



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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SOUTHEASTERN LOCAL SCHOOL DISTRICT
ROSS COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2015
Fiscal Year Audited Under GAGAS: 2015



Dave Yost • Auditor of State

Board of Education
Southeastern Local School District
2003 Lancaster Rd
Chillicothe, OH 45601

We have reviewed the *Independent Auditor's Report* of the Southeastern Local School District, Ross County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2014 through June 30, 2015. 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 Southeastern 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

February 11, 2016

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**SOUTHEASTERN LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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**SOUTHEASTERN LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Southeastern Local School District
Ross County
2003 Lancaster Road
Chillicothe, Ohio 45601

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Southeastern Local School District, Ross County, Ohio (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Southeastern Local School District, Ross County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, during the year ended June 30, 2015, the School District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (the schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 10, 2015

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The discussion and analysis of the Southeastern Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2015 are as follows:

- Net position of governmental activities increased \$744,518.
- General revenues accounted for \$10,774,167, or 79% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, accounted for \$2,857,098 or 21% of total revenues of \$13,631,265.
- The School District had \$12,886,747 in expenses related to governmental activities; only \$2,857,098 of these expenses were offset by program specific charges for services and sales, operating grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. These changes in net position are important because it tells the reader that, for the School District as a whole, the financial position of the School 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 School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

In the Statement of Net Position and the Statement of Activities, most of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 10. Fund financial statements provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

Governmental Funds Most of the School 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 fiscal 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 School District's general governmental 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.

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. The School District's fiduciary funds are an agency fund and a private purpose trust fund. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's agency fund is used to maintain financial activity of the School District's student managed activities, and its private purpose trust fund is used to maintain the financial activity of the School District's scholarship funds.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014.

	<u>2015</u>	<u>2014*</u>
Assets:		
Current and Other Assets	\$ 13,300,864	\$ 12,110,268
Capital Assets, Net	<u>18,266,022</u>	<u>19,160,306</u>
Total Assets	<u>31,566,886</u>	<u>31,270,574</u>
Deferred Outflows of Resources:		
Pensions	<u>999,108</u>	<u>806,646</u>
Total Deferred Outflows of Resources	<u>999,108</u>	<u>806,646</u>
Liabilities:		
Current and Other Liabilities	1,215,321	1,314,782
Long-Term Liabilities:		
Due Within One Year	354,880	342,232
Due in More than One Year:		
Net Pension Liabilities	13,339,713	15,843,151
Other Amounts	<u>3,758,394</u>	<u>3,936,204</u>
Total Liabilities	<u>18,668,308</u>	<u>21,436,369</u>
Deferred Inflows of Resources		
Pensions	2,488,550	-
Property Taxes not Levied to Finance the Current Year	<u>1,931,168</u>	<u>1,907,401</u>
Total Deferred Inflows of Resources	<u>4,419,718</u>	<u>1,907,401</u>
Net Position:		
Net Investment in Capital Assets	14,940,481	15,583,988
Restricted	1,230,524	1,235,799
Unrestricted	<u>(6,693,037)</u>	<u>(8,086,337)</u>
Total Net Position	<u>\$ 9,477,968</u>	<u>\$ 8,733,450</u>

* As restated, see Note 21.

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

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

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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

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

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

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

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68 and GASB 71, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$23,769,955 to \$8,733,450.

Total net position of the School District as a whole increased \$744,518. The increase to current and other assets is primarily due to an increase in cash with the School District at fiscal year-end due to higher revenues received than expenses paid, and an increase in taxes receivable. Taxes receivable increased due to a revaluation of values within the County. Capital assets, net decreased due to current year depreciation expense, which was partially offset by current year additions.

Long-term liabilities decreased primarily due to principal payments on debt obligation and due to the decrease in net pension liabilities.

Deferred inflows of resources increased due to the implementation of GASB 68.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 2 shows the changes in net position for the fiscal years ended June 30, 2015 and 2014.

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
Revenues		
Program Revenues		
Charges for Services and Sales	\$ 1,218,031	\$ 1,168,663
Operating Grants and Contributions	1,639,067	1,539,284
Total Program Revenues	<u>2,857,098</u>	<u>2,707,947</u>
General Revenues		
Property Taxes	2,221,867	2,121,801
Income Taxes	5,400	8,189
Grants and Entitlements Not Restricted to Specific Programs	8,198,575	7,968,694
Investment Earnings	19,802	15,151
Miscellaneous	328,523	243,983
Total General Revenues	<u>10,774,167</u>	<u>10,357,818</u>
Total Revenues	<u>13,631,265</u>	<u>13,065,765</u>
Program Expenses		
Instruction:		
Regular	6,026,626	6,098,840
Special	1,609,194	1,600,035
Other	2,301	41,200
Support Services:		
Pupils	734,388	685,340
Instructional Staff	90,134	113,483
Board of Education	11,465	-
Administration	616,587	608,016
Fiscal	283,922	264,383
Business	144,569	148,238
Operation and Maintenance of Plant	1,125,760	1,143,790
Pupil Transportation	1,006,829	1,007,615
Central	118,762	125,425
Operation of Non-Instructional Services	432,130	447,836
Extracurricular Activities	489,598	485,405
Interest and Fiscal Charges	194,482	192,356
Total Expenses	<u>12,886,747</u>	<u>12,961,962</u>
Change in Net Position	744,518	103,803
Net Position, Beginning of Year - See Note 21	8,733,450	N/A
Net Position, End of Year	<u>\$ 9,477,968</u>	<u>\$ 8,733,450</u>

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$806,646 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$652,933. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$12,886,747
Pension expense under GASB 68	(652,933)
2015 contractually required contribution	831,885
Adjusted 2015 program expenses	13,065,699
Total 2014 program expenses under GASB 27	12,961,962
Increase in program expenses not related to pension	\$103,737

Program revenues remained consistent with the prior year. Operating grant and contributions increased due to additional special education funding through the foundation settlement. Income tax revenue decreased for the current year due to collections of delinquent taxes. The School District's levy expired December 30, 2004 and the only collections are for delinquencies. Grants and entitlements not restricted to specific programs increased from the prior year due to increased Foundation remittances. Property taxes increased due to a revaluation of assessed values within the County in 2014.

The most significant program expenses for the School District are regular instruction, operation and maintenance of plant, special instruction and pupil transportation. These programs account for 76 percent of the total governmental activities. Regular instruction, which accounts for 47 percent of the total, represents costs associated with providing general educational services. Operation and maintenance of plant, which represents 9 percent of the total, represents costs associated with operating and maintaining the School District's facilities. Special instruction, which represents 12 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Pupil transportation, which represents 8 percent of the total, represents costs associated with student transportation. Other instruction decreased due to a decrease in services provided for student intervention programs. Pupil support services increased as a result of hiring a paraprofessional.

The majority of the funding for the most significant programs indicated above is from operating grants and contributions, property taxes, and grants and entitlements not restricted for specific programs. Operating grants and contributions, property taxes, and grants and entitlements not restricted for specific programs account for 89 percent of total revenues for governmental activities.

The Statement of Activities shows the cost of program services and the charges for services and sales, operating grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 3
Governmental Activities

	Total Cost	Net Cost	Total Cost	Net Cost
	of Services	of Services	of Services	of Services
	2015		2014	
Program Expenses				
Instruction:				
Regular	\$ 6,026,626	\$ 5,461,449	\$ 6,098,840	\$ 5,557,691
Special	1,609,194	453,448	1,600,035	552,253
Other	2,301	1,806	41,200	15,436
Support Services:				
Pupils	734,388	598,707	685,340	550,288
Instructional Staff	90,134	80,882	113,483	100,219
Board of Education	11,465	10,281	-	-
Administration	616,587	552,933	608,016	548,838
Fiscal	283,922	219,009	264,383	207,666
Business	144,569	129,984	148,238	134,176
Operation and Maintenance of Plant	1,125,760	1,010,266	1,143,790	1,032,300
Pupil Transportation	1,006,829	909,898	1,007,615	916,731
Central	118,762	106,495	125,425	113,211
Operation of Non-Instructional Services	432,130	8,965	447,836	32,551
Extracurricular Activities	489,598	297,772	485,405	306,490
Interest and Fiscal Charges	194,482	187,754	192,356	186,165
Total	<u>\$ 12,886,747</u>	<u>\$ 10,029,649</u>	<u>\$ 12,961,962</u>	<u>\$ 10,254,015</u>

THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$13,748,479 and expenditures and other financing uses of \$12,563,546.

The School District has one major fund: the General Fund. The General Fund had \$12,111,056 in revenues and other financial sources and \$10,994,970 in expenditures and other financing uses. The General Fund's balance increased \$1,116,086. This increase is due to revenues in excess of expenditures overall and the increase in property taxes and intergovernmental revenues exceeded the increases to expenses.

General Fund Budgeting Highlights

The School 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 2015, the School District amended its General Fund budget.

For the General Fund, final estimated revenue was \$11,556,520, which increased from the original estimates of \$11,426,801. The increase is due to increases to miscellaneous revenues and tuition and fees revenue. For the General Fund, final budgeted expenditures were \$11,127,698, which increased from the original estimates of \$8,728,284. Appropriations were amended to reflect an increase necessary for regular instruction, special instruction, operation and maintenance of plant, and pupil transportation support services. The School District's actual budget basis revenues were \$399,445 above final estimates. The School District's actual budget basis expenditures were \$155,751 under the final budget due to conservative budgeting by the School District.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The School District's ending unobligated General Fund budgetary fund balance was \$9,344,077.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the School District had \$18,266,022 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and library books and textbooks. For additional information on capital assets, see Note 9 to the basic financial statements. Table 4 shows fiscal year 2015 balances compared to 2014.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2015	2014
Land	\$ 705,000	\$ 705,000
Land Improvements	1,348,663	1,500,164
Buildings and Improvements	15,478,462	16,248,868
Furniture and Equipment	309,582	295,204
Vehicles	358,792	326,827
Library Books and Textbooks	65,523	84,243
Totals	\$ 18,266,022	\$ 19,160,306

The overall decrease in capital assets of \$894,284 is due to current year depreciation expense, which was partially offset by current year additions.

Debt

At June 30, 2015, the School District had \$3,647,973 in bonds, certificate of participation outstanding and a copier lease with \$313,445 due within one year. Table 5 summarizes the bond and certificate of participation outstanding. The bonds were issued for school construction and the certificate of participation was issued for the addition of a new athletic complex. For additional information on debt, see Note 14 to the basic financial statements.

Table 5
Outstanding Debt at Year End

	2015	2014
2007 General Obligation Refunding Bonds	2,446,192	2,635,249
Certificate of Participation	1,155,000	1,197,000
Copier Lease	46,781	-
	\$ 3,647,973	\$ 3,832,249

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Phil Hartman, Treasurer at Southeastern Local School District, 203 Lancaster Road, Chillicothe, Ohio 45601.

Southeastern Local School District
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 10,875,748
Accrued Interest Receivable	6,111
Intergovernmental Receivable	152,128
Taxes Receivable	2,266,877
Noncurrent Assets:	
Nondepreciable Capital Assets	705,000
Depreciable Capital Assets, Net	17,561,022
<i>Total Assets</i>	31,566,886
Deferred Outflows of Resources	
Pension:	
State Teachers Retirement System	723,577
School Employees Retirement System	275,531
<i>Total Deferred Outflows of Resources</i>	999,108
Liabilities	
Current Liabilities:	
Accounts Payable	32,258
Accrued Wages and Benefits Payable	960,575
Intergovernmental Payable	212,718
Accrued Interest Payable	6,200
Matured Compensated Absences Payable	3,570
Noncurrent Liabilities:	
Due Within One Year	354,880
Due in More Than One Year	
Net Pension Liability (See Note 11)	13,339,713
Other Amounts Due in More Than One Year	3,758,394
<i>Total Liabilities</i>	18,668,308
Deferred Inflows of Resources	
Pensions:	
State Teachers Retirement System	2,016,792
School Employees Retirement System	471,758
Property Taxes not Levied to Finance Current Year Operations	1,931,168
<i>Total Deferred Inflows of Resources</i>	4,419,718
Net Position	
Net Investment in Capital Assets	14,940,481
Restricted for:	
Debt Service	506,766
Capital Outlay	6,232
Classroom Facilities Maintenance	674,196
Other Purposes	43,330
Unrestricted	(6,693,037)
<i>Total Net Position</i>	\$ 9,477,968

See accompanying notes to the basic financial statements.

Southeastern Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 6,026,626	\$ 526,300	\$ 38,877	\$ (5,461,449)
Special	1,609,194	126,022	1,029,724	(453,448)
Other	2,301	225	270	(1,806)
Support Services:				
Pupils	734,388	65,750	69,931	(598,707)
Instructional Staff	90,134	9,252	-	(80,882)
Board of Education	11,465	1,184	-	(10,281)
Administration	616,587	63,654	-	(552,933)
Fiscal	283,922	23,315	41,598	(219,009)
Business	144,569	14,020	565	(129,984)
Operation and Maintenance of Plant	1,125,760	114,520	974	(1,010,266)
Pupil Transportation	1,006,829	96,931	-	(909,898)
Central	118,762	12,267	-	(106,495)
Operation of Non-Instructional Services	432,130	114,358	308,807	(8,965)
Extracurricular Activities	489,598	43,505	148,321	(297,772)
Interest and Fiscal Charges	194,482	6,728	-	(187,754)
Totals	\$ 12,886,747	\$ 1,218,031	\$ 1,639,067	(10,029,649)
General Revenues				
Property Taxes Levied for:				
General Purposes				1,905,041
Debt Service				284,391
Classroom Facilities				32,435
Income Taxes				5,400
Grants and Entitlements not Restricted to Specific Programs				8,198,575
Investment Earnings				19,802
Miscellaneous				328,523
<i>Total General Revenues</i>				<u>10,774,167</u>
<i>Change in Net Position</i>				744,518
<i>Net Position Beginning of Year - Restated - See Note 21</i>				<u>8,733,450</u>
<i>Net Position End of Year</i>				<u>\$ 9,477,968</u>

See accompanying notes to the basic financial statements.

Southeastern Local School District
Balance Sheet
Governmental Funds
June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 9,683,391	\$ 1,192,357	\$ 10,875,748
Accrued Interest Receivable	6,111	-	6,111
Interfund Receivable	77,582	-	77,582
Receivables:			
Intergovernmental	45,611	106,517	152,128
Taxes	1,944,024	322,853	2,266,877
<i>Total Assets</i>	<u>\$ 11,756,719</u>	<u>\$ 1,621,727</u>	<u>\$ 13,378,446</u>
Liabilities			
Accounts Payable	\$ 29,820	\$ 2,438	\$ 32,258
Accrued Wages and Benefits Payable	872,305	88,270	960,575
Interfund Payable	-	77,582	77,582
Matured Compensated Absences Payable	3,339	231	3,570
Intergovernmental Payable	190,533	22,185	212,718
<i>Total Liabilities</i>	<u>1,095,997</u>	<u>190,706</u>	<u>1,286,703</u>
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	1,656,645	274,523	1,931,168
Unavailable Revenue - Delinquent Taxes	89,475	15,206	104,681
Unavailable Revenue - Interest	4,839	-	4,839
Unavailable Revenue - Grants	-	104,446	104,446
<i>Total Deferred Inflows of Resources</i>	<u>1,750,959</u>	<u>394,175</u>	<u>2,145,134</u>
Fund Balances			
Nonspendable	1,827	-	1,827
Restricted	-	1,216,621	1,216,621
Assigned	111,655	-	111,655
Unassigned	8,796,281	(179,775)	8,616,506
<i>Total Fund Balances</i>	<u>8,909,763</u>	<u>1,036,846</u>	<u>9,946,609</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 11,756,719</u>	<u>\$ 1,621,727</u>	<u>\$ 13,378,446</u>

See accompanying notes to the basic financial statements.

Southeastern Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2015*

Total Governmental Fund Balances \$ 9,946,609

Amounts reported for governmental activities in the statement of activities are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 18,266,022

Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.

Taxes	104,681
Interest	4,839
Intergovernmental	104,446

Total 213,966

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.

Deferred outflows of resources related to pensions	999,108
Deferred inflows of resources related to pensions	(2,488,550)
Net Pension Liability	(13,339,713)

Total (14,829,155)

Long-term liabilities, including bonds, accreted debt, unamortized premiums on refunding bonds, certificate of participation obligations, capital leases, accrued interest payable and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Accrued Interest Payable	(6,200)
Compensated Absences	(465,301)
Certificate of Participation Obligations	(1,155,000)
Capital Lease	(46,781)
Refunding Bonds	(1,860,000)
Capital Appreciation Bonds	(120,000)
Accretion from Capital Appreciation Bonds	(322,432)
Unamortized Premiums on Refunding Bonds	(143,760)

Total (4,119,474)

Net Position of Governmental Activities \$ 9,477,968

See accompanying notes to the basic financial statements.

Southeastern Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$ 1,895,938	\$ 315,298	\$ 2,211,236
Income Taxes	5,400	-	5,400
Intergovernmental	8,902,731	866,530	9,769,261
Interest	18,257	-	18,257
Tuition and Fees	964,836	-	964,836
Rent	36,252	-	36,252
Extracurricular Activities	11,059	24,238	35,297
Customer Sales and Services	67,288	114,358	181,646
Miscellaneous	149,849	178,674	328,523
<i>Total Revenues</i>	<u>12,051,610</u>	<u>1,499,098</u>	<u>13,550,708</u>
Expenditures			
Current:			
Instruction:			
Regular	5,186,706	54,383	5,241,089
Special	1,246,996	400,098	1,647,094
Other	2,248	-	2,248
Support Services:			
Pupils	651,134	83,392	734,526
Instructional Staff	92,613	3,314	95,927
Board of Education	11,663	-	11,663
Administration	635,064	-	635,064
Fiscal	224,100	58,190	282,290
Business	135,741	8,320	144,061
Operation and Maintenance of Plant	1,121,838	1,363	1,123,201
Pupil Transportation	952,710	-	952,710
Central	120,218	-	120,218
Operation of Non-Instructional Services	-	432,833	432,833
Extracurricular Activities	192,046	207,483	399,529
Capital Outlay	163,764	-	163,764
Debt Service:			
Principal	54,665	240,000	294,665
Interest and Fiscal Charges	65,139	79,200	144,339
<i>Total Expenditures</i>	<u>10,856,645</u>	<u>1,568,576</u>	<u>12,425,221</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,194,965</u>	<u>(69,478)</u>	<u>1,125,487</u>
Other Financing Sources (Uses)			
Transfers In	-	138,325	138,325
Inception of Capital Lease	59,446	-	59,446
Transfers Out	(138,325)	-	(138,325)
<i>Total Other Financing Sources (Uses)</i>	<u>(78,879)</u>	<u>138,325</u>	<u>59,446</u>
<i>Net Change in Fund Balances</i>	1,116,086	68,847	1,184,933
<i>Fund Balances at Beginning of Year</i>	<u>7,793,677</u>	<u>967,999</u>	<u>8,761,676</u>
<i>Fund Balances at End of Year</i>	<u>\$ 8,909,763</u>	<u>\$ 1,036,846</u>	<u>\$ 9,946,609</u>

See accompanying notes to the basic financial statements.

Southeastern 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, 2015*

Net Change in Fund Balances-Total Governmental Funds \$ 1,184,933

Amounts reported for governmental activities in the statement of activities are different because:

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 difference between the capital asset additions and the amount of depreciation expense for the current period.

Capital Asset Additions	163,764	
Depreciation	<u>(1,058,048)</u>	
Total		(894,284)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Interest	1,545	
Taxes	10,631	
Intergovernmental	<u>68,381</u>	
Total		80,557

The amortization of premium from the sale of bonds is recorded as a reduction of liability in the statement of net position, but does not result in an expenditure in the governmental funds. 15,558

Repayments of bond principal are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities. 240,000

Repayments of certificate of participation obligations are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities. 42,000

Repayments of capital lease obligations are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities. 12,665

Inception of capital leases in the statement of revenues, expenditures, and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (59,446)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 860,283

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (652,933)

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.

Increase in Compensated Absences	(19,114)	
Decrease in Interest Payable	800	
Increase in Accreted Interest	<u>(66,501)</u>	
Total		<u>(84,815)</u>

Net Change in Net Position of Governmental Activities \$ 744,518

See accompanying notes to the basic financial statements.

Southeastern Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Total Revenues and Other Financing Sources	\$ 11,426,801	\$ 11,556,520	\$ 11,955,965	\$ 399,445
Total Expenditures and Other Financing Uses	<u>8,728,284</u>	<u>11,127,698</u>	<u>10,971,947</u>	<u>155,751</u>
Net Change in Fund Balance	2,698,517	428,822	984,018	555,196
Fund Balance at Beginning of Year	8,242,593	8,242,593	8,242,593	-
Prior Year Encumbrances Appropriated	<u>117,466</u>	<u>117,466</u>	<u>117,466</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 11,058,576</u>	<u>\$ 8,788,881</u>	<u>\$ 9,344,077</u>	<u>\$ 555,196</u>

See accompanying notes to the basic financial statements.

Southeastern Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust Fund	Agency Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 74,200	\$ 47,465
<i>Total Assets</i>	74,200	47,465
Liabilities		
Current Liabilities:		
Undistributed Monies		47,465
<i>Total Liabilities</i>		\$ 47,465
Net Position		
Held in Trust for Scholarships	74,200	
<i>Total Net Position</i>	\$ 74,200	

See accompanying notes to the basic financial statements.

Southeastern Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust Fund
Additions	
Gifts and Contributions	\$ 38,136
Investment Earnings	10,045
<i>Total Additions</i>	48,181
Deductions	
Payments in Accordance with Trust Agreements	42,801
<i>Total Deductions</i>	42,801
Change in Net Position	5,380
Net Position Beginning of Year	68,820
Net Position End of Year	\$ 74,200

See accompanying notes to the basic financial statements.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1938 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 140 square miles. It is located in Ross County and includes the Hamlets of Londonderry, Higby, Harrison and Richmond Dale and portions of Liberty, Jefferson, Harrison, Springfield, Franklin and Scioto Townships. It is staffed by 76 non-certificated employees, and 73 certificated full-time teaching personnel who provide services to 1,220 students and other community members. The School District currently operates a K-12 instructional building.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Southeastern Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The following entities which perform activities within the School District’s boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- Parent Teacher Organization
- Ross-Pike Educational Service District

The School District participates in six organizations, four of which are defined as jointly governed organizations, one is a public entity shared risk pool, and one is an insurance purchasing pool. These organizations are the South Central Ohio Computer Association Council of Governments, the Pickaway-Ross Career and Technology Center, the Great Seal Education Network of Tomorrow, School Study Council of Ohio, the Ross County School Employees Insurance Consortium, and the Ohio School Boards Association Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School 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 School District. 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 School District.

Fund Financial Statements:

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. The major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds used by this School District can be classified using two categories: governmental and fiduciary.

Governmental Funds

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Fund

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

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

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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's fiduciary funds are an agency fund, which is used to maintain financial activity of the School District's student managed activities, and a private purpose trust fund, which is used to maintain the financial activity of the School District's scholarship funds.

Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred inflows/outflows of resources, and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of unavailable revenue, the presentation of expenses versus expenditures, the recording of deferred inflows and outflows of resources related to net pension liabilities, and the recording of net pension liabilities.

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. "Measurable" means the amount of the transaction can be determined, and "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 School District, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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, and grants.

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District recorded a deferred outflow of resources for the unamortized portion of the deferred amount on refunding of bonds as of June 30, 2015 and for pensions. The deferred outflows of resources related to the pension are explained in Note 11. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes, interest and grants which are not collected in the available period and pensions. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to delinquent property taxes, interest and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Deferred inflows of resources related to pension are reported on the Statement of Net Position. (See Note 11)

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. 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, except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

C. Budgetary Process

All funds, other than the agency fund, 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 set 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 Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when the permanent appropriations for the fiscal year were passed. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when the final appropriations for the fiscal year were passed.

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.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2015, the School District's investments were limited to certificate of deposits and the State Treasury Assets Reserve of Ohio (STAROhio). 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, 2015; however the School District held no investments as of June 30, 2015.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund amounted to \$18,257.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Capital Assets and Depreciation

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000 dollars. The School District does not have 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. All reported capital assets, except land, are depreciated. Depreciable capital assets are depreciated using the straight-line method over an estimated useful life of 20 to 50 years for buildings and improvements, 5 to 20 years for furniture and equipment, 10 to 25 years for land improvements, 5 to 15 years for textbooks and library books, and 10 years for vehicles.

F. Interfund Activity

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

G. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after 10 years of current service with the School District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities, that once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and special termination benefits 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 in the current year. Bonds are recognized as a liability on the government-wide financial statements when due.

I. Fund Balance

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

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the 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.

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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School 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 School 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 School District Board of Education.

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 School 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.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

K. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and the effect of deferred inflows and outflows related to the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes represents balances in special revenue funds for grants whose use is restricted by grant agreements.

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

Of the School District's \$1,230,524 in restricted net position, none is restricted by enabling legislation.

L. Interfund Balances

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

M. Pensions

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

NOTE 3 – ACCOUNTABILITY

At June 30, 2015, the Lunchroom, Title VI-B, and Title I Special Revenue Funds had deficit fund balances of \$75,878, \$18,683, and \$85,214, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (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 and Actual (Budgetary Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (continued)

The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment or assignment of fund balance for governmental fund types (GAAP basis).
4. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	\$1,116,086
Adjustments:	
Revenue Accruals	(76,023)
Expenditure Accruals	58,194
Perspective Difference:	
Activity of Funds Reclassified for	
GAAP Reporting Purposes	11,825
Encumbrances	<u>(126,064)</u>
Budget Basis	<u><u>\$984,018</u></u>

NOTE 5 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations of or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which both the obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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 School 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.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2015, the School District's bank balance of \$11,257,142 was either covered by FDIC or collateralized by the financial institution's public entity deposit pools in the manner described above.

Investments

As of June 30, 2015, the School District had no investment balances.

NOTE 6 – PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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 School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 6 – PROPERTY TAXES (continued)

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The assessed values upon which fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$88,360,840	89.81%	\$88,965,270	88.74%
Public Utility	10,030,620	10.19%	11,284,520	11.26%
Total Assessed Value	\$98,391,460	100.00%	\$100,249,790	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$32.00		 \$32.00	

The School District receives property taxes from Ross County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes which became measurable as of June 30, 2015, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to unavailable revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2015, was \$192,504 in the General Fund, \$33,124 in the other governmental funds.

NOTE 7 – INCOME TAX

The School District levied a voted tax of 0.75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2000, for five years. This levy expired on December 31, 2004 and was not renewed. The School District continues to receive delinquent income taxes. Income tax revenue is credited to the General Fund. Income tax revenues received during the year were \$5,400.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 8 – RECEIVABLES

Receivables at June 30, 2015, consisted of property taxes, interest, intergovernmental grants and interfund amounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of the intergovernmental receivables follows:

Major Fund:	
General	\$45,611
Non-Major Special Revenue Funds:	
Title I	59,963
Special Education	45,370
Lunchroom	1,184
Total	<u>\$152,128</u>

NOTE 9 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2015, was as follows:

	Ending Balance 06/30/14	Additions	Disposals	Ending Balance 06/30/15
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 705,000	\$ -	\$ -	\$ 705,000
Total Capital Assets, Not Being Depreciated	<u>705,000</u>	<u>-</u>	<u>-</u>	<u>705,000</u>
Capital Assets Being Depreciated				
Land Improvements	3,250,027	13,000	-	3,263,027
Buildings and Improvements	24,991,012	-	-	24,991,012
Furniture and Equipment	670,290	59,446	-	729,736
Vehicles	1,645,085	91,318	-	1,736,403
Library Books and Textbooks	406,010	-	-	406,010
Total Capital Assets, Being Depreciated	<u>30,962,424</u>	<u>163,764</u>	<u>-</u>	<u>31,126,188</u>
Less Accumulated Depreciation:				
Land Improvements	(1,749,863)	(164,501)	-	(1,914,364)
Buildings and Improvements	(8,742,144)	(770,406)	-	(9,512,550)
Furniture and Equipment	(375,086)	(45,068)	-	(420,154)
Vehicles	(1,318,258)	(59,353)	-	(1,377,611)
Library Books and Textbooks	(321,767)	(18,720)	-	(340,487)
Total Accumulated Depreciation	<u>(12,507,118)</u>	<u>(1,058,048)</u>	<u>-</u>	<u>(13,565,166)</u>
Total Capital Assets Being Depreciated, Net	<u>18,455,306</u>	<u>(894,284)</u>	<u>-</u>	<u>17,561,022</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,160,306</u>	<u>\$ (894,284)</u>	<u>\$ -</u>	<u>\$ 18,266,022</u>

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 9 – CAPITAL ASSETS (continued)

Depreciation expense was charged to government functions as follows:

Regular Instruction	\$871,489
Other Instruction	119
Instructional Staff	556
Administration	313
Business	508
Operation and Maintenance of Plant	15,657
Pupil Transportation	68,381
Operation of Non Instructional Services	5,445
Extracurricular Activities	95,580
	\$1,058,048

NOTE 10 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the School District contracted with Ohio Casualty Insurance for property and fleet insurance, and inland marine coverage. General liability coverage was provided by the Ohio School Plan. Coverage provided was as follows:

Building and Contents replacement cost (\$2,500 deductible)	\$46,171,394
Inland Marine Coverage (\$500 deductible)	48,000
Automobile Liability (\$500 deductible)	
Bodily Injury - Each person	1,000,000
Bodily Injury - Each accident	1,000,000
General Liability:	
Per occurrence	1,000,000
Total per year	3,000,000

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

For fiscal year 2015, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Compmanagement provides administrative, cost control and actuarial services to the GRP.

The School District is a member of the Ross County Insurance Consortium, a public entity shared risk pool (Note 17), consisting of school districts within the County offering medical and dental insurance to their employees. Monthly premiums are paid to the Ross County Insurance Consortium as fiscal agent, who in turns pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 – RISK MANAGEMENT (continued)

Upon termination from the Council, for any reason, the Council shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the Plan due up to the date of termination plus extended benefits, if any, provided under the Plan. Such claims and expenses shall be paid from the funds of the Council.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68” were effective. These GASB pronouncements had a significant effect on beginning net position as reported June 30, 2014, as more fully described in Note 21. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 DEFINED BENEFIT PENSION PLANS (continued)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$226,089 for fiscal year 2015. Of this amount \$14,933 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 DEFINED BENEFIT PENSION PLANS (continued)

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

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

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS Ohio was \$605,796 for fiscal year 2015. Of this amount \$105,396 is reported as an intergovernmental payable.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

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

The net pension liability reported as of June 30, 2015 was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,906,651	\$10,433,062	\$13,339,713
Proportion of the Net Pension Liability	0.057433%	0.04289300%	
Pension Expense	\$170,935	\$481,998	\$652,933

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$24,739	\$100,441	\$125,180
Differences between School District contributions and proportionate share of contributions	13,645	-	13,645
School District contributions subsequent to the measurement date	<u>237,147</u>	<u>623,136</u>	<u>860,283</u>
Total	<u>\$275,531</u>	<u>\$723,577</u>	<u>\$999,108</u>

Deferred Inflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between projected and actual investment earnings	\$471,758	\$1,930,156	\$2,401,914
Differences between School District contributions and proportionate share of contributions	<u>0</u>	<u>86,636</u>	<u>86,636</u>
Total	<u>\$471,758</u>	<u>\$2,016,792</u>	<u>\$2,488,550</u>

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

\$860,283 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2016	(\$108,344)	(\$479,088)	(\$587,432)
2017	(108,344)	(479,088)	(587,432)
2018	(108,343)	(479,088)	(587,431)
2019	(108,343)	(479,087)	(587,430)
Total	(\$433,374)	(\$1,916,351)	(\$2,349,725)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS (continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement. The most recent experience study was completed June 30, 2010.

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

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$4,146,928	\$2,906,651	\$1,863,472

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above.

Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – STRS (continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$14,936,066	\$10,433,062	\$6,625,036

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2015, one of the School District's members of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 12 - POSTEMPLOYMENT BENEFITS

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$43,105, and \$43,125 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$28,613.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$45,196, \$37,493, and \$35,678, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 13 – EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit of sick leave accumulation for all personnel. Upon retirement, payment is made for one-fourth of up to 120 days of their accrued, but unused sick leave credit for all employees. Certified employees receive additional amounts based on length of service as follows:

<u>Length of Service</u>	<u>Additional Compensation</u>
10 years	\$10 per day over 120
11 - 20 years	\$20 per day over 120
21 years and over	\$30 per day over 120

B. Insurance Benefits

The School District provides life and accidental death and dismemberment insurance to all full-time employees through Mutual of Omaha.

C. Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 14 – LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during fiscal year 2015 were as follows:

	Amount Outstanding 6/30/14	Additions	Deductions	Amount Outstanding 6/30/15	Due in One Year
2007 General Obligation Refunding Bonds - 3.70%-4.00%	\$ 2,100,000	\$ -	\$ 240,000	\$ 1,860,000	\$ -
Premium	159,318	-	15,558	143,760	-
2007 Capital Appreciation Bonds - 16.99%	120,000	-	-	120,000	63,735
2007 Capital Appreciation Bonds - Accretion	255,931	66,501	-	322,432	191,265
Total Long-Term Bonds and Loans	2,635,249	66,501	255,558	2,446,192	255,000
Net Pension Liability:					
STRS	12,427,795	-	1,994,733	10,433,062	-
SERS	3,415,356	-	508,705	2,906,651	-
Total Net Pension Liability	15,843,151	-	2,503,438	13,339,713	-
Certificate of Participation Payable	1,197,000		42,000	1,155,000	44,000
Capital Lease	-	59,446	12,665	46,781	14,445
Compensated Absences	446,187	675,505	656,391	465,301	41,435
Total General Long-Term Obligations	\$20,121,587	\$ 801,452	\$3,470,052	\$17,452,987	\$ 354,880

2007 General Obligation Refunding Bonds – The School District issued \$2,850,000 in refunding bonds in 2007 for the purpose of repaying a portion of the general obligation bonds issued in 2000. The refunding bonds consisted of \$2,730,000 in serial bonds and \$120,000 in capital appreciation bonds. The serial bonds were issued for a fifteen year period with final maturity in December 2022. The capital appreciation bonds of \$255,000 will mature in 2016 and \$265,000 in 2017. The bonds are being retired from the Bond Retirement Fund.

The serial bonds, issued at \$2,730,000 maturing on or after December 1, 2017, are subject to optional redemption, in whole or in part on any date at the option of the Issuer on or after June 1, 2017 at par, which is 100% of the face value of the Current Interest Refunding Bonds.

The capital appreciation bonds, issued at \$120,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2016 and 2017. The maturity amount of the capital appreciation bonds is \$520,000. For fiscal year 2015, the capital appreciation bonds accreted \$66,501.

In connection with refunding bonds, the School District has pledged future tax revenues to repay this debt. The refunding bonds are payable through their final maturities solely from tax revenues received from a bond tax levy. The tax revenue available for these refunding bonds for 2015 was \$283,017 and principal and interest paid was \$319,200. The coverage ratio for these refunding bonds was .8662 for the year ended June 30, 2015.

In prior years, the School District entered into a certificate of participation obligation for the construction of a new athletic complex. The School District is leasing the project from Rickenbacker Port Authority. Rickenbacker Port Authority will retain title to the project during the certificate term. The School District will make semi-annual payments to US Bank. Interest rates are based on a calculation of the TBMA Index. The certificate is renewable annually and expires in 2032. The intention of the School District is to renew the certificate annually.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

Principal payments in fiscal year 2015 totaled \$42,000 for the certificate of participation in the governmental funds.

At year-end, capital assets constructed under this certificate have been capitalized as part of buildings and improvements in the statement of net position for governmental activities in the amount of \$1,767,146. The School District has contributed additional monies for this project.

In 2015, the School District entered into a lease purchase agreement for copiers. The term of the lease is 48 months. The copiers were capitalized in the amount of \$59,446. Payments are being made from the general fund. The annual rate for the lease is 4.65%.

The following table represents the payments required on the certificate of participation and the copier lease for the amounts outstanding at June 30, 2015:

Fiscal Year Ending June 30,	Certificate of Participation	Copier Lease
2016	\$ 105,724	\$ 16,315
2017	106,338	16,315
2018	105,897	16,315
2019	105,281	1,359
2020	105,517	-
2021-2025	521,849	-
2026-2030	515,552	-
2031-2032	207,026	-
Total	1,773,184	50,304
Less: Amount Representing Interest and Admin Fees	(618,184)	(3,523)
Total Principal Outstanding	<u>\$ 1,155,000</u>	<u>\$ 46,781</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid, with the General Fund being the most significant. The certificate of participation will be paid from the General Fund.

The School District's overall legal debt margin was \$7,042,481 with an unvoted debt margin of \$100,250 at June 30, 2015.

Principal and interest requirements to retire Classroom Facilities Bonds outstanding at June 30, 2015 are as follows:

Fiscal Year Ending June 30,	2007 Capital Appreciation Principal*	2007 Serial Bonds Principal	2007 Serial Bonds Interest
2016	\$ 255,000	\$ -	\$ 74,400
2017	265,000	-	74,400
2018	-	270,000	69,000
2019	-	285,000	57,900
2020	-	300,000	46,200
2021-2024	-	1,005,000	60,900
Total	<u>\$ 520,000</u>	<u>\$ 1,860,000</u>	<u>\$ 382,800</u>

*Total principal due per the table on page 46 does not agree to the balance reported in the table above due to accretion.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 15 – INTERFUND ACTIVITY

Advances

Interfund balances at June 30, 2015, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2016 fiscal year:

Interfund Loans	Receivable	Payable
Major Fund:		
General Fund	\$ 77,582	\$ -
Nonmajor Funds		
Lunchroom	-	52,324
Title I	-	25,258
Total Nonmajor Funds	-	77,582
Total Interfund Receivables/Payables	\$ 77,582	\$ 77,582

Advances were made from the General Fund to nonmajor special revenue funds in anticipation of intergovernmental grants not received during the current fiscal year.

Transfers

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds. In 2015, the General fund transferred monies to the Lunchroom Fund in the amount of \$47,969, to the Extracurricular Fund in the amount of \$150 and to the Miscellaneous Grant Fund in the amount \$1,755. In 2015, the School District converted prior year advances to transfers. Advances out from the General fund were converted to transfers out to the Lunchroom Fund in the amount of \$65,309 and to the Extracurricular Fund in the amount of \$23,142.

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association Council of Governments - The School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG) which is an information technology center. SCOCA COG is a council of governments providing information technology services to 59 public education entities, 60 non-public education entities, and public libraries from 24 Ohio counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA COG consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The School District paid SCOCA COG \$80,335 for services provided during the year. Financial information for SCOCA COG can be obtained from their fiscal office located at Pike County Career Technology Center, P.O. Box 596, 175 Beaver Creek, Piketon, Ohio 45661.

Pickaway-Ross Career and Technology Center - The Pickaway-Ross Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, which possesses its own budgeting and taxing authority. To obtain financial information write to the Pickaway-Ross Career and Technology Center, Ben VanHorn who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS (continued)

Great Seal Education Network of Tomorrow - The Great Seal Education Network of Tomorrow is a regional council of governments (the Council) consisting of twelve city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the Board of Education) of each of the members.

The Council possesses its own budgeting and taxing authority. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

School Study Council of Ohio (SSCO) – The School Study Council of Ohio (SSCO), created in 1965, is a non-profit consortium of fifty-six school districts, eleven educational service centers, four colleges of education, and eight related educational schools and agencies from thirty counties. It is owned and governed by the member organizations with the Board of Trustees representing member organizations. The School District’s Superintendent represents the School District on the Board of Trustees. Their mission is to enable district improvement through planning assistance, professional development, funding and related resource acquisition, research, system assessment and impact evaluation, leadership development, and other personalized technical assistance. The School District has no ongoing financial interest or ongoing financial responsibility to the Council. To obtain the SSCO annual report, write to School Study Council of Ohio, 5747 Perimeter Drive, Suite 100A, Dublin, Ohio 43017.

NOTE 17 – PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOLS

Ross County School Employees Insurance Consortium - The Ross County School Employees Insurance Consortium (the “Consortium”), a shared risk pool, currently operates to provide medical and dental insurance coverage to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Seven school districts within Ross County and its surrounding area have entered into an agreement with the Ross-Pike Educational Service District to form the Ross County School Employees Insurance Consortium. The overall objectives of the Consortium are to formulate and administer a program of medical and dental insurance for the benefit of the Consortium members’ employees and their dependents, to obtain lower costs for insurance coverage, and to secure cost control by implementing a program of comprehensive loss control. The Consortium’s business and affairs are managed by a Council consisting of one representative for each participating school.

The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium.

Accordingly, the Ross County School Employees Insurance Consortium is not part of the School District and its operations are not included as part of the reporting entity. To obtain financial information, write to the Ross-Pike Educational Service District, Erin Kirby who serves as Treasurer, at 475 Western Avenue, Chillicothe, Ohio 45601.

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 18 – SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside an amount based on a statutory formula for the acquisition or 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 purposes in future years.

The following information describes the change in the year-end set aside amounts for capital maintenance.

	Capital Maintenance
Set Aside Reserve Balance as of June 30, 2014	\$0
Current Year Set-aside Requirement	207,241
Current Year Offsets	(34,636)
Current Year Qualifying Expenditures	(147,850)
Prior Year Offset from Bond Proceeds	(24,755)
Total	\$0
Balance Carried Forward to Fiscal Year 2015	\$0
Set Aside Reserve Balance as of June 30, 2015	\$0

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero in the Capital Acquisition Reserve. The carryover amount in the Capital Acquisition Reserve is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$458,729 at June 30, 2015.

NOTE 19 – CONTINGENCIES

A. Grants

The School 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

The School District is not currently party to any legal proceedings.

C. Foundation

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 20 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on the fund balance for the major governmental fund and all other governmental funds are presented below:

Fund Balances	General	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Unclaimed Monies	\$ 1,827	\$ -	\$ 1,827
Restricted for			
Athletics	-	41,423	41,423
Capital Projects	-	6,232	6,232
Classroom Facilities Maintenance	-	674,196	674,196
Debt Services Payments	-	493,278	493,278
Other Federal Programs	-	1,492	1,492
Total Restricted	-	1,216,621	1,216,621
Assigned to			
Other Purposes	111,655	-	111,655
Unassigned (Deficit)	8,796,281	(179,775)	8,616,506
Total Fund Balances	\$8,909,763	\$1,036,846	\$9,946,609

NOTE 21 – CHANGES IN ACCOUNTING PRINCIPLES

For 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No.27” and GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.”

Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

Statement No. 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 21 – CHANGES IN ACCOUNTING PRINCIPLES (continued)

The impact of the application of Statement No. 68 and Statement No. 71 had the following effect on beginning net position.

Net position, July 1, 2014-As previously stated	\$23,769,955
School District Share of Beginning Plan Net Pension Liability	(15,843,151)
School District Share of 2014 Employer Contributions	<u>806,646</u>
Net position, July 1, 2014-As restated	<u>\$8,733,450</u>

Southeastern Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Years

	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$ 17,881,827,171	\$ 17,247,161,078
Plan net position	<u>12,820,884,107</u>	<u>11,300,482,029</u>
Net pension liability	5,060,943,064	5,946,679,049
School District's proportion of the net pension liability	0.057433%	0.057433%
School District's proportionate share of the net pension liability	\$ 2,906,651	\$ 3,415,356
School District's covered-employee payroll	\$ 1,730,981	\$ 1,761,084
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	167.90%	193.90%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.50%

Southeastern Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Years

	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$ 96,167,057,104	\$ 94,366,693,720
Plan net position	<u>71,843,596,331</u>	<u>65,392,746,348</u>
Net pension liability	24,323,460,773	28,973,947,372
School District's proportion of the net pension liability	0.04289300%	0.04289300%
School District's proportionate share of the net pension liability	\$ 10,433,062	\$ 12,427,795
School District's covered-employee payroll	\$ 4,382,615	\$ 4,309,254
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.10%	288.40%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Southeastern Local School District
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 226,089	\$ 239,914	\$ 243,734	\$ 198,053	\$ 268,777	\$ 257,532	\$ 153,538	\$ 132,340	\$ 160,857	\$ 227,614
Contributions in relation to the contractually required contribution	(226,089)	(239,914)	(243,734)	(198,053)	(268,777)	(257,532)	(153,538)	(132,340)	(160,857)	(227,614)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered-employee payroll	\$ 1,715,394	\$ 1,730,981	\$ 1,761,084	\$ 1,472,513	\$ 2,138,242	\$ 1,902,009	\$ 1,560,346	\$ 1,347,658	\$ 1,506,152	\$ 2,151,361
Contributions as a percentage of covered employee payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

Southeastern Local School District
Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 605,796	\$ 569,740	\$ 560,203	\$ 586,991	\$ 590,765	\$ 548,697	\$ 557,529	\$ 528,743	\$ 563,646	\$ 527,924
Contributions in relation to the contractually required contribution	(605,796)	(569,740)	(560,203)	(586,991)	(590,765)	(548,697)	(557,529)	(528,743)	(563,646)	(527,924)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District covered-employee payroll	\$ 4,327,114	\$ 4,382,615	\$ 4,309,254	\$ 4,515,315	\$ 4,544,346	\$ 4,220,746	\$ 4,288,685	\$ 4,067,254	\$ 4,335,738	\$ 4,060,954
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Southeastern Local School District
Ross County
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2015

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Child Nutrition Cluster:</i>						
National School Lunch Program	3L60	10.555	\$ 221,250	\$ 30,421	\$ 221,250	\$ 30,421
School Breakfast Program	3L70	10.553	50,098	-	50,098	-
Total Child Nutrition Cluster			271,348	30,421	271,348	30,421
Total United States Department of Agriculture			271,348	30,421	271,348	30,421
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	253,164	-	263,841	-
Total Title I, Part A Cluster			253,164	-	263,841	-
<i>Special Education Cluster (IDEA):</i>						
Special Education - Grants to States	3M20	84.027	221,492	-	215,833	-
Total Special Education Cluster			221,492	-	215,833	-
Rural Education	3Y80	84.358	27,649	-	21,576	-
Improving Teacher Quality State Grants	3Y60	84.367	54,337	-	54,337	-
Total United States Department of Education			556,642	-	555,587	-
Total Federal Financial Assistance			\$ 827,990	\$ 30,421	\$ 826,935	\$ 30,421

See accompanying notes to the schedule of federal awards receipts and expenditures.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DONATION

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

NOTE C – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.



Balestra, Harr & Scherer, CPAs, Inc.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Southeastern Local School District
2003 Lancaster Road
Chillicothe, Ohio 45601

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Southeastern Local School District, Ross County, Ohio (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 10, 2015, wherein we noted the School District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.

Piketon, Ohio

December 10, 2015



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Southeastern Local School District
Ross County
2003 Lancaster Road
Chillicothe, Ohio 45601

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Southeastern Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Southeastern Local School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Southeastern Local School District complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 10, 2015

**Southeastern Local School District
Ross County**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I, Part A Cluster: Title I Grants to Local Educational Agencies, CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**Southeastern Local School District
Ross County**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2015**

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

None noted

3. FINDINGS FOR FEDERAL AWARDS

None noted



Dave Yost • Auditor of State

SOUTHEASTERN LOCAL SCHOOL DISTRICT

ROSS 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
FEBRUARY 23, 2016**