

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

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*Basic Financial Statements*

***Fiscal Year Ended June 30, 2009***





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Southeast Local School District, Portage County, prepared by Rea & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 16, 2009

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**SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO**

*For the Year Ended June 30, 2009  
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**SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO**

*For the Year Ended June 30, 2009*

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

November 28, 2009

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

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeast Local School District (the School District) as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2009, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2009 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Southeast Local School District  
Independent Auditor's Report  
November 28, 2009  
Page 2

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Kea & Associates, Inc.*

# ***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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## ***Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2009***

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The discussion and analysis of Southeast Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

### **FINANCIAL HIGHLIGHTS**

**Key financial highlights for 2009 are as follows:**

- Net assets increased \$767,350 which represents a 2.6 percent increase from 2008.
- General revenues accounted for \$19,302,106 in revenue or 91.0 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,898,285 or 9.0 percent of total revenues of \$21,200,391.
- The District had \$20,433,041 in expenses related to governmental activities; \$1,898,285 of these expenses was offset by program specific charges for services, grants or contributions.
- Among major funds, the general fund had \$18,558,843 in revenues and \$16,962,764 in expenditures. The general fund's fund balance increased \$1,654,961 to \$3,359,761.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

These statements are as follows:

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

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

### **Government-wide Statements**

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

# **SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO**

## ***Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2009***

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

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

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

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

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

### **Fund Financial Statements**

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

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

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

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

**SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009*

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

The following table provides a summary of the District's net assets for 2009 compared to 2008.

	Governmental Activities	
	2009	2008
Current and other assets	\$ 15,378,237	\$ 13,517,499
Capital assets, net	31,205,255	32,619,705
Total assets	<u>46,583,492</u>	<u>46,137,204</u>
Long-term liabilities	7,267,036	7,424,392
Other liabilities	8,536,100	8,699,806
Total liabilities	<u>15,803,136</u>	<u>16,124,198</u>
Net assets		
Invested in capital assets, net of related debt	25,833,255	26,972,705
Restricted	1,709,681	1,726,897
Unrestricted (deficit)	3,237,420	1,313,404
Total net assets	<u>\$ 30,780,356</u>	<u>\$ 30,013,006</u>

Total assets showed a net increase of \$446,288, with a substantial increase in pooled cash and cash equivalents of \$1,645,037. This increase was due to the District receiving the full allocation amount of the emergency levy in fiscal year 2009. This increase in cash was offset by an increase in taxes and a decrease in intergovernmental receivables. A decrease of \$85,426 in intergovernmental receivables was attributed to no revenue from the Section 8002 Impact Aid Program and other federal subsidies. The decrease of \$1,414,450 in capital assets was attributed to the depreciation expense exceeding the additions for the current year. The total liabilities decreased \$321,062, which was primarily the result of the retirement of some outstanding debt and a reduction in deferred revenue related to property taxes receivable. The amount of property tax receivable that was considered available at year end (recorded as revenue) was higher than in the prior year, thus resulting in a lesser amount of the receivable being offset to deferred revenue.

***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009***

Changes in Net Assets - The following table shows the changes in net assets for the fiscal year 2009 compared to 2008.

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 656,406	\$ 687,097
Operating Grants and Contributions	1,241,879	1,455,102
General Revenues:		
Property Taxes	6,980,313	6,357,962
Grants and Entitlements	12,174,819	12,107,413
Miscellaneous and Investment Earnings	146,974	277,652
Total Revenues	<u>21,200,391</u>	<u>20,885,226</u>
Program Expenses:		
Instruction	11,699,353	10,099,978
Support Services:		
Pupils	1,555,311	1,700,615
Instructional Staff	565,874	518,365
Board of Education	25,347	30,450
Administration	1,389,028	1,125,589
Fiscal Services	476,379	387,573
Business	103,265	101,078
Operation and Maintenance of Plant	1,579,905	1,428,649
Pupil Transportation	1,488,831	1,167,615
Central	61,934	2,129,033
Operation of Non-Instructional Services	5,431	12,002
Operation of Food Service	649,594	647,018
Extracurricular Activities	521,668	542,563
Interest and Fiscal Charges	311,121	316,841
Total Expenses	<u>20,433,041</u>	<u>20,207,369</u>
Change in Net Assets	767,350	677,857
Beginning Net Assets	<u>30,013,006</u>	<u>29,335,149</u>
Ending Net Assets	<u>\$ 30,780,356</u>	<u>\$ 30,013,006</u>

# **SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO**

## ***Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2009***

Overall revenue increased \$315,165 over fiscal year 2008. Program expenses increased from \$20.2 million in 2008 to \$20.4 million in 2009. The increase in total program expenses reflects increases in salaries, fringe benefits (health insurance and retirement), purchased services (utilities and special education costs) and other expenses.

The change in central expense was the result in how the District reported the employer portion of medical insurance expenditures. In fiscal year 2008, these expenditures were charged to the Central function. For fiscal year 2009, it was determined to charge these expenses to the program function in which the employee worked to more accurately report the actual cost of providing services of each particular program.

### ***Governmental Activities***

The net assets of the District's governmental activities increased by \$767,350.

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

Property taxes made up 32.93 percent of revenues for governmental activities for Southeast Local Schools in fiscal year 2009. These revenues increased \$622,351 over 2008, primarily from the second year collections of the emergency levy.

<u>Revenue Sources</u>	<u>2009</u>	<u>Percent of Total</u>
General Grants	\$ 12,174,819	57.43%
Program Revenues	1,898,285	8.95%
General Tax Revenues	6,980,313	32.93%
Miscellaneous and Investment Earnings	146,974	0.69%
Total Revenue	<u>\$ 21,200,391</u>	<u>100.00%</u>

### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

The District's governmental funds reported a combined fund balance of \$4,903,210, which is above last year's total of \$3,091,785. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009***

	Fund Balance June 30, 2009	Fund Balance June 30, 2008	Increase (Decrease)
General	\$ 3,359,761	\$ 1,704,800	\$ 1,654,961
Bond Retirement	325,325	298,929	26,396
Other Governmental	1,218,124	1,088,056	130,068
Total	<u>\$ 4,903,210</u>	<u>\$ 3,091,785</u>	<u>\$ 1,811,425</u>

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

	2009 Revenues	2008 Revenues	Increase (Decrease)
Taxes	\$ 6,131,707	\$ 5,850,267	\$ 281,440
Tuition and Fees	74,541	123,483	(48,942)
Investment Earnings	71,305	132,491	(61,186)
Intergovernmental	12,227,652	12,266,010	(38,358)
Other Revenue Types	53,238	73,291	(20,053)
Total	<u>\$ 18,558,443</u>	<u>\$ 18,445,542</u>	<u>\$ 112,901</u>

General Fund revenues in 2009 increased approximately 1.0 percent compared to revenues in fiscal year 2008. The primary factor contributing to this increase was due to an increase in taxes.

	2009 Expenditures	2008 Expenditures	Increase (Decrease)
Instruction	\$ 9,582,825	\$ 8,029,761	\$ 1,553,064
Supporting Services:			
Pupils	1,497,143	1,508,392	(11,249)
Instructional Staff	459,460	400,934	58,526
Board of Education	25,347	30,450	(5,103)
Administration	1,302,852	1,038,769	264,083
Fiscal Services	455,338	368,801	86,537
Business	146,717	100,488	46,229
Operation and Maintenance of Plant	1,472,601	1,263,031	209,570
Pupil Transportation	1,568,541	1,248,048	320,493
Central	59,574	2,349,278	(2,289,704)
Extracurricular Activities	378,816	380,316	(1,500)
Debt Service:			
Principal Retirement	11,473	0	11,473
Interest and Fiscal Charges	2,077	0	2,077
Total	<u>\$ 16,962,764</u>	<u>\$ 16,718,268</u>	<u>\$ 244,496</u>

The District's general fund expenditures remained fairly stable, increasing \$244,496, or about 1.5 percent.

# **SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO**

## ***Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2009***

The primary factors contributing to this increase was due to support services and transportation costs.

### ***General Fund Budgeting Highlights***

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

For the general fund, the actual revenue was \$18,397,592 representing a \$192,058 increase from the final budget estimates of \$18,205,534. Most of this difference was in the area of intergovernmental revenue. The School District's general unencumbered fund balance at end of year was \$4,919,334.

The District revises its appropriations throughout the fiscal year. During fiscal year 2009, no significant fluctuations between actual and final budget were noted. Final expenditures plus outstanding encumbrances were under the final appropriated amounts by \$1,410,817. There were no individually significant events that caused this variance. The District has adopted a fund level of budgeting.

For the general fund, the final budget basis revenue estimate was \$18,205,534, which was lower than the original budget estimate of \$18,191,563. This difference of \$13,971 was due to the anticipated decrease in property tax revenue, the exact amount of which is often unknown during the original budgeting process. Near the closing of the fiscal year, the Treasurer adjusts the final budget (estimated resources) in the accounting system to reflect the actual amounts received or anticipated to be received by June 30, 2009.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### ***Capital Assets***

At the end of fiscal 2009 the District had \$31,205,255 net of accumulated depreciation invested in land, land improvements, buildings, equipment and vehicles. The following table shows fiscal year 2008 and 2009 balances:

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2009</u>	<u>2008</u>	<u>(Decrease)</u>
Land	\$ 1,475,065	\$ 1,475,065	\$ 0
Land Improvements	1,470,634	1,470,634	0
Buildings and Improvements	38,539,912	38,539,912	0
Machinery and Equipment	2,024,491	1,965,191	59,300
Vehicles	2,167,189	1,951,265	215,924
Less: Accumulated Depreciation	(14,472,036)	(12,782,362)	(1,689,674)
Total	<u>\$ 31,205,255</u>	<u>\$ 32,619,705</u>	<u>\$ (1,414,450)</u>

The primary cause for this decrease in capital assets is due to depreciation on the assets. Additional information on the District's capital assets can be found in Note 6.

# **SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO**

## ***Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2009***

### ***Debt***

At June 30, 2009, the District had \$5,645,430 in bonds outstanding, \$277,188 of which is due within one year. The following table summarizes the District's debt outstanding as of June 30th.

	<u>2009</u>	<u>2008</u>
Governmental Activities:		
General Obligation Bonds:		
Classroom Facilities	\$ 5,645,430	\$ 5,874,602

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2009, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 9.

### **Current Financial Related Issues**

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

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

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

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

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

***Basic Financial Statements***

**SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO**

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**Statement of Net Assets**  
**June 30, 2009**

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	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 8,340,886
Receivables:	
Taxes	6,862,334
Intergovernmental	153,249
Materials and Supplies Inventory	15,442
Inventory Held for Resale	6,326
Nondepreciable Capital Assets	1,475,065
Depreciable Capital Assets, Net	<u>29,730,190</u>
<b>Total Assets</b>	<u>46,583,492</u>
<b>Liabilities:</b>	
Accounts Payable	16,787
Accrued Wages and Benefits	1,860,314
Intergovernmental Payable	448,295
Claims Payable	416,975
Deferred Revenue	5,720,188
Accrued Vacations Payable	51,619
Matured Compensated Absences Payable	21,922
Long -Term Liabilities:	
Due Within One Year	387,221
Due In More Than One Year	<u>6,879,815</u>
<b>Total Liabilities</b>	<u>15,803,136</u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	25,833,255
Restricted for:	
Capital Projects	254,022
Debt Service	368,758
Other Purposes	1,018,117
Set Asides	68,784
Unrestricted (Deficit)	<u>3,237,420</u>
<b>Total Net Assets</b>	<u>\$ 30,780,356</u>

**SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO**

**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2009**

	Program Revenues		Net (Expense) Revenue and and Changes in Net Assets	
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 8,574,255	\$ 49,314	\$ 236,078	\$ (8,288,863)
Special	2,103,027	9,908	572,410	(1,520,709)
Vocational	155,713	0	0	(155,713)
Student Intervention Services	26,535	0	0	(26,535)
Other	839,823	0	0	(839,823)
Support Services:				
Pupils	1,555,311	0	0	(1,555,311)
Instructional Staff	565,874	0	82,911	(482,963)
Board of Education	25,347	0	0	(25,347)
Administration	1,389,028	0	5,905	(1,383,123)
Fiscal	476,379	0	0	(476,379)
Business	103,265	0	0	(103,265)
Operation and Maintenance of Plant	1,579,905	3,148	0	(1,576,757)
Pupil Transportation	1,488,831	0	0	(1,488,831)
Central	61,934	0	0	(61,934)
Operation of Non-Instructional Services	5,431	0	49,783	44,352
Operation of Food Services	649,594	415,563	294,792	60,761
Extracurricular Activities	521,668	178,473	0	(343,195)
Interest and Fiscal Charges	311,121	0	0	(311,121)
<b>Total Governmental Activities</b>	<b>\$ 20,433,041</b>	<b>\$ 656,406</b>	<b>\$ 1,241,879</b>	<b>(18,534,756)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	6,361,316
Debt Service	524,033
Other Purposes	94,964
Grants and Entitlements not Restricted to Specific Programs	12,174,819
Investment Earnings	96,909
Miscellaneous	50,065
<i>Total General Revenues</i>	<i>19,302,106</i>
<i>Change in Net Assets</i>	<i>767,350</i>
<i>Net Assets Beginning of Year</i>	<i>30,013,006</i>
<i>Net Assets End of Year</i>	<i>\$ 30,780,356</i>

**SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO**

**Balance Sheet  
Governmental Funds  
June 30, 2009**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 4,902,289	\$ 280,531	\$ 1,289,405	\$ 6,472,225
Cash and Cash Equivalents - Restricted	68,784	0	0	68,784
Receivables:				
Taxes	6,247,641	526,709	87,984	6,862,334
Intergovernmental	10,220	0	143,029	153,249
Interfund	228	0	0	228
Materials and Supplies Inventory	15,442	0	0	15,442
Inventory Held for Resale	0	0	6,326	6,326
<b>Total Assets</b>	<u>\$ 11,244,604</u>	<u>\$ 807,240</u>	<u>\$ 1,526,744</u>	<u>\$ 13,578,588</u>
<b>Liabilities:</b>				
Accounts Payable	\$ 8,718	\$ 0	\$ 8,069	\$ 16,787
Accrued Wages and Benefits	1,706,041	0	154,273	1,860,314
Interfund Payable	0	0	228	228
Intergovernmental Payable	417,138	0	31,157	448,295
Matured Compensated Absences Payable	21,922	0	0	21,922
Deferred Revenue	5,731,024	481,915	114,893	6,327,832
<b>Total Liabilities</b>	<u>7,884,843</u>	<u>481,915</u>	<u>308,620</u>	<u>8,675,378</u>
<b>Fund Balances:</b>				
Reserved for Encumbrances	45,091	0	20,161	65,252
Reserved for Property Taxes	526,837	44,794	7,393	579,024
Reserved for Textbooks and Instructional Materials	68,784	0	0	68,784
Unreserved:				
Undesignated, Reported in:				
General Fund	2,719,049	0	0	2,719,049
Special Revenue Funds	0	0	951,069	951,069
Capital Projects Funds	0	0	239,501	239,501
Debt Service Funds	0	280,531	0	280,531
<b>Total Fund Balances</b>	<u>3,359,761</u>	<u>325,325</u>	<u>1,218,124</u>	<u>4,903,210</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 11,244,604</u>	<u>\$ 807,240</u>	<u>\$ 1,526,744</u>	<u>\$ 13,578,588</u>

**SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO**

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**Reconciliation of Total Governmental Fund Balances  
To Net Assets of Governmental Activities  
June 30, 2009**

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<b>Total Governmental Fund Balances</b>	\$	4,903,210
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		31,205,255
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:		
Grants	\$ 34,302	
Excess Cost	10,220	
Delinquent Property Taxes	563,122	607,644
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
Classroom Facilities Serial Bonds	(5,115,000)	
Classroom Facilities Capital Appreciation Bonds	(257,000)	
Accretion of Capital Appreciation Bonds	(273,430)	
Capital Leases	(47,827)	(5,693,257)
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(1,573,779)	
Accrued Vacation Payable	(51,619)	(1,625,398)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		1,382,902
<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b>30,780,356</b>

**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, 2009**

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 6,131,707	\$ 504,587	\$ 91,547	\$ 6,727,841
Intergovernmental	12,227,652	69,441	1,114,095	13,411,188
Investment Earnings	71,305	0	14,139	85,444
Tuition and Fees	74,541	0	2,573	77,114
Rentals	3,148	0	0	3,148
Extracurricular Activities	0	0	175,902	175,902
Charges for Services	0	0	415,563	415,563
Gifts and Donations	25	0	0	25
Miscellaneous	50,065	0	0	50,065
<b>Total Revenues</b>	<u>18,558,443</u>	<u>574,028</u>	<u>1,813,819</u>	<u>20,946,290</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	7,032,309	0	113,265	7,145,574
Special	1,531,624	0	540,619	2,072,243
Vocational	152,534	0	0	152,534
Student Intervention Services	26,535	0	0	26,535
Other	839,823	0	0	839,823
Support Services:				
Pupils	1,497,143	0	50,857	1,548,000
Instructional Staff	459,460	0	48,486	507,946
Board of Education	25,347	0	0	25,347
Administration	1,302,852	0	71,276	1,374,128
Fiscal	455,338	9,416	1,574	466,328
Business	146,717	0	0	146,717
Operation and Maintenance of Plant	1,472,601	0	69,938	1,542,539
Pupil Transportation	1,568,541	0	0	1,568,541
Central	59,574	0	0	59,574
Operation of Non-Instructional Services:				
Food Service Operations	0	0	650,039	650,039
Extracurricular Activities	378,816	0	137,715	516,531
Debt Service:				
Principal Retirement	11,473	275,000	0	286,473
Interest and Fiscal Charges	2,077	263,216	0	265,293
<b>Total Expenditures</b>	<u>16,962,764</u>	<u>547,632</u>	<u>1,683,769</u>	<u>19,194,165</u>
Excess of Revenues Over (Under) Expenditures	<u>1,595,679</u>	<u>26,396</u>	<u>130,050</u>	<u>1,752,125</u>
<b>Other Financing Sources (Uses):</b>				
Inception of Capital Lease	59,300	0	0	59,300
Transfers In	0	0	18	18
Transfers Out	(18)	0	0	(18)
<b>Total Other Financing Sources and (Uses)</b>	<u>59,282</u>	<u>0</u>	<u>18</u>	<u>59,300</u>
Net Change in Fund Balance	1,654,961	26,396	130,068	1,811,425
<b>Fund Balance (Deficit) at Beginning of Year</b>	<u>1,704,800</u>	<u>298,929</u>	<u>1,088,056</u>	<u>3,091,785</u>
<b>Fund Balance (Deficit) at End of Year</b>	<u>\$ 3,359,761</u>	<u>\$ 325,325</u>	<u>\$ 1,218,124</u>	<u>\$ 4,903,210</u>

**SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO**

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**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances to the Statement of Activities  
For the Fiscal Year Ended June 30, 2009**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	1,811,425
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded additions in the current period.		
Capital Asset Additions	\$ 275,224	
Current Year Depreciation	(1,689,674)	
Total		(1,414,450)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	5,513	
Excess Cost	(15,346)	
Delinquent Property Taxes	252,468	242,635
Total		
Repayment of leases and bond principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Lease Principal	11,473	
Bond Principal	275,000	286,473
Total		
Inception of capital leases are reported as other financing sources in the governmental funds, but the issuances increase long-term liabilities in the statement of net assets.		
Capital Leases		(59,300)
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Increase in Compensated Absences	(23,989)	
Increase in Vacation Payable	(5,668)	
Total		(29,657)
In statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
Current Year Bond Accretion		(45,828)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities.		
		(23,948)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b>767,350</b>

**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, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 5,898,482	\$ 5,912,453	\$ 5,888,791	\$ (23,662)
Intergovernmental	12,113,808	12,113,808	12,310,317	196,509
Investment Income	60,000	60,000	71,305	11,305
Tuition and Fees	81,150	81,150	74,541	(6,609)
Rental	1,000	1,000	3,148	2,148
Gifts and Donations	1,000	1,000	25	(975)
Miscellaneous	36,123	36,123	49,465	13,342
<b>Total Revenues</b>	<b>18,191,563</b>	<b>18,205,534</b>	<b>18,397,592</b>	<b>192,058</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	6,510,240	7,576,791	7,145,927	430,864
Special	1,152,291	1,563,188	1,437,890	125,298
Vocational	129,091	149,824	147,999	1,825
Student Intervention Services	53,400	52,400	26,499	25,901
Other	960,387	1,059,387	932,090	127,297
Support Services:				
Pupils	1,566,459	1,556,684	1,476,960	79,724
Instructional Staff	484,470	535,428	468,191	67,237
Board of Education	36,252	33,617	27,311	6,306
Administration	1,144,989	1,342,716	1,289,662	53,054
Fiscal	411,159	491,636	464,416	27,220
Business	112,400	117,975	100,967	17,008
Operation and Maintenance of Plant	1,410,900	1,579,517	1,448,690	130,827
Pupil Transportation	1,426,032	1,722,503	1,522,177	200,326
Central	2,506,726	146,913	58,014	88,899
Extracurricular Activities	402,810	407,590	378,559	29,031
<b>Total Expenditures</b>	<b>18,307,606</b>	<b>18,336,169</b>	<b>16,925,352</b>	<b>1,410,817</b>
Excess of Revenues Over (Under) Expenditures	(116,043)	(130,635)	1,472,240	1,602,875
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Assets	100	100	600	500
Transfers Out	0	0	(18)	(18)
Advances Out	0	0	(228)	(228)
<b>Total Other Financing Sources (Uses)</b>	<b>100</b>	<b>100</b>	<b>354</b>	<b>254</b>
Net Change in Fund Balance	(115,943)	(130,535)	1,472,594	1,603,129
<b>Fund Balance (Deficit) at Beginning of Year</b>	<b>3,406,915</b>	<b>3,406,915</b>	<b>3,406,915</b>	<b>0</b>
Prior Year Encumbrances Appropriated	39,825	39,825	39,825	0
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ 3,330,797</b>	<b>\$ 3,316,205</b>	<b>\$ 4,919,334</b>	<b>\$ 1,603,129</b>

**SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO**

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*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2009*

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	Governmental Activities - Internal Service Funds
	<hr/>
<b>Assets:</b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,799,877
	<hr/>
<b>Liabilities:</b>	
<i>Current Liabilities:</i>	
Claims Payable	416,975
	<hr/>
<b>Net Assets:</b>	
Unrestricted	\$ 1,382,902
	<hr/> <hr/>

***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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***Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2009***

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	<u>Governmental Activities - Internal Service Funds</u>
<b>Operating Revenues:</b>	
Charges for Services	\$ 2,558,820
<b>Operating Expenses:</b>	
Purchased Services	311,066
Claims	<u>2,283,168</u>
<b>Total Operating Expenses</b>	<u>2,594,234</u>
Operating Income (Loss)	(35,414)
<b>Non-Operating Revenue :</b>	
Investment Earnings	<u>11,466</u>
Change in Net Assets	(23,948)
Net Assets (Deficit) Beginning of Year	<u>1,406,850</u>
Net Assets (Deficit) End of Year	<u>\$ 1,382,902</u>

**SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO**

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**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2009**

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	<b>Governmental Activities Internal Service Fund</b>
<b>Cash Flows From Operating Activities:</b>	
Cash Received for Charges for Services	\$ 2,558,820
Cash Paid for Goods and Services	(311,066)
Cash Paid for Claims	(2,242,315)
	<hr/>
<i>Net Cash Provided By (Used For) Operating Activities</i>	5,439
<b>Cash Flows From Investing Activities:</b>	
Cash Receipts for Interest	11,466
	<hr/>
<i>Net Increase in Cash and Cash Equivalents</i>	16,905
<i>Cash and Cash Equivalents at Beginning of Year</i>	1,782,972
	<hr/>
<i>Cash and Cash Equivalents at End of Year</i>	\$ 1,799,877
	<hr/> <hr/>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>	
Operating Income (Loss)	\$ (35,414)
Increase (Decrease) in Liabilities:	
Claims Payable	40,853
	<hr/>
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ 5,439
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**SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO**

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*Statement of Assets & Liabilities*  
*Fiduciary Funds*  
*June 30, 2009*

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	<u>Agency Fund</u>
<b>Assets:</b>	
Cash and Cash Equivalents	<u>\$ 40,135</u>
<b>Liabilities:</b>	
Due to Students	<u>\$ 40,135</u>

# ***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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

#### **A. Reporting Entity**

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 94 non-certified and approximately 140 certified teaching personnel and administrative employees providing education to 2,143 students.

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

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

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

For the year ended June 30, 2009, the District has implemented GASB Statement No. 52, "*Land and Other Real Estate Held as Investments by Endowments*", GASB Statement No. 55, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", and GASB Statement No. 56, "*Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*".

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair

## ***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards.

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

#### **B. Basis of Presentation - Fund Accounting**

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

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

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

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

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

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

## **SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO**

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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

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

### **C. Basis of Presentation – Financial Statements**

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

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

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

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

## ***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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

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

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

#### **D. Basis of Accounting**

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

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

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

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

## ***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue within the basic financial statements.

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

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the statement of activities as an expense with a like amount reported within the "operating grants and contributions" program revenue account. Unused donated commodities are reported in the account "Inventory held for resale" within the basic financial statements.

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

#### **E. Budgetary Process**

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

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

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

# ***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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

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

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

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

### **Net Change in Fund Balance**

GAAP Basis	\$ 1,654,961
Net Adjustment for Revenue Accruals	(219,551)
Net Adjustment for Expenditure Accruals	88,922
Adjustment for Encumbrances	<u>(51,738)</u>
 Budget Basis	 <u><u>\$ 1,472,594</u></u>

### **F. Cash and Cash Equivalents**

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

During fiscal year 2009, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAROhio). STAROhio is a very liquid investment account which is reported as cash equivalents in the basic financial statements.

## ***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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

#### **G. Investments**

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

The District has invested funds in the State Treasury Asset Reserve of Ohio during 2009. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2009.

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 2009 amounted to \$71,305 which includes \$18,901 assigned from other School District funds.

#### **H. Inventory**

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

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

#### **I. Prepaid Items**

Payments to vendors for services that will benefit periods beyond June 30, 2009 are recorded as prepaid items using the consumption method. A current asset for the prepaid item is recorded at the time of purchase and expenditure is reported in the fiscal year in which the services are consumed.

#### **J. Capital Assets and Depreciation**

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

***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009***

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

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

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

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

**L. Compensated Absences**

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the termination method.

## ***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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Employees earn one and one-fourth days of sick leave per month up to a maximum of 15 days per year. Upon retirement, a percentage of unused sick leave is paid based upon years of experience. The percentages are 15 percent for 0-5 years, 30 percent for 6-15 years and 35 percent for 16 years and up. Maintenance and custodial employees receive an additional 15 days of severance for 6-15 years of service and an additional 30 days of severance for 16 or more years of service at retirement.

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

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

#### **M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted assets in the General Fund include amounts set aside as a reserve for textbooks and instructional materials. See Note 10 for additional information regarding set asides.

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

#### **N. Pensions**

The provision for pension costs are recorded when the related payroll is accrued and the obligation is incurred. For governmental funds, pension liabilities earned as of June 30, 2009 are recorded as a fund liability.

#### **O. Interfund Activity**

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

## ***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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#### **P. Restricted Assets**

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

#### **Q. Reservations of Fund Balance**

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

#### **R. Estimates**

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

#### **S. Operating Revenues and Expenses**

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

#### **T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2009.

### **NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

The fund deficits at June 30, 2009 were \$1,346 in the miscellaneous state grant fund. These deficits were caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is when cash is needed rather than when accruals occur.

## ***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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#### **NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan.
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

## ***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

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

***Deposits*** At fiscal year end, the carrying amount of the District's deposits was \$4,963,642 and the bank balance was \$5,039,380. Of the bank balance:

1. \$1,010,606 was covered by federal depository insurance; and
2. \$4,028,774 was exposed to custodial credit risk as discussed above. Of this balance, collateral of \$2,490,665 was held in the name of Southeast Local School District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

### ***Investments***

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

## ***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

Ending investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2009. This value as of June 30, 2009 was \$3,414,879.

*Credit Risk* – The District's only investment at June 30, 2009 was in STAROhio, which is rated AAAM by Standard & Poor's. The School District's policy doesn't address credit risk.

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

#### **NOTE 4 - PROPERTY TAXES**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2009 were levied after October 1, 2008 on assessed values as of January 1, 2007, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

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

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Southeast Local District and periodically remits to the District its portion of the taxes collected. The County Auditor also periodically advances to the District its portion of the taxes collected. Second-

## ***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred/unearned revenue, respectively.

The amount available as an advance at June 30, 2009 was \$526,837 in the general fund, \$44,794 in the bond retirement debt service fund, \$7,393 in the classroom facility maintenance fund.

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

The assessed value upon which the fiscal year 2009 receipts were based is:

	<u>2008 Second Half Collections</u>	<u>2009 First Half Collections</u>
Agricultural/Residential and Other Real Estate	\$ 221,026,830	\$ 222,685,564
Public Utility Personal	6,803,250	6,773,490
Tangible Personal Property	1,462,118	702,804
Total Assessed Value	<u>\$ 229,292,198</u>	<u>\$ 230,161,858</u>
Tax rate per \$1,000 of assessed valuation	\$ 39.37	\$ 39.31

## ***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009***

### **NOTE 5 - RECEIVABLES**

Receivables at June 30, 2009 consisted of taxes, interfund, and intergovernmental receivables. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
General Fund	\$ 10,220
<u>Other governmental funds:</u>	
IDEA Grant	73,452
Title I	45,902
Drug Free	110
Improving Teacher Quality	20,112
Entry Year Programs	2,100
Other Grants	1,353
Total Intergovernmental Receivable	<u>\$ 153,249</u>

### **NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
	<u>June 30, 2008</u>			<u>June 30, 2009</u>
<b>Governmental Activities</b>				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 1,475,065	\$ 0	\$ 0	\$ 1,475,065
 <i>Capital Assets, Being Depreciated</i>				
Land Improvements	1,470,634		0	1,470,634
Building and Improvements	38,539,912		0	38,539,912
Machinery and Equipment	1,965,191	59,300	0	2,024,491
Vehicles	1,951,265	215,924		2,167,189
<i>Total Capital Assets, being depreciated</i>	<u>43,927,002</u>	<u>275,224</u>	<u>0</u>	<u>44,202,226</u>
 <i>Accumulated Depreciation</i>				
Land Improvements	(1,438,041)	(116,953)	0	(1,554,994)
Building and Improvements	(8,159,222)	(1,318,871)	0	(9,478,093)
Machinery and Equipment	(1,561,671)	(138,188)	0	(1,699,859)
Vehicles	(1,623,428)	(115,662)		(1,739,090)
<i>Total Accumulated Depreciation</i>	<u>(12,782,362)</u>	<u>(1,689,674)</u>	<u>0</u>	<u>(14,472,036)</u>
 <i>Total Capital Assets being depreciated, net</i>	<u>31,144,640</u>	<u>(1,414,450)</u>	<u>0</u>	<u>29,730,190</u>
 <i>Governmental Activities, Capital Assets, net</i>	<u>\$ 32,619,705</u>	<u>\$ (1,414,450)</u>	<u>\$ 0</u>	<u>\$ 31,205,255</u>

## ***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,425,386
Support Services:	
Vocational	1,174
Instructional Staff	63,916
Administration	3,404
Business	14,825
Operation and Maintenance of Plant	34,854
Pupil Transportation	127,391
Central	2,360
Operation of Food Services	11,220
Extracurricular Activities	<u>5,144</u>
 Total Depreciation	 <u><u>\$ 1,689,674</u></u>

### **NOTE 7- DEFINED BENEFIT PENSION PLANS**

#### ***A. School Employees Retirement System***

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The District’s contributions to SERS for the years ended June 30, 2009, 2008 and 2007 were \$202,016, \$252,420, and \$231,391, respectively; 50% has been contributed for fiscal year 2009, and 100% for the fiscal years 2008 and 2007.

## ***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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#### ***B. State Teachers Retirement System***

The District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](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. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

The District’s required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2009, 2008 and 2007 were \$920,284, \$869,382, and \$912,779, respectively; 83% has been contributed for fiscal year 2009, and 100% for the fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$27,298 made by the District and \$16,975 made by the plan members.

## ***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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#### **NOTE 8 - POST EMPLOYMENT BENEFITS**

##### ***A. School Employees Retirement System***

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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.

The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$109,120, \$105,840 and \$114,981, respectively.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was .75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$11,828, \$15,087 and \$14,810, respectively.

##### ***B. State Teachers Retirement System***

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

## SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009*

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$70,791, \$66,876 and \$70,213, respectively.

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

Detail of the changes in the long-term general obligation bonds and compensated absences of the District for the year ended June 30, 2009, is as follows:

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009	Amount Due Within One Year
<i>General Obligation Bonds:</i>					
School Improvement					
Classroom Facilities Improvement					
Serial Bonds	\$5,390,000	\$ 0	(\$275,000)	\$5,115,000	\$ 0
Classroom Facilities Improvement					
Capital Appreciation Bonds	257,000	0	0	257,000	134,303
Accretion on Capital					
Appreciation Bonds	227,602	45,828	0	273,430	142,885
<i>Total General Obligation Bonds</i>	5,874,602	45,828	(275,000)	5,645,430	277,188
 <i>Other Long-term Liabilities:</i>					
Compensated Absences	1,549,790	43,863	(19,874)	1,573,779	94,446
Capital Lease	0	59,300	(11,473)	47,827	15,587
<i>Total Other Long-term Liabilities</i>	1,549,790	103,163	(31,347)	1,621,606	110,033
<i>Total Governmental Long-term Obligations</i>	\$ 7,424,392	148,991	(306,347)	\$ 7,267,036	\$ 387,221

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

The capital appreciation bonds mature on December 1, 2010 and December 1, 2023. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as long-term liability. The maturity amount of the bonds is \$580,000. For fiscal year 2009, \$45,828 was accreted for a liability of \$273,430.

**SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2009, follows:

Fiscal Year Ending June 30,	General Obligation Bond			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	0	257,236	257,236	134,303	155,697	290,000
2011	0	257,236	257,236	122,697	167,303	290,000
2012	290,000	249,986	539,986	0	0	0
2013	305,000	235,110	540,110	0	0	0
2014	320,000	219,486	539,486	0	0	0
2015-2019	1,845,000	835,555	2,680,555	0	0	0
2020-2024	2,355,000	311,626	2,666,626	0	0	0
Totals	<u>\$ 5,115,000</u>	<u>\$ 2,366,235</u>	<u>\$ 7,481,235</u>	<u>\$ 257,000</u>	<u>\$ 323,000</u>	<u>\$ 580,000</u>

**NOTE 10 – STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves for the purpose of textbooks and other instructional materials and an additional amount for capital improvements. During the fiscal year ended June 30, 2009, the reserve activity (cash-basis) was as follows:

	Capital Improvement	Textbook Instructional Materials	Total
Set-Aside Carry Over Balance as of June 30, 2008	\$ 0	\$ 281,859	\$ 281,859
Current Year Set-Aside Requirement	272,224	272,224	544,448
Qualifying Offset	(272,224)	0	(272,224)
Qualifying Disbursements	0	(485,299)	(485,299)
Total	<u>\$ 0</u>	<u>\$ 68,784</u>	<u>\$ 68,784</u>
Cash Balance Carried Forward to FY 2010	<u>\$ 0</u>	<u>\$ 68,784</u>	<u>\$ 68,784</u>
Amount to Restrict for Set-Asides			<u>\$ 68,784</u>

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

***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

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**NOTE 11 - RISK MANAGEMENT**

**A. Public Entity Risk Pools**

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

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

**B. Other Insurance**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2009, 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.

The District also maintains a self-funded health insurance program for employee health coverage. The plan was started in July of 2003. The claims are processed by the third party administrator, Benefit Services Inc. An internal service fund is presented in the financial statements and reflects premiums paid into the self-insurance fund by other funds which are available to pay claims and administrative costs, and establish claims reserves. Claims are paid weekly through the third party administrator and

***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009***

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, 2009 for the self-insurance program amounted to \$416,975.

The claims liability reported in the fund at June 30, 2009 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 2008 and 2009 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims	Claims Payments	Balance at Fiscal Year End
2008	\$ 378,873	\$ 2,062,816	\$ (2,065,567)	\$ 376,122
2009	376,122	2,283,168	(2,242,315)	416,975

**NOTE 12 - JOINTLY GOVERNED ORGANIZATION**

**Stark Portage Area Computer Consortium**

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

The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges and assessments as charged. SPARCC is governed by a board made up of superintendents from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. During fiscal year 2009, the amount paid by the District was \$75,906. The Southeast Local School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to SPARCC are made from the general fund. Financial information can be obtained from Gene Feucht, who serves as director, at 2100 38<sup>th</sup> Street, NW, Canton, Ohio 44709.

## ***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009***

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#### **NOTE 13 - CONTINGENCIES**

##### **A. Grants**

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009.

##### **B. Litigation**

The District is not a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2009.

#### **NOTE 14 – INTERFUND TRANSACTIONS**

##### **A. Interfund Loans**

Interfund receivables and payables may result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made, or (4) to eliminate negative cash balances.

An interfund receivable was set-up in the general fund and an interfund payable in the action for healthy kids fund for \$228 to eliminate negative cash balances as of June 30, 2009.

As of June 30, 2009, all interfund loans outstanding (\$228) are anticipated to be repaid in fiscal year 2010.

##### **B. Interfund Transfers**

During the year the general fund transferred \$18 to the other grants fund to cover the operating expenditures of that fund.

***SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO***

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

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**NOTE 15 – 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 defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases". \$59,300 has been recorded as capital assets relating to capital leases with \$14,825 of accumulated depreciation as of June 30, 2009. Capital lease payments in the general fund have been reclassified and are reflected as debt service in the basic financial statements for the general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. The following schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2009 is summarized below.

Fiscal Year Ending June, 30	Capital Lease		
	Principal	Interest	Total
2010	\$ 15,587	\$ 2,027	\$ 17,614
2011	15,093	1,168	16,261
2012	17,147	468	17,615
Total	<u>\$ 47,827</u>	<u>\$ 3,663</u>	<u>\$ 51,490</u>



## Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

November 28, 2009

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Southeast Local School District as of and for the year ended June 30, 2009, and have issued our report thereon dated November 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

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

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

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

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of non-compliance that we have reported to management of Southeast Local School District in a separate letter dated November 28, 2009.

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

*Hea & Associates, Inc.*



## Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

November 28, 2009

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

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

#### **Compliance**

We have audited the compliance of the Southeast Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2009. Southeast Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of the Southeast Local School District's management. Our responsibility is to express an opinion on Southeast Local School District's compliance based on our audit.

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

In our opinion, Southeast Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133. However, we did note an immaterial instance of noncompliance that we have reported to management of Southeast Local School District in a separate letter dated November 28, 2009.

**Internal Control Over Compliance**

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

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

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

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

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

*Hea & Associates, Inc.*

**SOUTHEAST LOCAL SCHOOL DISTRICT**  
**PORTAGE COUNTY, OHIO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Expenditures
<b>U. S. Department of Education (Passed Through Ohio Department of Education):</b>					
Title I	84.010	C1-S1-2008	\$ 33,843	\$ 51,625	\$ 0
Title I	84.010	C1-S1-2009	159,288	151,322	0
Total Title I			193,131	202,947	0
<i>Special Education Cluster</i>					
IDEA-B	84.027	6B-SF-2008	66,063	78,017	0
IDEA-B	84.027	6B-SF-2009	303,524	290,455	0
Total IDEA-B			369,587	368,472	0
Title IV-A Safe and Drug-Free Schools (A)	84.186	DR-S1-2008	(1,562)	2,872	0
Title IV-A Safe and Drug-Free Schools	84.186	DR-S1-2009	6,935	5,841	0
Total Safe and Drug-Free Schools and Communities			5,373	8,713	0
Title V	84.298	C2-S1-2008	0	1,905	0
Title V	84.298	C2-S1-2009	1,478	1,478	0
Total Title V			1,478	3,383	0
Title II-D	84.318	TJ-S1-2009	1,869	1,869	0
Total Title II-D			1,869	1,869	0
Title II-A	84.367	TR-S1-2008	20,783	24,877	0
Title II-A	84.367	TR-S1-2009	70,054	65,853	0
Total Title II-A			90,837	90,730	0
Total Department of Education			662,275	676,114	0
<b>U. S. Department of Agriculture (Passed Through Ohio Department of Education):</b>					
Nutrition Cluster:					
School Breakfast Program	10.553		57,422	57,422	0
National School Lunch Program - Non Cash	10.555		35,897	0	35,897
National School Lunch Program	10.555		235,170	235,170	0
Total Nutrition Cluster			328,489	292,592	35,897
Total Department of Agriculture			328,489	292,592	35,897
Total Federal Assistance			\$ 990,764	\$ 968,706	\$ 35,897

(A) Return of Receipt to the Ohio Department of Education

**Southeast Local School District**  
**Portage County, Ohio**  
*Notes to the Schedule of Expenditures – Cash Basis*  
*For the Fiscal Year Ended June 30, 2009*

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**Note A - Child Nutrition Cluster**

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

**Note B – Food Donation Program**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

**Note C - Transfers**

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education’s (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2009, the ODE authorized the following transfers:

<u>CFDA</u>		<u>Program</u>		
<u>Number</u>	<u>Program Title</u>	<u>Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.027	IDEA-B - Special Education - Grants to States	2008	\$ 4,076	
84.027	IDEA-B - Special Education - Grants to States	2009		\$ 4,076
84.010	Title I Grants to Local Educational Agencies	2008	5,680	
84.010	Title I Grants to Local Educational Agencies	2009		5,680
84.186	Title IV-A - Safe and Drug-Free Schools	2008	1,562	
84.186	Title IV-A - Safe and Drug-Free Schools	2009		1,562

**SOUTHEAST LOCAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133, Section .505  
JUNE 30, 2009**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	IDEA B 84.027; Nutrition Cluster 10.553 & 10.555
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

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

**N/A – no findings are reported**

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

**N/A – no findings are reported**



**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

November 28, 2009

Southeast Local School District  
8245 Tallmadge Road  
Ravenna, Ohio 44266

To the Board of Education:

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Southeast Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on February 23, 2009.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;

- (3) A procedure for reporting prohibited incidents;
- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Rea & Associates, Inc.*



**Mary Taylor, CPA**  
Auditor of State

**SOUTHEAST LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 31, 2009**