	0	0	(40,240)
Operation and Maintenance of Plant	3,072,173	0	16,237	(3,055,936)
Pupil Transportation	1,525,372	0	66,219	(1,459,153)
Central	22,833	0	0	(22,833)
Operation of Non-Instructional Services:				
Food Service Operations	731,263	257,908	451,356	(21,999)
Extracurricular Activities	508,294	125,068	0	(383,226)
Debt Service:				
Interest and Fiscal Charges	109,552	0	0	(109,552)
<b>Total</b>	<b>\$ 22,104,956</b>	<b>\$ 1,394,786</b>	<b>\$ 2,413,346</b>	<b>(18,296,824)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	6,395,978
Debt Service	475,222
Other Purposes	90,859
Grants and Entitlements Not Restricted to Specific Programs	11,015,615
Investment Earnings	43,830
Miscellaneous	96,712
<b>Total General Revenues</b>	<b>18,118,216</b>

*Change in Net Position* (178,608)

*Net Position Beginning of Year* 14,638,751

*Net Position End of Year* \$ 14,460,143

See accompanying notes to the basic financial statements.



**Southeast Local School District**  
**Portage County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2016*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 15,932,503	\$ 2,012,838	\$ 17,945,341
Restricted Cash and Cash Equivalents	296,500	0	296,500
Receivables:			
Accounts	309	715	1,024
Intergovernmental	158,974	175,644	334,618
Property Taxes	6,162,033	548,481	6,710,514
<i>Total Assets</i>	<u>\$ 22,550,319</u>	<u>\$ 2,737,678</u>	<u>\$ 25,287,997</u>
<b>Liabilities</b>			
Accounts Payable	\$ 31,521	\$ 18,892	\$ 50,413
Accrued Wages and Benefits	1,569,961	153,864	1,723,825
Contracts Payable	649,450	0	649,450
Intergovernmental Payable	290,258	27,454	317,712
Matured Compensated Absences Payable	35,343	0	35,343
<i>Total Liabilities</i>	<u>2,576,533</u>	<u>200,210</u>	<u>2,776,743</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes Levied for the Next Year	4,525,700	401,092	4,926,792
Unavailable Revenue	552,012	88,814	640,826
<i>Total Deferred Inflows of Resources</i>	<u>5,077,712</u>	<u>489,906</u>	<u>5,567,618</u>
<b>Fund Balances</b>			
Restricted	296,500	1,810,615	2,107,115
Assigned	3,895,279	239,557	4,134,836
Unassigned	10,704,295	(2,610)	10,701,685
<i>Total Fund Balances</i>	<u>14,896,074</u>	<u>2,047,562</u>	<u>16,943,636</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 22,550,319</u>	<u>\$ 2,737,678</u>	<u>\$ 25,287,997</u>

See accompanying notes to the basic financial statements.

**Southeast Local School District**  
**Portage County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2016*

<b>Total Governmental Fund Balances</b>		\$ 16,943,636
 <i>Amounts reported for governmental activities in 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.		21,550,475
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 50,723	
Excess Costs	131,612	
Property Taxes	458,491	640,826
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		1,283,434
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(9,057)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	2,145,391	
Deferred Inflows - Pension	(1,912,865)	
Net Pension Liability	(21,157,228)	(20,924,702)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Refunding Bonds	(3,340,000)	
Capital Appreciation Bonds	(4,999)	
Bond Premium	(76,165)	
Accretion of Interest - Capital Appreciation Bonds	(6,305)	
Capital Lease Obligation	(18,573)	
Vacations Payable	(160,459)	
Compensated Absences	(1,417,968)	(5,024,469)
<i>Net Position of Governmental Activities</i>		\$ 14,460,143

See accompanying notes to the basic financial statements.

**Southeast Local School District**  
**Portage County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2016*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property and Other Local Taxes	\$ 6,419,010	\$ 568,361	\$ 6,987,371
Intergovernmental	12,046,998	1,373,792	13,420,790
Investment Income	43,211	3,647	46,858
Tuition and Fees	962,278	0	962,278
Extracurricular Activities	28,698	125,198	153,896
Rentals	852	0	852
Charges for Services	0	257,908	257,908
Contributions and Donations	23,700	0	23,700
Miscellaneous	71,705	433	72,138
<i>Total Revenues</i>	<u>19,596,452</u>	<u>2,329,339</u>	<u>21,925,791</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	6,702,814	48,915	6,751,729
Special	2,459,779	652,376	3,112,155
Vocational	154,617	9,310	163,927
Student Intervention Services	2,067	0	2,067
Other	1,125,455	0	1,125,455
Support Services:			
Pupils	1,382,306	25,331	1,407,637
Instructional Staff	493,788	17,337	511,125
Board of Education	23,608	0	23,608
Administration	1,227,525	20,824	1,248,349
Fiscal	448,392	11,443	459,835
Business	25,713	0	25,713
Operation and Maintenance of Plant	2,546,008	92,032	2,638,040
Pupil Transportation	1,362,964	0	1,362,964
Central	22,833	0	22,833
Extracurricular Activities	403,755	106,564	510,319
Operation of Non-Instructional Services:			
Food Service Operations	0	729,556	729,556
Capital Outlay	0	19,362	19,362
Debt Service:			
Principal Retirement	15,097	370,000	385,097
Interest and Fiscal Charges	1,316	118,000	119,316
<i>Total Expenditures</i>	<u>18,398,037</u>	<u>2,221,050</u>	<u>20,619,087</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,198,415</u>	<u>108,289</u>	<u>1,306,704</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Capital Assets	88	123	211
<i>Net Change in Fund Balance</i>	1,198,503	108,412	1,306,915
<i>Fund Balances Beginning of Year</i>	<u>13,697,571</u>	<u>1,939,150</u>	<u>15,636,721</u>
<i>Fund Balances End of Year</i>	<u>\$ 14,896,074</u>	<u>\$ 2,047,562</u>	<u>\$ 16,943,636</u>

See accompanying notes to the basic financial statements.

**Southeast Local School District**  
**Portage 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, 2016*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	1,306,915
<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	\$ 12,166	
Current Year Depreciation	(1,620,816)	
Construction in Progress Adjustment	(388,674)	(1,997,324)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(714)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(25,313)	
Excess Costs	19,921	
SERS Reimbursement	(1,450)	
Intergovernmental	5,163	(1,679)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred inflows		
		1,293,744
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(1,044,428)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		385,097
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	586	
Amortization of Premium on Bonds	10,880	11,466
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		45,657
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(174,517)	
Vacations Payable	(1,123)	(175,640)
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the statement of activities.		
		(1,702)
<i>Change in Net Position of Governmental Activities</i>	<u>\$</u>	<u>(178,608)</u>

See accompanying notes to the basic financial statements.

**Southeast Local School District**  
**Portage County, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -*  
*Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 5,756,630	\$ 5,776,498	\$ 5,821,423	\$ 44,925
Intergovernmental	11,286,160	11,847,160	12,034,682	187,522
Investment Income	10,000	40,000	43,211	3,211
Tuition and Fees	495,000	933,739	959,661	25,922
Rentals	0	0	852	852
Contributions and Donations	0	23,700	23,700	0
Miscellaneous	40,000	56,000	71,633	15,633
<i>Total Revenues</i>	<u>17,587,790</u>	<u>18,677,097</u>	<u>18,955,162</u>	<u>278,065</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,667,212	6,968,489	6,730,014	238,475
Special	2,451,396	2,559,573	2,456,316	103,257
Vocational	158,562	154,435	151,449	2,986
Student Intervention Services	13,042	12,600	2,067	10,533
Other	608,126	1,209,287	1,139,975	69,312
Support Services:				
Pupils	1,686,035	1,634,244	1,386,979	247,265
Instructional Staff	524,166	755,935	667,877	88,058
Board of Education	40,611	34,000	31,103	2,897
Administration	1,538,312	1,298,741	1,215,202	83,539
Fiscal	573,248	478,119	453,485	24,634
Business	39,096	45,537	25,713	19,824
Operation and Maintenance of Plant	2,908,662	3,259,230	3,029,464	229,766
Pupil Transportation	2,183,535	1,896,874	1,688,515	208,359
Central	32,383	28,778	22,833	5,945
Extracurricular Activities	545,992	454,722	404,528	50,194
Debt Service:				
Principal Retirement	15,097	15,097	15,097	0
Interest and Fiscal Charges	1,316	1,316	1,316	0
<i>Total Expenditures</i>	<u>21,986,791</u>	<u>20,806,977</u>	<u>19,421,933</u>	<u>1,385,044</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(4,399,001)	(2,129,880)	(466,771)	1,663,109
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	0	0	88	88
<i>Net Change in Fund Balance</i>	(4,399,001)	(2,129,880)	(466,683)	1,663,197
<i>Fund Balance Beginning of Year</i>	14,526,857	14,526,857	14,526,857	0
Prior Year Encumbrances Appropriated	917,405	917,405	917,405	0
<i>Fund Balance End of Year</i>	<u>\$ 11,045,261</u>	<u>\$ 13,314,382</u>	<u>\$ 14,977,579</u>	<u>\$ 1,663,197</u>

See accompanying notes to the basic financial statements.

**Southeast Local School District**  
**Portage County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Fund*  
*June 30, 2016*

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	Governmental Activities - Internal Service Fund
<b>Assets</b>	
<i>Current Assets</i>	
Cash and Cash Equivalents in Segregated Accounts	\$ 1,447,076
Accounts Receivable	27,998
<i>Total Assets</i>	1,475,074
 <b>Liabilities</b>	
<i>Current Liabilities</i>	
Claims Payable	191,640
 <b>Net Position</b>	
Unrestricted	\$ 1,283,434

See accompanying notes to the basic financial statements.

**Southeast Local School District**  
**Portage County, Ohio**  
*Statement of Revenues, Expenses, and Changes in Fund Net Position*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Governmental Activities - Internal Service Fund
<b>Operating Revenues</b>	
Charges for Services	\$ 3,106,404
<b>Operating Expenses</b>	
Purchased Services	543,472
Claims	2,493,735
Other	24,115
<i>Total Operating Expenses</i>	3,061,322
<i>Operating Income (Loss)</i>	45,082
<b>Non-Operating Revenues (Expenses)</b>	
Interest	575
<i>Change in Net Position</i>	45,657
<i>Net Position Beginning of Year</i>	1,237,777
<i>Net Position End of Year</i>	\$ 1,283,434

See accompanying notes to the basic financial statements.

**Southeast Local School District**  
**Portage County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2016

	Governmental Activities - Internal Service Fund
<b>Cash Flows From Operating Activities</b>	
Cash Received for Charges for Services	\$ 3,100,243
Cash Paid for Goods and Services	(567,587)
Cash Paid for Claims	(2,439,688)
<i>Net Cash Provided By (Used For) Operating Activities</i>	92,968
 <b>Cash Flows From Investing Activities</b>	
Interest on Investments	575
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	93,543
 <i>Cash and Cash Equivalents, Beginning of Year</i>	1,353,533
 <i>Cash and Cash Equivalents, End of Year</i>	\$ 1,447,076
 <b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</b>	
Operating Income (Loss)	\$ 45,082
Adjustments:	
(Increase) Decrease Assets:	
Accounts Receivable	(6,161)
Increase (Decrease) in Liabilities:	
Claims Payable	54,047
<i>Total Adjustments</i>	47,886
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ 92,968

See accompanying notes to the basic financial statements.



**Southeast Local School District**  
**Portage County, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2016*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 69,507
Accounts Receivable	238
<i>Total Assets</i>	<u>\$ 69,745</u>
<b>Liabilities</b>	
Accounts Payable	\$ 720
Due to Students	69,025
<i>Total Liabilities</i>	<u>\$ 69,745</u>

See accompanying notes to the basic financial statements.

**Southeast Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Southeast Local School District, Portage County, Ohio (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a locally elected five member Board of Education (the Board) which provides educational services.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No.34*, in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statements No. 14 and No. 61 to be included in the District's reporting entity. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

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

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

**Basis of Presentation - Fund Accounting**

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

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

**Southeast Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

The other governmental funds of the District account for grants and other resources to which the District is bound to observe constraints imposed upon the use of the resources.

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

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

***Fiduciary Funds*** - Fiduciary fund reporting focuses on net 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 has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District’s agency funds account for student managed activities and Ohio High School Athletics Association (OHSAA) tournaments.

**Basis of Presentation – Financial Statements**

**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. The internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

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

**Southeast Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

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

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

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, and all liabilities and deferred inflows of resources associated with the operation of these funds 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 net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

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

**Basis of Accounting**

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

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

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

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

***Deferred Inflow of Resources and Deferred Outflow of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 7.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue may include delinquent property taxes, intergovernmental grants, charges for services, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 7).

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

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.

**Budgetary Process**

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

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

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

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

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

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

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2. Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget) rather than as an assignment of fund balance (GAAP).
4. Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

**Net Change in Fund Balance**

GAAP Basis	\$ 1,198,503
Net adjustments for revenue accruals	(610,072)
Net adjustments for expenditure accruals	131,972
Funds budgeted elsewhere*	(607)
Adjustments for encumbrances	<u>(1,186,479)</u>
Budget Basis	<u><u>\$ (466,683)</u></u>

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

**Cash and Cash Equivalents**

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

During fiscal year 2016, cash and cash equivalents included amounts in demand deposits, savings accounts, money market accounts and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment account which is reported as cash equivalents in the basic financial statements.

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

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**Investments**

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

The District has invested funds in STAR Ohio during 2016. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2016.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$43,211, which includes \$1,438 assigned from other District funds.

**Capital Assets and Depreciation**

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

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

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

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



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**Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability 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 leases are recognized as a liability on the fund financial statements when due.

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

Obligation	Fund
Compensated Absences	General Fund & Food Service Fund
General Obligation Bond	Bond Retirement Fund
Capital Lease	General Fund

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net position.

**Compensated Absences**

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

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

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

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**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. 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 their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2016, there was no net position restricted by enabling legislation.

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

**Interfund Activity**

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

**Fund Balance**

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

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

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

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

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

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

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

**Estimates**

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

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**Operating Revenues and Expenses**

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

**Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2016.

**Implementation of New Accounting Principles**

For the fiscal year ended June 30, 2016, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

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GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

**Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization.

**NOTE 2 - ACCOUNTABILITY**

The following funds had GAAP deficit balances at June 30, 2016:

<u>Non-Major Special Revenue Funds:</u>	<u>Fund Balance</u>
Miscellaneous state funds	\$ 364
IDEA Grant	2,246

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

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 40% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

**Deposits** At fiscal year end, the carrying amount of the District's deposits was \$12,682,840 and the bank balance was \$12,840,286. Of the bank balance:

1. \$1,053,863 was covered by federal depository insurance; and
2. \$11,786,423 was exposed to custodial credit risk as discussed above. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

***Investments***

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

Ending investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2016. This value as of June 30, 2016 was \$7,075,584. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio to maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2016 is 49 days and carries a rating of AAAM by S & P Global Ratings.

**Credit Risk** – The District's policy does not address credit risk.

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

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

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**NOTE 4 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in 2016 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Portage County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 in the general, bond retirement and classroom facilities maintenance funds were \$1,215,933, \$91,904, and \$17,394, respectively. The amount available for advance at June 30, 2015, in the general, bond retirement and classroom facilities maintenance funds were \$618,346, \$46,984, and \$8,905, respectively. 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, 2016 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 of resources.

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 of resources.



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The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
	Real Estate	\$ 206,999,010	95.38%	\$ 212,932,900
Public Utility Personal Property	10,017,700	4.62%	10,602,010	4.74%
	\$ 217,016,710	100.00%	\$ 223,534,910	100.00%
Tax rate per \$1,000 assessed valuation	\$ 39.69		\$ 39.38	

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2016 consisted of accounts, property taxes and intergovernmental receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the relatively stable condition of state programs, and the current year guarantee of federal funds.

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Additions	Deletions	Adjustment	Balance June 30, 2016
<b>Governmental Activities</b>					
<i>Capital Assets, Not Being Depreciated</i>					
Land	\$ 400,918	\$ 0	\$ 0	\$ 0	\$ 400,918
Construction in Progress	388,674	0	0	(388,674)	0
<i>Total Capital Assets, Not Being Depreciated</i>	789,592	0	0	(388,674)	400,918
<i>Capital Assets, Being Depreciated</i>					
Land Improvements	2,544,781	0	0	0	2,544,781
Buildings and Improvements	38,539,912	0	0	0	38,539,912
Machinery and Equipment	2,228,334	7,966	0	0	2,236,300
Vehicles	2,947,445	4,200	(5,708)	0	2,945,937
<i>Total Capital Assets, Being Depreciated</i>	46,260,472	12,166	(5,708)	0	46,266,930
<i>Accumulated Depreciation</i>					
Land Improvements	(2,062,111)	(72,355)	0	0	(2,134,466)
Buildings and Improvements	(17,391,318)	(1,318,871)	0	0	(18,710,189)
Machinery and Equipment	(1,973,517)	(50,740)	0	0	(2,024,257)
Vehicles	(2,074,605)	(178,850)	4,994	0	(2,248,461)
<i>Total Accumulated Depreciated</i>	(23,501,551)	(1,620,816)	4,994	0	(25,117,373)
<i>Total Capital Assets Being Depreciated, Net</i>	22,758,921	(1,608,650)	(714)	0	21,149,557
<i>Governmental Activities, Capital Assets, Net</i>	\$ 23,548,513	\$ (1,608,650)	\$ (714)	\$ (388,674)	\$ 21,550,475

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Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,369,794
Vocational	2,819
Support Services:	
Board of Education	650
Administration	4,056
Business	14,527
Operations and Maintenance of Plant	36,461
Pupil Transportation	177,909
Operation of Food Services	6,467
Extracurricular Activities	8,133
Total Depreciation	\$ 1,620,816

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

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GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a 3% cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14%. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The District's contractually required contribution to SERS was \$337,128 for fiscal year 2016. Of this amount, \$31,354 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2% of the original base benefit. For members retiring August 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% employer rate is allocated to the defined benefit unfunded liability. 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.

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The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased 1% July 1, 2014, and will be increased 1% each year until it reaches 14% on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$956,616 for fiscal year 2016. Of this amount, \$156,816 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 17,207,462	\$ 3,949,766	\$ 21,157,228
Proportion of the Net Pension Liability	0.06226224%	0.06922010%	
Pension Expense	\$ 771,183	\$ 273,245	\$ 1,044,428

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At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	STRS	SERS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 787,271	\$ 64,376	\$ 851,647
District contributions subsequent to the measurement date	956,616	337,128	1,293,744
<b>Total Deferred Outflows of Resources</b>	<b>\$ 1,743,887</b>	<b>\$ 401,504</b>	<b>\$ 2,145,391</b>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 1,291,896	\$ 145,746	\$ 1,437,642
Changes in proportion and differences between District contributions and proportionate share of contributions	368,354	106,869	475,223
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,660,250</b>	<b>\$ 252,615</b>	<b>\$ 1,912,865</b>

\$1,293,744 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2017	\$ (388,537)	\$ (86,365)	\$ (474,902)
2018	(388,537)	(86,365)	(474,902)
2019	(388,537)	(86,679)	(475,216)
2020	292,632	71,169	363,801
	<b>\$ (872,979)</b>	<b>\$ (188,240)</b>	<b>\$ (1,061,219)</b>

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25%
Future Salary Increases, including inflation	4% to 22%
COLA or Ad Hoc COLA	3%
Investment Rate of Return	7.75% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
	<u>100.00 %</u>	

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**Discount Rate** The total pension liability was calculated using the discount rate of 7.75%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.75%), or 1% point higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 5,476,906	\$ 3,949,766	\$ 2,663,788

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected salary increase	2.75% at 70 to 12.25% at age 20
Investment Rate of Return	7.75%, net of investment expenses
Cost-of-Living Adjustments (COLA)	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year, for members retiring August 1, 2013, or later, 2% COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:



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Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	100.00 %	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75% as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.75%) or 1% point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 23,902,463	\$ 17,207,462	\$ 11,545,840

**NOTE 8 - POST EMPLOYMENT BENEFITS**

***School Employees Retirement System***

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund. For fiscal year 2016, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were \$32,625, \$51,672 and \$34,653, respectively. For fiscal year 2016, 91% has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2015 and 2014.

***State Teachers Retirement System***

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$64,233, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

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**NOTE 9 – LONG-TERM DEBT AND OTHER OBLIGATIONS**

Detail of the changes in the long-term general obligation bonds, compensated absences, capital lease and net pension liability of the District for the year ended June 30, 2016, is as follows:

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016	Amount Due Within One Year
<b>General Obligation Bonds:</b>					
2011 Refunding Bond:					
Refunding Bond	\$ 3,710,000	\$ 0	\$ (370,000)	\$ 3,340,000	\$ 380,000
Capital Appreciation Bond	4,999	0	0	4,999	0
Accretion on Capital Appreciation Bond	4,603	1,702	0	6,305	0
Unamortized Premium	87,045	0	(10,880)	76,165	0
Total General Obligation Bonds	<u>3,806,647</u>	<u>1,702</u>	<u>(380,880)</u>	<u>3,427,469</u>	<u>380,000</u>
<b>Net Pension Liability:</b>					
STRS	15,536,073	1,671,389	0	17,207,462	0
SERS	3,625,407	324,359	0	3,949,766	0
Total Net Pension Obligation	<u>19,161,480</u>	<u>1,995,748</u>	<u>0</u>	<u>21,157,228</u>	<u>0</u>
<b>Other Long-Term Obligations:</b>					
Compensated Absences	1,243,451	236,627	(62,110)	1,417,968	57,969
Capital Lease	33,670	0	(15,097)	18,573	15,855
Total Other Long Term Obligations	<u>1,277,121</u>	<u>236,627</u>	<u>(77,207)</u>	<u>1,436,541</u>	<u>73,824</u>
Total Long Term Debt and Other Obligations	<u>\$ 24,245,248</u>	<u>\$ 2,234,077</u>	<u>\$ (458,087)</u>	<u>\$ 26,021,238</u>	<u>\$ 453,824</u>

*2011 School Improvement Refunding General Obligation Bond* – On June 2, 2011, the District issued \$5,114,999 in refunded general obligation bond. The proceeds of the bonds were used to refund \$5,115,000 of the District's outstanding 2001 Classroom Facilities Improvement bond. The bonds were issued for 13 year period with final maturity at December 1, 2023. At the end of the refunding \$5,136,436 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bond. As of June 30, 2016, \$3,515,000 of these bonds are considered to be defeased.

This refunding bond was issued with a premium of \$141,449, which is reported as an increase to bonds payable. The amounts are being amortized as interest expense over the life of the bonds using the straight-line method. The issuance resulted in an economic gain of \$544,501.

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

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

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A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2016, follows:

Fiscal Year Ending June 30,	General Obligation Bond			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 380,000	\$ 110,025	\$ 490,025	\$ 0	\$ 0	\$ 0
2018	385,000	100,938	485,938	0	0	0
2019	395,000	90,694	485,694	0	0	0
2020	385,000	77,937	462,937	4,999	15,001	20,000
2021	420,000	62,587	482,587	0	0	0
2022-2024	1,375,000	83,619	1,458,619	0	0	0
	<u>\$ 3,340,000</u>	<u>\$ 525,800</u>	<u>\$ 3,865,800</u>	<u>\$ 4,999</u>	<u>\$ 15,001</u>	<u>\$ 20,000</u>

**NOTE 10 – STATUTORY RESERVES**

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

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

	Capital Improvement Reserve	Budget Stabilization BWC Refund
Set-Aside Restricted Balance, June 30, 2015	\$ 0	\$ 296,500
Current Year Set-Aside Requirement	296,238	0
Current Year Offset	(149,328)	0
Prior Year Offset From Bond Proceeds	(146,910)	0
Total	<u>\$ 0</u>	<u>\$ 296,500</u>
Balance Carried Forward to Fiscal Year 2017	<u>\$ 0</u>	<u>\$ 296,500</u>
Set-Aside Restricted Balance June 30, 2016	<u>\$ 0</u>	<u>\$ 296,500</u>

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. The School District has prior year bonds proceeds in connection with a refunding bond that may be carried forward to offset future set-aside requirements. The remaining amount of these bonds proceeds as of June 30, 2016 is \$2,562,748. This negative balance is therefore not presented as being carried forward to future years. Monies representing BWC refunds that were received prior to April 20, 2001, have been shown as a restricted cash/restricted fund balance in the general fund. The non-BWC portion of the budget stabilization has been returned to the general fund.

**Southeast Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 11 - RISK MANAGEMENT**

**Public Entity Risk Pools**

The District participates in the Ohio Schools Council (OCS) Workers' Compensation Group Retrospective Rating Program (program). The intent of the program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the program. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the program.

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

**Other Insurance**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2016, the District contracted for various insurance coverages, as follows:

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

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

**Southeast Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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The District also maintains a self-funded health insurance program for employee health coverage. The plan was started in July 2003. The claims are processed by the third party administrator, Mutual Health Services, Inc. An internal service fund is presented in the financial statements and reflects premiums paid into the self-insurance fund by other funds which are available to pay claims and administrative costs, and establish claims reserves. Claims are paid weekly through the third party administrator and fixed costs for administrative and stop loss costs are paid on a monthly basis. The District purchases stop-loss coverage through Sun Life Insurance Company to protect the plan in the occurrence of catastrophic claims. The outstanding claims at June 30, 2016 for the self-insurance program amounted to \$191,640.

The claims liability reported in the fund at June 30, 2016 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount in 2015 and 2016 were:

Fiscal Year	Fiscal Year Liability	Year Claims	Claims Payments	Fiscal Year End
2015	\$ 122,284	\$ 1,979,239	\$ (1,963,930)	\$ 137,593
2016	137,593	2,493,735	(2,439,688)	191,640

**NOTE 12 - JOINTLY GOVERNED ORGANIZATION**

**Stark Portage Area Computer Consortium**

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

The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges and assessments as charged. SPARCC is governed by a board made up of superintendents from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. During fiscal year 2016, the amount paid by the District was \$88,328. The District does not maintain an ongoing financial interest or an ongoing financial responsibility.

Payments to SPARCC are made from the general fund and the data communications fund. Financial information can be obtained from Tamra Hurst, who serves as Treasurer, at 2100 38<sup>th</sup> Street, NW, Canton, Ohio 44709.

**Southeast Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 13 - CONTINGENCIES**

**Grants**

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2016, if applicable, cannot be determined at this time.

**Litigation**

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

**School District Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 or June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**NOTE 14 – CAPITAL LEASE**

Capital lease obligations relate to copier equipment which is leased under a long-term agreement. This lease meets the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee. \$72,637 has been recorded as capital assets relating to capital leases. The capital lease is classified as equipment with accumulated depreciation of \$58,108. Capital lease payments in the general fund have been reclassified and are reflected as debt service in the basic financial statements for the general fund.

The following schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2016 is summarized below.

Fiscal Year	Capital Lease		
Ending June 30,	Principal	Interest	Total
2017	\$ 15,855	\$ 558	\$ 16,413
2018	2,718	17	2,735
	\$ 18,573	\$ 575	\$ 19,148

**Southeast Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 15 – FUND BALANCE**

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

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

	General	Other Governmental Funds	Total
Restricted for:			
Budget Stabilization-BWC Refund*	\$ 296,500	\$ 0	\$ 296,500
Debt Service	0	410,208	410,208
Capital Outlay	0	18,259	18,259
Food Service	0	131,358	131,358
Classroom Facilities Maintenance	0	1,070,018	1,070,018
Other Purposes	0	180,772	180,772
Total Restricted	296,500	1,810,615	2,107,115
Assigned for:			
Encumbrances			
Instruction	23,345	0	23,345
Support Services	482,231	0	482,231
Subsequent Year Appropriations	3,324,677	0	3,324,677
Capital Outlay	0	239,557	239,557
Other Purposes	65,026	0	65,026
Total Assigned	3,895,279	239,557	4,134,836
Unassigned	10,704,295	(2,610)	10,701,685
Total Fund Balance (Deficit)	\$ 14,896,074	\$ 2,047,562	\$ 16,943,636

\*See Note 10



**Southeast Local School District**  
**Portage County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 16 – COMMITMENTS**

**Construction Commitments**

The following construction commitments at June 30, 2016 will be financed with capital project funds revenues:

	<u>Contract Amount</u>	<u>Expenditures as of June 30, 2016</u>	<u>Amount Remaining of Contract</u>
Busses	\$ 159,322	\$ 0	\$ 159,322
Weight Room Project	35,920	30,812	5,108
Roofing Project	770,148	659,178	110,970
Technology Updates	173,312	0	173,312

**Other Commitments**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end 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>Amount</u>
General Fund	\$ 506,054
Nonmajor Governmental	24,958
	<u>\$ 531,012</u>

**Southeast Local School District**  
**Portage County, Ohio**  
*Required Supplementary Information*  
*Schedule of District Contributions*  
*Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><i>State Teachers Retirement System (STRS)</i></b>				
Contractually Required Contribution	\$ 956,616	\$ 951,480	\$ 835,026	\$ 926,725
Contributions in Relation to the Contractually Required Contribution	<u>(956,616)</u>	<u>(951,480)</u>	<u>(835,026)</u>	<u>(926,725)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's Covered-Employee Payroll	\$ 6,832,971	\$ 6,796,286	\$ 6,423,277	\$ 7,128,654
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%
 <b><i>School Employees Retirement System (SERS)</i></b>				
Contractually Required Contribution	\$ 337,128	\$ 318,204	\$ 312,104	\$ 299,326
Contributions in Relation to the Contractually Required Contribution	<u>(337,128)</u>	<u>(318,204)</u>	<u>(312,104)</u>	<u>(299,326)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's Covered-Employee Payroll	\$ 2,408,057	\$ 2,414,294	\$ 2,251,833	\$ 2,162,760
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%

n/a - Information prior to 2008 is not available.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 922,160	\$ 949,028	\$ 1,044,913	\$ 920,284	\$ 869,382	\$ 912,779
<u>(922,160)</u>	<u>(949,028)</u>	<u>(1,044,913)</u>	<u>(920,284)</u>	<u>(869,382)</u>	<u>(912,779)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 7,093,538	\$ 7,300,215	\$ 8,037,792	\$ 7,079,108	\$ 6,687,554	\$ 7,021,377
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 303,104	\$ 291,689	\$ 324,496	\$ 213,844	\$ 252,420	n/a
<u>(303,104)</u>	<u>(291,689)</u>	<u>(324,496)</u>	<u>(213,844)</u>	<u>(252,420)</u>	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a
\$ 2,253,561	\$ 2,320,517	\$ 2,396,573	\$ 2,173,211	\$ 2,570,468	n/a
13.45%	12.57%	13.54%	9.84%	9.82%	n/a

**Southeast Local School District**  
**Portage County, Ohio**  
*Required Supplementary Information*  
*Schedule of the District's Proportionate Share of the Net Pension Liability*  
*Last Three Fiscal Years (1)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><i>State Teachers Retirement System (STRS)</i></b>			
District's Proportion of the Net Pension Liability	0.06226224%	0.06387279%	0.06387279%
District's Proportionate Share of the Net Pension Liability	\$ 17,207,462	\$ 15,536,073	\$ 18,506,469
District's Covered-Employee Payroll	\$ 6,796,286	\$ 6,423,277	\$ 7,128,654
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	253.19%	241.87%	259.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%
<b><i>School Employees Retirement System (SERS)</i></b>			
District's Proportion of the Net Pension Liability	0.06922010%	0.07163500%	0.07163500%
District's Proportionate Share of the Net Pension Liability	\$ 3,949,766	\$ 3,625,407	\$ 4,259,904
District's Covered-Employee Payroll	\$ 2,414,294	\$ 2,251,833	\$ 2,162,760
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	163.60%	161.00%	196.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.



November 15, 2016

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

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southeast Local School District, Portage County, Ohio (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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*.

### **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 result 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.

*Rea & Associates, Inc.*

Medina, Ohio

November 15, 2016

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

**Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

**Report on Compliance for Each Major Federal Program**

We have audited the Southeast Local School District, Portage County, Ohio, (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of District's major federal programs for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Example Entity'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, 2016.

**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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Hea & Associates, Inc.*

Medina, Ohio



**Southeast Local School District**  
**Portage County, Ohio**  
*Schedule of Expenditures of Federal Awards - Cash Basis*  
*For the Fiscal Year Ended June 30, 2016*

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Program Year	Federal Disbursements	Passed Through to Subrecipients
<b>U. S. Department of Education (Passed Through Ohio Department of Education):</b>				
Title I	84.010	2015	\$ 46,219	0
Title I	84.010	2016	261,924	0
Total Title I			308,143	0
Special Education Cluster:				
Special Education - Grants to States	84.027	2015	66,520	0
Special Education - Grants to States	84.027	2016	294,810	0
<i>Passed through Portage County Educational Service Center:</i>				
Preschool Program	84.281	2016	4,583	0
Total Special Education Cluster			365,913	0
Title II-A - Improving Teacher Quality	84.367	2015	16,025	0
Title II-A - Improving Teacher Quality	84.367	2016	46,844	0
Total Title II-A - Improving Teacher Quality			62,869	0
Total U.S. Department of Education			736,925	0
<b>U. S. Department of Agriculture (Passed Through Ohio Department of Education):</b>				
Child Nutrition Cluster:				
Non-Cash Assistance:				
School Breakfast Program	10.553	N/A	10,502	0
National School Lunch Program	10.555	N/A	42,020	0
Cash Assistance:				
School Breakfast Program	10.553	N/A	78,135	0
National School Lunch Program	10.555	N/A	312,623	0
Total Nutrition Cluster			443,280	0
Total U.S. Department of Agriculture			443,280	0
Total Federal Assistance			\$ 1,180,205	0

See accompanying notes to this schedule

**Southeast Local School District  
Portage County, Ohio**

**Notes to the Schedule of Expenditures of Federal Awards  
2 CFR 200.510(b)(6)  
For the Year Ended June 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Southeast Local School District (the District) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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

**Southeast Local School District**  
**Portage County, Ohio**  
*Schedule of Findings and Questioned Costs*  
*2 CFR Section 200.515*  
*June 30, 2016*

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list): Special Education Cluster: Special Education- Grants to States Special Education- Preschool Program	CFDA #84.027 CFDA #84.281
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None noted.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None noted.

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# Dave Yost • Auditor of State

**SOUTHEAST LOCAL SCHOOL DISTRICT**

**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 17, 2017**