

Southeast Local School District
Portage County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2013



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Southeast Local School District, Portage County, prepared by Rea & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 18, 2013

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

*For the Fiscal Year Ended June 30, 2013
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**SOUTHEAST LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

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November 18, 2013

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeast Local School District, Portage County, Ohio, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeast Local School District, Portage County, Ohio, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Medina, Ohio

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Southeast Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

The discussion and analysis of the Southeast Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- Net position decreased \$2,030,619, which represents a 5.5% decrease from 2012.
- Capital assets decreased \$1,215,429 during fiscal year 2013.
- During the year, outstanding debt decreased from \$4,897,434 to \$4,534,245 due to principal payments made by the District.
- The District was granted a Corrective Action Grant in the amount of \$5,366,950 from the Ohio School Facilities Commission (OSFC) in 2011. As of June 30, 2013 the majority of the project was complete and all funds had been received, the project expenses were not capitalized.

Using this Annual Report

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

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Southeast Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 15. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the classroom facilities fund.

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

Proprietary Fund The District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 20.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate Statement of Fiduciary Assets and Liabilities on page 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Southeast Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2013 compared to 2012:

Table 1
Net Position

	Governmental Activities	
	2013	2012
Assets		
Current and Other Assets	\$ 22,565,323	\$ 24,724,815
Capital Assets	25,998,848	27,214,277
<i>Total Assets</i>	48,564,171	51,939,092
Liabilities		
Other Liabilities	7,929,686	8,722,612
Long-Term Liabilities	5,773,733	6,325,109
<i>Total Liabilities</i>	13,703,419	15,047,721
Net Position		
Net Investment in Capital Assets	21,497,116	22,416,587
Restricted	2,245,966	5,449,960
Unrestricted	11,117,670	9,024,824
<i>Total Net Position</i>	\$ 34,860,752	\$ 36,891,371

At year end, capital assets represented 53.5% of total assets. Capital assets include, land, land improvements, buildings and improvements, machinery and equipment, and vehicles. Net investment in capital assets was \$21,497,116 at June 30, 2013. These capital assets are used to provide services to students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$2,245,966 or 6.4%, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position of \$11,117,670 may be used to meet the government's ongoing obligations to students and creditors.

Total current and other assets showed a net decrease of \$2,159,492 with a substantial decrease in pooled cash and cash equivalents of \$1,840,613, due to the Corrective Action grant from the Ohio School Facilities Commission being spent.

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

Total liabilities decreased \$1,344,302, primarily due to principal payments on debt and a decrease in contracts payable for the school remediation project.

Southeast Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Table 2 shows the changes in net position for fiscal year 2013 and 2012.

Table 2
Changes in Net Position

	Governmental Activities	
	2013	2012
Revenues		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$ 1,029,298	\$ 1,088,623
Operating Grants, Contributions and Interest	1,290,999	1,287,611
Capital Grants and Contributions	1,238	0
<i>Total Program Revenues</i>	<u>2,321,535</u>	<u>2,376,234</u>
<i>General Revenues:</i>		
Property Taxes	6,275,442	6,353,407
Grants and Entitlements Not Restricted	12,449,109	11,831,039
Other	115,852	72,506
<i>Total General Revenues</i>	<u>18,840,403</u>	<u>18,256,952</u>
<i>Total Revenues</i>	<u>21,161,938</u>	<u>20,633,186</u>
Program Expenses		
<i>Instruction:</i>		
Regular	8,547,250	8,514,311
Special	2,771,020	2,768,000
Vocational	120,049	106,226
Student Intervention Services	33,415	24,862
Other	1,010,715	945,890
<i>Support Services:</i>		
Pupils	960,763	1,141,590
Instructional Staff	294,339	430,217
Board of Education	32,323	174,327
Administration	1,358,671	1,294,735
Fiscal	465,328	438,385
Business	15,348	100,666
Operation and Maintenance of Plant	4,626,116	3,495,441
Pupil Transportation	1,483,829	1,464,588
Central	85,057	89,883
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	710,694	656,587
Extracurricular Activities	534,615	545,982
<i>Debt Service:</i>		
Interest and Fiscal Charges	143,025	147,047
<i>Total Expenses</i>	<u>23,192,557</u>	<u>22,338,737</u>
<i>Increase (Decrease) in Net Position</i>	(2,030,619)	(1,705,551)
<i>Net Position at Beginning of Year</i>	36,891,371	38,596,922
<i>Net Position at End of Year</i>	<u>\$ 34,860,752</u>	<u>\$ 36,891,371</u>

Southeast Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Overall revenue increased \$528,752, due to an increase in federal impact-aid. Program expenses increased from \$22.3 million to \$23.2 million in 2013. This increase in total program expenses reflects the final expenditures of the school building remediation project.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2013	2012	2013	2012
Instruction:				
Regular	\$ 8,547,250	\$ 8,514,311	\$ 7,975,448	\$ 7,851,015
Special	2,771,020	2,768,000	2,150,190	2,168,527
Vocational	120,049	106,226	61,960	106,226
Student Intervention Services	33,415	24,862	33,415	24,862
Other	1,010,715	945,890	1,010,715	945,890
Support Services:				
Pupils	960,763	1,141,590	910,191	1,141,590
Instructional Staff	294,339	430,217	275,953	378,619
Board of Education	32,323	174,327	32,323	106,916
Administration	1,358,671	1,294,735	1,292,636	1,228,005
Fiscal	465,328	438,385	463,707	438,274
Business	15,348	100,666	15,348	100,666
Operation and Maintenance of Plant	4,626,116	3,495,441	4,560,956	3,427,052
Pupil Transportation	1,483,829	1,464,588	1,483,129	1,464,588
Central	85,057	89,883	85,057	89,883
Operation of Non-Instructional Services:				
Food Service Operations	710,694	656,587	(28,702)	(48,368)
Extracurricular Activities	534,615	545,982	405,671	391,711
Debt Service:				
Interest and Fiscal Charges	143,025	147,047	143,025	147,047
<i>Total Expenses</i>	<i>\$ 23,192,557</i>	<i>\$ 22,338,737</i>	<i>\$ 20,871,022</i>	<i>\$ 19,962,503</i>

The District's net cost of services increased \$908,519 due to expenses related to the school building remediation project.

The dependence upon general revenues for governmental activities is apparent. Nearly 90% of governmental activities are supported through taxes and other general revenues; such revenues are 89% of total governmental revenues. The community, as a whole, is by far the primary support for the District students.

Southeast Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Governmental Funds

Information about the District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$21,450,198 and expenditures of \$22,102,711 for fiscal year. The net change in fund balances for the fiscal year was a decrease of \$652,513 for all governmental funds with the most significant decrease in the classroom facilities fund.

The general fund's net change in fund balance for fiscal year 2013 was an increase of \$2,360,807. This increase is primarily due to an increase in additional revenue from federal impact-aid. This increase was offset by a decrease in expenditures due to a freeze on wages and step increases.

The fund balance of the classroom facilities fund decreased by \$3,045,422. This decrease can be attributed to the final expenditures for the school remediation project.

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, the District did amend its general fund budget a few times. The District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, actual budget basis revenue was \$251,808 higher than the final budget basis revenue of \$18,758,394. No individually significant variance resulted in difference between budget and actual revenues.

Original budget basis revenue of \$17,277,155 were \$1,481,239 lower than the final budget basis revenue of \$18,758,394, due to an underestimation of federal impact-aid to be received.

Final expenditure appropriations of \$17,746,831 were \$962,649 higher than the actual expenditures of \$16,784,182, as cost savings were recognized for instruction and student support services throughout the year.

Southeast Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$25,998,848 invested in capital assets. Table 4 shows fiscal year 2013 balances compared with 2012.

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

	Governmental Activities	
	2013	2012
Land	\$ 400,918	\$ 400,918
Land Improvements	633,881	718,861
Buildings and Improvements	23,786,335	25,105,206
Machinery and Equipment	334,446	259,553
Vehicles	843,268	729,739
<i>Totals</i>	\$ 25,998,848	\$ 27,214,277

The \$1,215,429 decrease in capital assets was attributable to depreciation and disposals exceeding additional current year purchases. See Note 7 for more information about the capital assets of the District.

Debt

At June 30, 2013, the District had \$4,534,245 in debt outstanding. See Note 10 for additional details. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt at Year End

	Governmental Activities	
	2013	2012
2011 Refunding Bonds - Serial, Term and Capital Appreciation Bonds	\$ 4,534,245	\$ 4,897,434

Southeast Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Current Issues

In May of 2010 the District was fortunate to pass a renewal of the original 8.9 mill four year emergency levy approved in May of 2006. This levy is certified to raise \$1,866,247 each year for a period of four years. Our district continues to face declining property tax values as are many districts throughout Ohio. The 2012 tax year valuation is \$215,128,400; with 88.3% of that value coming from residential/agricultural and 11.7% from all other property values.

The District relies on the State for approximately 61% of its general operating revenues which is less than years past, due to the expiration of the federal stimulus funds. The Department of Education used a "Bridge" formula for fiscal years 2012 and 2013. In June of 2013, the new biennial budget was passed which unveiled a new funding formula for fiscal years (FY) 2014-2015. Our District is shown to be flat funded for each of those two years.

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

Contacting the District's Financial Management

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

Southeast Local School District
Portage County, Ohio
Statement of Net Position
June 30, 2013

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 15,415,385
Receivables:	
Accounts	24,603
Intergovernmental	301,893
Property Taxes	6,731,126
Deferred Charges	92,316
Nondepreciable Capital Assets	400,918
Depreciable Capital Assets (Net)	25,597,930
<i>Total Assets</i>	48,564,171
Liabilities	
Accounts Payable	26,864
Accrued Wages and Benefits	1,330,707
Contracts Payable	70,431
Intergovernmental Payable	420,660
Accrued Vacation Leave Payable	87,349
Matured Compensated Absences Payable	153,332
Accrued Interest Payable	10,792
Claims Payable	217,302
Deferred Revenue	5,612,249
Long Term Liabilities:	
Due Within One Year	444,195
Due In More Than One Year	5,329,538
<i>Total Liabilities</i>	13,703,419
Net Position	
Net Investment in Capital Assets	21,497,116
Restricted For:	
Capital Outlay	279,509
Debt Service	387,145
Set Asides	296,500
Other Purposes	1,282,812
Unrestricted	11,117,670
<i>Total Net Position</i>	\$ 34,860,752

See accompanying notes to the basic financial statements.

Southeast Local School District
Portage County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 8,547,250	\$ 491,228	\$ 80,574	\$ 0	\$ (7,975,448)
Special	2,771,020	55,010	565,820	0	(2,150,190)
Vocational	120,049	0	58,089	0	(61,960)
Student Intervention Services	33,415	0	0	0	(33,415)
Other	1,010,715	0	0	0	(1,010,715)
Support Services:					
Pupils	960,763	0	50,572	0	(910,191)
Instructional Staff	294,339	0	18,386	0	(275,953)
Board of Education	32,323	0	0	0	(32,323)
Administration	1,358,671	44,115	21,920	0	(1,292,636)
Fiscal	465,328	0	1,621	0	(463,707)
Business	15,348	0	0	0	(15,348)
Operation and Maintenance of Plant	4,626,116	0	63,922	1,238	(4,560,956)
Pupil Transportation	1,483,829	0	700	0	(1,483,129)
Central	85,057	0	0	0	(85,057)
Operation of Non-Instructional Services:					
Food Service Operations	710,694	310,001	429,395	0	28,702
Extracurricular Activities	534,615	128,944	0	0	(405,671)
Debt Service:					
Interest and Fiscal Charges	143,025	0	0	0	(143,025)
Total	\$ 23,192,557	\$ 1,029,298	\$ 1,290,999	\$ 1,238	(20,871,022)

General Revenues

Property Taxes Levied for:	
General Purposes	5,759,254
Debt Service	434,926
Other Purposes	81,262
Grants and Entitlements Not Restricted to Specific Programs	12,449,109
Gain on Sale of Capital Assets	2,758
Investment Earnings	15,298
Miscellaneous	97,796
Total General Revenues	18,840,403
Change in Net Position	(2,030,619)
Net Position Beginning of Year	36,891,371
Net Position End of Year	\$ 34,860,752

See accompanying notes to the basic financial statements.

Southeast Local School District
Portage County, Ohio
Balance Sheet
Governmental Funds
June 30, 2013

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 11,809,964	\$ 111,964	\$ 1,868,387	\$ 13,790,315
Restricted Cash and Cash Equivalents	296,500	0	0	296,500
Receivables:				
Accounts	150	0	0	150
Interfund	26,721	0	0	26,721
Intergovernmental	145,133	0	156,760	301,893
Property Taxes	6,170,949	0	560,177	6,731,126
<i>Total Assets</i>	<u>\$ 18,449,417</u>	<u>\$ 111,964</u>	<u>\$ 2,585,324</u>	<u>\$ 21,146,705</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 24,129	\$ 0	\$ 2,735	\$ 26,864
Accrued Wages and Benefits	1,215,834	0	114,873	1,330,707
Contracts Payable	0	70,431	0	70,431
Intergovernmental Payable	382,687	0	37,973	420,660
Matured Compensated Absences Payable	153,332	0	0	153,332
Interfund Payable	0	0	26,721	26,721
Deferred Revenue	5,755,174	0	546,088	6,301,262
<i>Total Liabilities</i>	<u>7,531,156</u>	<u>70,431</u>	<u>728,390</u>	<u>8,329,977</u>
Fund Balances				
Restricted	296,500	41,533	1,622,107	1,960,140
Assigned	1,373,442	0	237,976	1,611,418
Unassigned	9,248,319	0	(3,149)	9,245,170
<i>Total Fund Balances</i>	<u>10,918,261</u>	<u>41,533</u>	<u>1,856,934</u>	<u>12,816,728</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 18,449,417</u>	<u>\$ 111,964</u>	<u>\$ 2,585,324</u>	<u>\$ 21,146,705</u>

See accompanying notes to the basic financial statements.

Southeast Local School District
Portage County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2013

Total Governmental Fund Balances		\$ 12,816,728
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		25,998,848
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 559,137	
Excess Costs	92,530	
Intergovernmental	37,346	
Total		689,013
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		1,135,721
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		92,316
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(10,792)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Refunding Bond	(4,435,000)	
Capital Appreciation Bonds	(4,999)	
Bond Premium	(108,806)	
Refunding Loss	16,489	
Accretion of Interest - Capital Appreciation Bonds	(1,929)	
Capital Lease	(61,732)	
Vacations Payable	(87,349)	
Compensated Absences	(1,177,756)	
Total		(5,861,082)
<i>Net Position of Governmental Activities</i>		\$ 34,860,752

See accompanying notes to the basic financial statements.

Southeast Local School District
Portage County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 5,837,829	\$ 0	\$ 523,107	\$ 6,360,936
Intergovernmental	12,573,646	14,535	1,304,837	13,893,018
Investment Income	14,189	809	2,465	17,463
Tuition and Fees	513,595	0	0	513,595
Extracurricular Activities	48,340	0	129,144	177,484
Rentals	1,648	0	0	1,648
Charges for Services	0	0	310,000	310,000
Contributions and Donations	3,064	0	0	3,064
Miscellaneous	96,394	0	1,201	97,595
<i>Total Revenues</i>	<u>19,088,705</u>	<u>15,344</u>	<u>2,270,754</u>	<u>21,374,803</u>
Expenditures				
Current:				
Instruction:				
Regular	6,867,149	0	83,287	6,950,436
Special	2,171,873	0	563,570	2,735,443
Vocational	118,274	0	0	118,274
Student Intervention Services	33,415	0	0	33,415
Other	1,010,715	0	0	1,010,715
Support Services:				
Pupils	906,413	0	51,145	957,558
Instructional Staff	274,118	0	20,926	295,044
Board of Education	32,337	0	0	32,337
Administration	1,325,931	0	22,283	1,348,214
Fiscal	450,759	0	12,157	462,916
Business	95,504	0	0	95,504
Operation and Maintenance of Plant	1,346,492	198,151	138,751	1,683,394
Pupil Transportation	1,582,612	0	700	1,583,312
Central	82,697	0	0	82,697
Extracurricular Activities	415,978	0	142,095	558,073
Operation of Non-Instructional Services:				
Food Service Operations	0	0	708,988	708,988
Capital Outlay	72,637	2,862,615	0	2,935,252
Debt Service:				
Principal Retirement	13,595	0	355,000	368,595
Interest and Fiscal Charges	2,794	0	139,750	142,544
<i>Total Expenditures</i>	<u>16,803,293</u>	<u>3,060,766</u>	<u>2,238,652</u>	<u>22,102,711</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,285,412</u>	<u>(3,045,422)</u>	<u>32,102</u>	<u>(727,908)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	2,758	0	0	2,758
Inception of Capital Lease	72,637	0	0	72,637
<i>Total Other Financing Sources (Uses)</i>	<u>75,395</u>	<u>0</u>	<u>0</u>	<u>75,395</u>
<i>Net Change in Fund Balance</i>	2,360,807	(3,045,422)	32,102	(652,513)
<i>Fund Balances Beginning of Year</i>	<u>8,557,454</u>	<u>3,086,955</u>	<u>1,824,832</u>	<u>13,469,241</u>
<i>Fund Balances End of Year</i>	<u>\$ 10,918,261</u>	<u>\$ 41,533</u>	<u>\$ 1,856,934</u>	<u>\$ 12,816,728</u>

See accompanying notes to the basic financial statements.

Southeast Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2013*

Net Change in Fund Balances - Total Governmental Funds	\$	(652,513)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 395,709	
Current Year Depreciation	<u>(1,611,138)</u>	(1,215,429)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(85,493)	
Excess Costs	5,729	
Ohio School Facilities Commission	(131,564)	
Intergovernmental	<u>(906)</u>	(212,234)
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		368,595
 Debt proceeds issued in the governmental funds that increase long-term in the statement of net position are not reported as revenues.		
Capital Lease		(72,637)
 Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred on the statement of net position.		
		(9,232)
 In the statement of activities, interest is accrued on outstanding bonds, and bond premium and bond issuance costs and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	562	
Amortization of Premium on Bonds	10,881	
Amortization of Refunding Loss	<u>(1,649)</u>	9,794
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		(486,767)
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	247,229	
Vacations	<u>(6,382)</u>	240,847
 Accretion on capital appreciation bonds is an expenditure in the governmental funds when paid, but is allocated as an expense over the life of the bonds in governmental activities.		
		<u>(1,043)</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$</u>	<u>(2,030,619)</u>

See accompanying notes to the basic financial statements.

Southeast Local School District
Portage County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 5,753,048	\$ 5,724,084	\$ 5,849,958	\$ 125,874
Intergovernmental	11,124,107	12,456,690	12,554,167	97,477
Investment Income	15,000	14,000	14,189	189
Tuition and Fees	322,100	516,120	538,871	22,751
Rentals	1,000	1,000	2,313	1,313
Contributions and Donations	0	3,000	3,064	64
Miscellaneous	61,900	43,500	47,640	4,140
<i>Total Revenues</i>	<u>17,277,155</u>	<u>18,758,394</u>	<u>19,010,202</u>	<u>251,808</u>
Expenditures				
Current:				
Instruction:				
Regular	7,102,477	7,004,813	6,892,404	112,409
Special	2,180,503	2,316,495	2,158,868	157,627
Vocational	120,095	119,929	118,794	1,135
Student Intervention Services	36,091	32,184	28,990	3,194
Other	587,013	1,076,887	1,030,452	46,435
Support Services:				
Pupils	968,875	931,012	872,936	58,076
Instructional Staff	388,928	348,164	323,541	24,623
Board of Education	40,453	41,400	34,184	7,216
Administration	1,550,098	1,361,229	1,275,441	85,788
Fiscal	576,409	480,589	444,037	36,552
Business	131,929	116,711	95,504	21,207
Operation and Maintenance of Plant	1,690,531	1,549,659	1,356,498	193,161
Pupil Transportation	1,896,080	1,743,559	1,600,218	143,341
Central	190,706	143,235	118,462	24,773
Extracurricular Activities	506,755	464,576	417,464	47,112
Debt Service:				
Principal Retirement	13,595	13,595	13,595	0
Interest and Fiscal Charges	2,794	2,794	2,794	0
<i>Total Expenditures</i>	<u>17,983,332</u>	<u>17,746,831</u>	<u>16,784,182</u>	<u>962,649</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(706,177)</u>	<u>1,011,563</u>	<u>2,226,020</u>	<u>1,214,457</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	2,758	2,758
Refund of Prior Year Expenditures	0	0	530	530
Refund of Prior Year Receipts	0	0	(21)	(21)
Advances Out	(3,706)	0	(26,721)	(26,721)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,706)</u>	<u>0</u>	<u>(23,454)</u>	<u>(23,454)</u>
<i>Net Change in Fund Balance</i>	<u>(709,883)</u>	<u>1,011,563</u>	<u>2,202,566</u>	<u>1,191,003</u>
<i>Fund Balance Beginning of Year</i>	<u>9,581,080</u>	<u>9,581,080</u>	<u>9,581,080</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>158,569</u>	<u>158,569</u>	<u>158,569</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 9,029,766</u>	<u>\$ 10,751,212</u>	<u>\$ 11,942,215</u>	<u>\$ 1,191,003</u>

See accompanying notes to the basic financial statements.

Southeast Local School District
Portage County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2013

	Governmental Activities - Internal Service Fund
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,328,570
Accounts Receivable	24,453
	1,353,023
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	217,302
	1,135,721
Net Position	
Unrestricted	\$ 1,135,721

See accompanying notes to the basic financial statements.

Southeast Local School District
Portage County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2013

	Governmental Activities - Internal Service Fund
Operating Revenue	
Charges for Services	\$ 2,395,238
Operating Expenses	
Purchased Services	474,682
Claims	2,408,432
<i>Total Operating Expenses</i>	2,883,114
<i>Operating Income (Loss)</i>	(487,876)
Non-Operating Revenues (Expenses)	
Interest	1,109
<i>Change in Net Position</i>	(486,767)
<i>Net Position Beginning of Year</i>	1,622,488
<i>Net Position End of Year</i>	\$ 1,135,721

See accompanying notes to the basic financial statements.

Southeast Local School District
Portage County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2013

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows From Operating Activities	
Cash Received for Charges for Services	\$ 2,370,785
Cash Paid for Goods and Services	(475,448)
Cash Paid for Claims	<u>(2,426,020)</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>(530,683)</u>
Cash Flows From Investing Activities	
Cash Receipts for Interest	<u>1,109</u>
<i>Net Cash Provided By (Used For) Investing Activities</i>	<u>1,109</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(529,574)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,858,144</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 1,328,570</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used for) Operating Activities	
Operating Income (Loss)	\$ (487,876)
Adjustments:	
(Increase) Decrease Assets:	
Accounts Receivable	(24,453)
Increase (Decrease) in Liabilities:	
Accounts Payable	(766)
Claims Payable	<u>(17,588)</u>
<i>Total Adjustments</i>	<u>(42,807)</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u><u>\$ (530,683)</u></u>

See accompanying notes to the basic financial statements.

Southeast Local School District
Portage County, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2013

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 61,221
<i>Total Assets</i>	<u>\$ 61,221</u>
Liabilities	
Due to Students	<u>61,221</u>
<i>Total Liabilities</i>	<u>\$ 61,221</u>

See accompanying notes to the basic financial statements.

SOUTHEAST LOCAL SCHOOL DISTRICT
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

The District participates in a jointly governed organization, the Stark-Portage Area Computer Consortium (SPARCC). SPARCC provides the data processing services needed by the participating Districts. Information regarding this organization is presented in Note 13.

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

B. Basis of Presentation - Fund Accounting

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

SOUTHEAST LOCAL SCHOOL DISTRICT

Portage County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

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.

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

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

Proprietary Funds - The proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets 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 position. The District's only proprietary fund is an internal service fund.

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

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

SOUTHEAST LOCAL SCHOOL DISTRICT

Portage County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

C. Basis of Presentation – Financial Statements

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

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

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

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

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

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

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

SOUTHEAST LOCAL SCHOOL DISTRICT

Portage County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, have been recorded as deferred revenue within the basic financial statements.

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

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

SOUTHEAST LOCAL SCHOOL DISTRICT

Portage County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

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

E. Budgetary Process

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

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

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

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

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

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

SOUTHEAST LOCAL SCHOOL DISTRICT

Portage County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

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

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

Net Change in Fund Balance

GAAP Basis	\$ 2,360,807
Net adjustments for revenue accruals	(100,775)
Net adjustments for expenditure accruals	58,440
Funds budgeted elsewhere*	(8,201)
Adjustments for encumbrances	(107,705)
Budget Basis	<u>\$ 2,202,566</u>

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

F. Cash and Cash Equivalents

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

During fiscal year 2013, cash and cash equivalents included amounts in demand deposits, savings accounts, money market accounts and the State Treasury Asset Reserve (STAROhio). STAROhio is a very liquid investment account which is reported as cash equivalents in the basic financial statements.

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

G. Investments

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

SOUTHEAST LOCAL SCHOOL DISTRICT

Portage County, Ohio

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For the Fiscal Year Ended June 30, 2013

The District has invested funds in STAROhio during 2013. 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, 2013.

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 2013 amounted to \$14,189, which includes \$5,072 assigned from other District funds.

H. Capital Assets and Depreciation

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

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

All reported capital assets except land 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

I. Accrued Liabilities and Long-Term Obligations

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

SOUTHEAST LOCAL SCHOOL DISTRICT

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

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

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

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

J. Interfund Balances

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

K. Compensated Absences

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

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

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

SOUTHEAST LOCAL SCHOOL DISTRICT
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

L. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consist 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 position are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

M. Pensions

The provision for pension costs are recorded when the related payroll is accrued and the obligation is incurred. For governmental funds, unpaid pension liabilities earned as of June 30, 2013 are recorded as a fund liability.

N. Interfund Activity

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

O. Fund Balance

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

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

SOUTHEAST LOCAL SCHOOL DISTRICT

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

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

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

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

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

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

P. Estimates

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

Q. Unamortized Bond Issuance Costs

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

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

SOUTHEAST LOCAL SCHOOL DISTRICT

Portage County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

R. Operating Revenues and Expenses

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2013.

T. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2013, the District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net position reporting requirements in GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

SOUTHEAST LOCAL SCHOOL DISTRICT
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - ACCOUNTABILITY

The following funds had GAAP deficit balances at June 30, 2013:

<u>Non-Major Special Revenue Funds:</u>	<u>Fund Balance</u>
Miscellaneous state funds	\$ 68
IDEA Grant	3,081

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

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

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

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;

SOUTHEAST LOCAL SCHOOL DISTRICT

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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

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

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

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

SOUTHEAST LOCAL SCHOOL DISTRICT

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Deposits At fiscal year end, the carrying amount of the District's deposits was \$10,168,154 and the bank balance was \$10,386,709. Of the bank balance:

1. \$1,229,576 was covered by federal depository insurance; and
2. \$9,157,133 was exposed to custodial credit risk as discussed above. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments

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

Ending investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2013. This value as of June 30, 2013 was \$5,308,452. STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio to maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2013 is 58 days.

Credit Risk – The District's only investment at June 30, 2013 was in STAROhio, which is rated AAAM by Standard & Poor's. The District's policy does not address credit risk.

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

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

SOUTHEAST LOCAL SCHOOL DISTRICT
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 4 – INTERFUND BALANCES

Interfund Balances

Interfund balances consisted of the following individual fund receivables and payables at June 30, 2013, as reported on the fund statement:

	Interfund Receivable	Interfund Payable
General Fund	\$ 26,721	\$ 0
Other Governmental Fund:		
Title I	0	26,721
	\$ 26,721	\$ 26,721

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances were interfund loans which were not repaid in the current fiscal year, however expected to be repaid in the next fiscal year.

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

SOUTHEAST LOCAL SCHOOL DISTRICT
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For the Fiscal Year Ended June 30, 2013

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

The District receives property taxes from Portage County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2013 was \$512,803 in the general fund, \$39,577 in the bond retirement debt service fund, and \$7,360 in the classroom facilities fund. The amount available as an advance at June 30, 2012, was \$524,932 in the general fund, \$40,562 in the bond retirement debt service fund, and \$7,461 in the classroom facilities fund.

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

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 216,004,870	96.36%	\$ 206,555,890	96.02%
Public Utility Personal Property	8,162,580	3.64%	8,572,510	3.98%
	<u>\$ 224,167,450</u>	<u>100.00%</u>	<u>\$ 215,128,400</u>	<u>100.00%</u>
Tax rate per \$1,000 assessed valuation	\$ 39.37		\$ 39.80	

SOUTHEAST LOCAL SCHOOL DISTRICT
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 6 - RECEIVABLES

Receivables at June 30, 2013 consisted of accounts, interfund, taxes and intergovernmental receivables. A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	\$ 145,133
Other governmental funds:	
Food Service	1,201
IDEA Grant	51,991
Education Job	700
Title I	91,054
Improving Teacher Quality	11,814
	\$ 301,893

All receivables are considered collectible in the subsequent year.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 400,918	\$ 0	\$ 0	\$ 400,918
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	2,544,781	0	0	2,544,781
Buildings and Improvements	38,539,912	0	0	38,539,912
Machinery and Equipment	2,139,502	127,678	(64,799)	2,202,381
Vehicles	2,751,414	268,031	(69,515)	2,949,930
<i>Total Capital Assets, Being Depreciated</i>	45,975,609	395,709	(134,314)	46,237,004
<i>Accumulated Depreciation</i>				
Land Improvements	(1,825,920)	(84,980)	0	(1,910,900)
Buildings and Improvements	(13,434,706)	(1,318,871)	0	(14,753,577)
Machinery and Equipment	(1,879,949)	(52,785)	64,799	(1,867,935)
Vehicles	(2,021,675)	(154,502)	69,515	(2,106,662)
<i>Total Accumulated Depreciated</i>	(19,162,250)	(1,611,138)	134,314	(20,639,074)
<i>Total Capital Assets Being Depreciated, Net</i>	26,813,359	(1,215,429)	0	25,597,930
<i>Governmental Activities, Capital Assets, Net</i>	\$ 27,214,277	\$ (1,215,429)	\$ 0	\$ 25,998,848

SOUTHEAST LOCAL SCHOOL DISTRICT
Portage County, Ohio
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For the Fiscal Year Ended June 30, 2013

Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,370,510
Vocational	2,078
Support Services:	
Administration	4,708
Business	14,527
Operations and Maintenance of Plant	44,998
Pupil Transportation	156,657
Central	2,360
Operation of Food Services	8,089
Extracurricular Activities	7,211
Total Depreciation	\$ 1,611,138

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05% and .05% of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10% for plan members and 14% for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$283,322, \$286,139 and \$274,062, respectively; 63% has been contributed for fiscal year 2013 and 100% for the fiscal years 2012 and 2011.

SOUTHEAST LOCAL SCHOOL DISTRICT

Portage County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

B. State Teachers Retirement System

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

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

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$926,725, \$922,160 and \$949,028, respectively; 82% has been contributed for fiscal year 2013 and 100% for the fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$20,761 made by the District and \$14,830 made by the plan members.

SOUTHEAST LOCAL SCHOOL DISTRICT

Portage County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2013 certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 9 - POST EMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, .16% of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

SOUTHEAST LOCAL SCHOOL DISTRICT

Portage County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$35,560, \$12,441, and \$33,184, respectively; 63% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74% of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$16,004, \$16,965, and \$17,627, respectively; 63% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$71,287, \$70,935, and \$73,002, respectively; 82% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

SOUTHEAST LOCAL SCHOOL DISTRICT
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 10 – LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in the long-term general obligation bonds, compensated absences and capital lease of the District for the year ended June 30, 2013, is as follows:

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013	Amount Due Within One Year
General Obligation Bonds:					
2011 Refunding Bond:					
Refunding Bond	\$ 4,790,000	\$ 0	\$ (355,000)	\$ 4,435,000	\$ 360,000
Capital Appreciation Bonds	4,999	0	0	4,999	0
Accretion on Capital Appreciation Bonds	886	0	1,043	1,929	0
Unamortized Premium	119,687	0	(10,881)	108,806	0
Refunding Loss	(18,138)	0	1,649	(16,489)	0
Total General Obligation Bonds	<u>4,897,434</u>	<u>0</u>	<u>(363,189)</u>	<u>4,534,245</u>	<u>360,000</u>
Other Long-Term Obligations:					
Compensated Absences	1,424,985	27,534	(274,763)	1,177,756	70,508
Capital Lease	2,690	72,637	(13,595)	61,732	13,687
Total Other Long Term Obligations	<u>1,427,675</u>	<u>100,171</u>	<u>(288,358)</u>	<u>1,239,488</u>	<u>84,195</u>
Total Long Term Debt and Other Obligations	<u>\$ 6,325,109</u>	<u>\$ 100,171</u>	<u>\$ (651,547)</u>	<u>\$ 5,773,733</u>	<u>\$ 444,195</u>

2011 School Improvement Refunding General Obligation Bond – On June 2, 2011, the District issued \$5,114,999 refunded general obligation bond. The proceeds of the bonds were used to refund \$5,115,000 of the District's outstanding 2001 Classroom Facilities Improvement bond. The bonds were issued for 13 year period with final maturity at December 1, 2023. At the end of the refunding \$5,136,436 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bond. As of June 30, 2013, \$4,520,000 of these bonds is considered to be defeased.

This refunding bond was issued with a premium of \$141,449, which is reported as an increase to bonds payable. The amounts are being amortized as interest expense over the life of the bonds using the straight-line method, the amortization for June 30, 2013 was \$10,881. The issuance costs of \$120,012 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method; the amortization for June 30, 2013 was \$9,232. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$21,436. This difference, reported in the accompanying financial statements as a difference to bonds payable, is being amortized as interest over the life of the bonds using the straight line method. The amortization of this difference for fiscal year 2013 was \$1,649. The issuance resulted in an economic gain of \$544,501.

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

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

SOUTHEAST LOCAL SCHOOL DISTRICT
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2013, follows:

Fiscal Year Ending June 30,	General Obligation Bond			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 360,000	\$ 132,600	\$ 492,600	\$ 0	\$ 0	\$ 0
2015	365,000	125,350	490,350	0	0	0
2016	370,000	118,000	488,000	0	0	0
2017	380,000	110,025	490,025	0	0	0
2018	385,000	100,938	485,938	0	0	0
2019-2023	2,100,000	305,337	2,405,337	4,999	15,001	20,000
2024	475,000	9,500	484,500	0	0	0
	<u>\$ 4,435,000</u>	<u>\$ 901,750</u>	<u>\$ 5,336,750</u>	<u>\$ 4,999</u>	<u>\$ 15,001</u>	<u>\$ 20,000</u>

NOTE 11 – STATUTORY RESERVES

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

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

	Capital Improvement Reserve	Budget Stabilization BWC Refund
Set-Aside Restricted Balance, June 30, 2012	\$ 0	\$ 296,500
Current Year Set-Aside Requirement	315,978	0
Prior Year Offset From Bond Proceeds	(315,978)	0
Total	<u>\$ 0</u>	<u>\$ 296,500</u>
Balance Carried Forward to Fiscal Year 2014	<u>\$ 0</u>	<u>\$ 296,500</u>
Set-Aside Restricted Balance June 30, 2013	<u>\$ 0</u>	<u>\$ 296,500</u>

Monies representing BWC refunds that were received prior to April 20, 2001, have been shown as a restricted cash/restricted fund balance in the general fund. The non-BWC portion of the budget stabilization has been returned to the general fund.

SOUTHEAST LOCAL SCHOOL DISTRICT

Portage County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

NOTE 12 - RISK MANAGEMENT

A. Public Entity Risk Pools

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

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

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 2013, the District contracted for various insurance coverages, as follows:

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

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

SOUTHEAST LOCAL SCHOOL DISTRICT

Portage County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

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, Mutual Health Services, Inc.. An internal service fund is presented in the financial statements and reflects premiums paid into the self-insurance fund by other funds which are available to pay claims and administrative costs, and establish claims reserves. Claims are paid weekly through the third party administrator and fixed costs for administrative and stop loss costs are paid on a monthly basis. The District purchases stop-loss coverage through Sun Life Insurance Company to protect the plan in the occurrence of catastrophic claims. The outstanding claims at June 30, 2013 for the self-insurance program amounted to \$217,302.

The claims liability reported in the fund at June 30, 2013 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 2012 and 2013 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims	Claims Payments	Balance at Fiscal Year End
2012	\$ 233,307	\$ 2,253,864	\$ (2,252,281)	\$ 234,890
2013	234,890	2,408,432	(2,426,020)	217,302

NOTE 13 - 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 2013, the amount paid by the District was \$77,722. 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 Tamra Hurst, who serves as Treasurer, at 2100 38th Street, NW, Canton, Ohio 44709.

SOUTHEAST LOCAL SCHOOL DISTRICT

Portage County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

NOTE 14 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

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

NOTE 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 it transfers benefits and risks of ownership to the lessee. \$72,637 has been recorded as capital assets relating to capital leases with \$14,527 of accumulated depreciation as of June 30, 2013. Capital lease payments in the general fund have been reclassified and are reflected as debt service in the basic financial statements for the general fund. The following schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2013 is summarized below.

Fiscal Year Ending June 30,	Capital Lease		
	Principal	Interest	Total
2014	\$ 13,687	\$ 2,726	\$ 16,413
2015	14,375	2,038	16,413
2016	15,096	1,316	16,412
2017	15,855	558	16,413
2018	2,719	17	2,736
	<u>\$ 61,732</u>	<u>\$ 6,655</u>	<u>\$ 68,387</u>

SOUTHEAST LOCAL SCHOOL DISTRICT
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 16 – FUND BALANCE

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

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

	General	Classroom Facilities	Other Governmental Funds	Total
Restricted for:				
Budget Stabilization-BWC Refund*	\$ 296,500	\$ 0	\$ 0	\$ 296,500
Debt Service	0	0	346,858	346,858
Capital Outlay	0	41,533	0	41,533
Food Service	0	0	185,596	185,596
Classroom Facilities Maintenance	0	0	934,062	934,062
Other Purposes	0	0	155,591	155,591
Total Restricted	<u>296,500</u>	<u>41,533</u>	<u>1,622,107</u>	<u>1,960,140</u>
Assigned for:				
Encumbrances				
Instruction	37,431	0	0	37,431
Support Services	67,643	0	0	67,643
Subsequent Year Appropriations	1,211,849	0	0	1,211,849
Capital Outlay	0	0	237,976	237,976
Other Purposes	56,519	0	0	56,519
Total Assigned	<u>1,373,442</u>	<u>0</u>	<u>237,976</u>	<u>1,611,418</u>
Unassigned	<u>9,248,319</u>	<u>0</u>	<u>(3,149)</u>	<u>9,245,170</u>
Total Fund Balance (Deficit)	<u>\$ 10,918,261</u>	<u>\$ 41,533</u>	<u>\$ 1,856,934</u>	<u>\$ 12,816,728</u>

*See Note 11

SOUTHEAST LOCAL SCHOOL DISTRICT
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 17 – COMMITMENTS

A. Construction Commitments

The following construction commitments at June 30, 2013 will be financed with capital project funds revenues:

	Contract Amount	Expenditures as of June 30, 2013	Amount Remaining of Contract
School Building Remediation	\$ 4,267,379	\$ 4,248,436	\$ 18,943

B. Other Commitments

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

	Amount
General Fund	\$ 105,074
Nonmajor Governmental	126,076
	\$ 231,150

November 18, 2013

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southeast Local School District, Portage County, Ohio (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 18, 2013.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rea & Associates, Inc.

Medina, Ohio

November 18, 2103

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

**Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control over Compliance Required by OMB Circular A-133**

Report on Compliance for Each Major Federal Program

We have audited Southeast Local School District's, Portage County, Ohio (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Hea & Associates, Inc.

Medina, Ohio

Southeast Local School District
Portage County, Ohio
Schedule of Expenditures of Federal Awards - Cash Basis
For the Fiscal Year Ended June 30, 2013

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Program Year	Federal Receipts	Federal Disbursements
U. S. Department of Education (Passed Through Ohio Department of Education):				
Title I Cluster:				
Title I	84.010	2012	\$ 34,026	\$ 34,359
Title I	84.010	2013	195,770	220,653
Title I - Delinquent	84.010	2013	2,750	2,750
Total Title I Cluster			<u>232,546</u>	<u>257,762</u>
Special Education Cluster:				
Special Education - Grants to States	84.027	2012	53,956	53,982
Special Education - Grants to States	84.027	2013	313,328	313,328
<i>Passed through Portage County Educational Service Center:</i>				
Preschool Program	84.173	2012	1,043	1,043
Preschool Program	84.173	2013	3,678	3,678
Total Special Education Cluster			<u>372,005</u>	<u>372,030</u>
Title II-A - Improving Teacher Quality	84.367	2012	11,935	12,542
Title II-A - Improving Teacher Quality	84.367	2013	70,760	70,735
Total Title II-A - Improving Teacher Quality			<u>82,695</u>	<u>83,278</u>
Education Jobs	84.410	2012	91,827	91,929
Resident Educator	84.395	2012	350	350
Total U.S. Department of Education			<u>779,423</u>	<u>805,349</u>
U. S. Department of Agriculture (Passed Through Ohio Department of Education):				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program	10.555	N/A	34,375	34,375
Cash Assistance:				
School Breakfast Program	10.553	N/A	76,647	76,647
National School Lunch Program	10.555	N/A	309,966	309,966
Total Nutrition Cluster			<u>420,988</u>	<u>420,988</u>
Total U.S. Department of Agriculture			<u>420,988</u>	<u>420,988</u>
Total Federal Assistance			<u>\$ 1,200,411</u>	<u>\$ 1,226,337</u>

See accompanying notes to this schedule

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

*Notes to the Schedule of Expenditures of Federal Awards – Cash Basis
For the Fiscal Year Ended June 30, 2013*

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 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 30th and spent by September 30th). However, with the 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 2013, the ODE authorized the following transfers:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Grant Year</u>	<u>Transfer Out</u>	<u>Transfer In</u>
84.010	Title I	2013	\$ 26,721	
84.010	Title I	2014		\$ 26,721

Southeast Local School District
Portage County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133 , Section .505
June 30, 2013

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(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)	Was 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	Unmodified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Special Education Cluster: Special Education - Grants to States Preschool Program	CFDA #84.027 CFDA #84.173
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

November 18, 2013

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

Independent Accountant's Report on Applying Agreed-Upon Procedure

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

1. We noted the Board amended its anti-harassment policy at its meeting on July 30, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

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 and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

Medina, Ohio

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Dave Yost • Auditor of State

SOUTHEAST LOCAL SCHOOL DISTRICT

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 31, 2013**