

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

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*Basic Financial Statements*

***Fiscal Year Ended June 30, 2010***





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Southeast Local School District, Portage County, prepared by Rea & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

January 14, 2011



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

*For the Year Ended June 30, 2010  
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**SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO**

*For the Year Ended June 30, 2010*

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

December 13, 2010

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

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeast Local School District (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2010, and the respective changes in financial position and the cash flows, where applicable, and the respective budgetary comparison for the general fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Southeast Local School District  
Independent Auditor's Report  
December 13, 2010  
Page 2

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

*Hea & Associates, Inc.*

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

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## ***Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010***

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The discussion and analysis of Southeast Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

### **FINANCIAL HIGHLIGHTS**

**Key financial highlights for 2010 are as follows:**

- Net assets increased \$1,857,713 which represents a 6.0% increase from 2009.
- General revenues accounted for \$19,650,815 in revenue or 89.5% of all revenues. Program specific revenues in the form of charges for services, grants, contributions and interest accounted for \$2,295,343 or 10.5% of total revenues of \$21,946,158.
- The District had \$20,088,445 in expenses related to governmental activities; \$2,295,343 of these expenses was offset by program specific charges for services, grants, contributions or interest.
- Among major funds, the general fund had \$18,462,714 in revenues and \$16,000,915 in expenditures. The general fund's fund balance increased \$2,461,799 to \$5,821,560.

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

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

These statements are as follows:

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

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

### **Government-wide Statements**

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

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

## ***Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010***

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

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

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010*

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

The following table provides a summary of the District's net assets for 2010 compared to 2009.

	Governmental Activities	
	2010	2009
Current and other assets	\$ 17,559,257	\$ 15,378,237
Capital assets, net	29,844,124	31,205,255
Total assets	<u>47,403,381</u>	<u>46,583,492</u>
Long-term liabilities	6,893,889	7,267,036
Other liabilities	7,871,423	8,536,100
Total liabilities	<u>14,765,312</u>	<u>15,803,136</u>
Net assets		
Invested in capital assets, net of related debt	24,572,960	25,833,255
Restricted	1,823,693	1,709,681
Unrestricted (deficit)	6,241,416	3,237,420
Total net assets	<u>\$ 32,638,069</u>	<u>\$ 30,780,356</u>

Total assets showed a net increase of \$819,889, with a substantial increase in pooled cash and cash equivalents of \$2,247,884. This increase was a result of the District receiving American Recovery and Reinvestment Act grants that were new in fiscal 2010.

This increase in cash was offset by a decrease in taxes receivable and a small increase in intergovernmental receivables. The decrease of \$1,361,131 in capital assets was attributed to the depreciation expense exceeding the additions for the current year. The total liabilities decreased \$1,037,824, which was primarily the result of the retirement of some outstanding debt and a reduction in deferred revenue related to property taxes receivable. The amount of property tax receivable that was considered available at year end (recorded as revenue) was higher than in the prior year, thus resulting in a lesser amount of the receivable being offset to deferred revenue.

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

### *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010*

Changes in Net Assets - The following table shows the changes in net assets for the fiscal year 2010 compared to 2009.

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 648,361	\$ 656,406
Operating Grants, Contributions and Interest	1,646,982	1,241,879
General Revenues:		
Property Taxes	6,870,744	6,980,313
Grants and Entitlements	12,713,410	12,174,819
Miscellaneous and Investment Earnings	66,661	146,974
Total Revenues	<u>21,946,158</u>	<u>21,200,391</u>
Program Expenses:		
Instruction	11,793,253	11,699,353
Support Services:		
Pupils	1,470,411	1,555,311
Instructional Staff	546,380	565,874
Board of Education	32,832	25,347
Administration	1,345,904	1,389,028
Fiscal Services	415,611	476,379
Business	112,343	103,265
Operation and Maintenance of Plant	1,345,798	1,579,905
Pupil Transportation	1,441,855	1,488,831
Central	96,567	61,934
Operation of Non-Instructional Services	0	5,431
Operation of Food Service	653,601	649,594
Extracurricular Activities	516,559	521,668
Interest and Fiscal Charges	317,331	311,121
Total Expenses	<u>20,088,445</u>	<u>20,433,041</u>
Change in Net Assets	1,857,713	767,350
Beginning Net Assets	<u>30,780,356</u>	<u>30,013,006</u>
Ending Net Assets	<u>\$ 32,638,069</u>	<u>\$ 30,780,356</u>

Overall revenue increased \$745,767 over fiscal year 2009. Program expenses decreased from \$20.4 million in 2009 to \$20.1 million in 2010. The decrease in total program expenses reflects decreases in support services for pupils, transportation, administration and operations.

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

### ***Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010***

#### ***Governmental Activities***

The net assets of the District's governmental activities increased by \$1,857,713.

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

Property taxes made up 31.31% of revenues for governmental activities for Southeast Local Schools in fiscal year 2010. These revenues decreased \$109,569 from 2009, primarily due to a drop in real estate tax collections.

Revenue Sources	2010	Percent of Total
General Grants	\$ 12,713,410	57.93%
Program Revenues	2,295,343	10.46%
General Tax Revenues	6,870,744	31.31%
Miscellaneous and Investment Earnings	66,661	0.30%
Total Revenue	\$ 21,946,158	100.00%

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

The District's governmental funds reported a combined fund balance of \$7,496,293, which is above last year's total of \$4,903,210. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance June 30, 2010	Fund Balance June 30, 2009	Increase (Decrease)
General	\$ 5,821,560	\$ 3,359,761	\$ 2,461,799
Bond Retirement	367,154	325,325	41,829
Other Governmental	1,307,579	1,218,124	89,455
Total	\$ 7,496,293	\$ 4,903,210	\$ 2,593,083

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

### ***Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010***

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

	2010 Revenues	2009 Revenues	Increase (Decrease)
Taxes	\$ 6,340,693	\$ 6,131,707	\$ 208,986
Tuition and Fees	44,723	74,541	(29,818)
Investment Earnings	17,694	71,305	(53,611)
Intergovernmental	12,047,870	12,227,652	(179,782)
Other Revenue Types	11,734	53,238	(41,504)
Total	<u>\$ 18,462,714</u>	<u>\$ 18,558,443</u>	<u>\$ (95,729)</u>

General Fund revenues in 2010 decreased approximately .50% compared to revenues in fiscal year 2009. The primary contributing factor was due to a decrease in intergovernmental revenues.

	2010 Expenditures	2009 Expenditures	Increase (Decrease)
Instruction	\$ 9,178,620	\$ 9,582,825	\$ (404,205)
Supporting Services:			
Pupils	1,234,386	1,497,143	(262,757)
Instructional Staff	415,510	459,460	(43,950)
Board of Education	32,832	25,347	7,485
Administration	1,317,992	1,302,852	15,140
Fiscal Services	409,138	455,338	(46,200)
Business	97,234	146,717	(49,483)
Operation and Maintenance of Plant	1,306,904	1,472,601	(165,697)
Pupil Transportation	1,521,054	1,568,541	(47,487)
Central	89,207	59,574	29,633
Food Service Operations	5	0	5
Extracurricular Activities	381,773	378,816	2,957
Debt Service:			
Principal Retirement	14,361	11,473	2,888
Interest and Fiscal Charges	1,899	2,077	(178)
Total	<u>\$ 16,000,915</u>	<u>\$ 16,962,764</u>	<u>\$ (961,849)</u>

The District's general fund expenditures decreased \$961,849, or about 5.7%. The primary factors contributing to this decrease was due to instructional services, pupil and operational costs.

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

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

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

## ***Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010***

For the general fund, the actual revenue was \$17,832,737 representing a \$2,938 increase from the final budget estimates of \$17,829,799. Most of this difference was in the area of intergovernmental revenue. The School District's general unencumbered fund balance at end of year was \$6,746,052.

The District revises its appropriations throughout the fiscal year. During fiscal year 2010, no significant fluctuations between actual and final budget were noted. Final expenditures plus outstanding encumbrances were under the final appropriated amounts by \$1,000,836. There were no individually significant events that caused this variance. The District has adopted a fund level of budgeting.

For the general fund, the final budget basis revenue estimate was \$17,829,799, which was lower than the original budget estimate of \$18,285,826. This difference of \$456,027 was due to the anticipated increase in property tax revenue, the exact amount of which is often unknown during the original budgeting process. Near the closing of the fiscal year, the Treasurer adjusts the final budget (estimated resources) in the accounting system to reflect the actual amounts received or anticipated to be received by June 30, 2010.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At the end of fiscal 2010 the District had \$29,844,124 net of accumulated depreciation invested in land, land improvements, buildings, equipment and vehicles. The following table shows fiscal year 2010 and 2009 balances:

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2010</u>	<u>2009</u>	<u>(Decrease)</u>
Land	\$ 400,918	\$ 400,918	\$ 0
Land Improvements	2,544,781	2,544,781	0
Buildings and Improvements	38,539,912	38,539,912	0
Machinery and Equipment	2,060,713	2,024,491	36,222
Vehicles	2,379,872	2,167,189	212,683
Less: Accumulated Depreciation	(16,082,072)	(14,472,036)	(1,610,036)
Total	<u>\$ 29,844,124</u>	<u>\$ 31,205,255</u>	<u>\$ (1,361,131)</u>

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

#### ***Debt***

At June 30, 2010, the District had \$5,392,190 in bonds outstanding, \$277,190 of which is due within one year. The following table summarizes the District's debt outstanding as of June 30th.

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

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## ***Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010***

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	<u>2010</u>	<u>2009</u>
Governmental Activities:		
General Obligation Bonds:		
Classroom Facilities	\$ 5,392,190	\$ 5,645,430

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2010, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 9.

### **Current Financial Related Issues**

In May of 2010 the District was fortunate to pass a renewal of the original 8.9 mill four year emergency levy approved in May of 2006. This levy is certified to raise \$1,866,247 each year for a period of four years. Our district is facing declining property tax values as are many districts throughout Ohio. The 2009 tax year valuation is \$224,931,120, with 88% of that value coming from residential/agricultural.

The District relies on the State for approximately 63% of its general operating revenues. With the passage of the new Ohio Evidence-Based Model (OEBM) and the inability of the state to fully fund the program, we will not know the full impact of the new funding formula for some time. The biggest current state financial concern is the June 30, 2011 expiration of the State Fiscal Stabilization Funds (SFSF) that we currently receive as part of the federal stimulus funding. The Southeast Local School District currently receives 7% of its state foundation funding through the SFSF which equates to approximately \$750,000. At this point in time, it is not known if the state can replace these funds. Lack of replacement of these funds would have a significant impact on our largest revenue source.

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

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

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

## *Basic Financial Statements*

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

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**Statement of Net Assets**  
**June 30, 2010**

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	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 10,588,770
Receivables:	
Taxes	6,761,874
Intergovernmental	159,179
Materials and Supplies Inventory	34,747
Inventory Held for Resale	14,687
Nondepreciable Capital Assets	400,918
Depreciable Capital Assets, Net	<u>29,443,206</u>
<b>Total Assets</b>	<u>47,403,381</u>
<b>Liabilities:</b>	
Accounts Payable	12,609
Accrued Wages and Benefits	1,855,429
Intergovernmental Payable	555,365
Accrued Interest Payable	21,436
Claims Payable	360,297
Deferred Revenue	4,976,168
Accrued Vacations Payable	58,473
Matured Compensated Absences Payable	31,646
Long -Term Liabilities:	
Due Within One Year	381,546
Due In More Than One Year	<u>6,512,343</u>
<b>Total Liabilities</b>	<u>14,765,312</u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	24,572,960
Restricted for:	
Capital Projects	251,557
Debt Service	408,500
Other Purposes	1,123,781
Set Asides	39,855
Unrestricted (Deficit)	<u>6,241,416</u>
<b>Total Net Assets</b>	<u>\$ 32,638,069</u>

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

*Statement of Activities  
For the Fiscal Year Ended June 30, 2010*

	Program Revenues		Net (Expense) Revenue and and Changes in Net Assets	
	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	
Expenses				
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 8,564,981	\$ 84,230	\$ 190,166	\$ (8,290,585)
Special	2,123,503	12,515	952,035	(1,158,953)
Vocational	94,332	0	0	(94,332)
Student Intervention Services	35,230	0	0	(35,230)
Other	975,207	0	0	(975,207)
Support Services:				
Pupils	1,470,411	0	0	(1,470,411)
Instructional Staff	546,380	0	98,193	(448,187)
Board of Education	32,832	0	0	(32,832)
Administration	1,345,904	0	5,000	(1,340,904)
Fiscal	415,611	0	0	(415,611)
Business	112,343	0	0	(112,343)
Operation and Maintenance of Plant	1,345,798	1,282	3,858	(1,340,658)
Pupil Transportation	1,441,855	0	1,255	(1,440,600)
Central	96,567	0	0	(96,567)
Operation of Food Services	653,601	365,092	396,475	107,966
Extracurricular Activities	516,559	185,242	0	(331,317)
Interest and Fiscal Charges	317,331	0	0	(317,331)
<b>Total Governmental Activities</b>	<b>\$ 20,088,445</b>	<b>\$ 648,361</b>	<b>\$ 1,646,982</b>	<b>(17,793,102)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	6,260,262
Debt Service	523,157
Other Purposes	87,325
Grants and Entitlements not Restricted to Specific Programs	12,713,410
Investment Earnings	20,329
Miscellaneous	46,332
<b>Total General Revenues</b>	<b>19,650,815</b>
<i>Change in Net Assets</i>	1,857,713
<i>Net Assets Beginning of Year</i>	30,780,356
<i>Net Assets End of Year</i>	<b>\$ 32,638,069</b>

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

**Balance Sheet  
Governmental Funds  
June 30, 2010**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 6,730,656	\$ 266,277	\$ 1,515,559	\$ 8,512,492
Cash and Cash Equivalents - Restricted	39,855	0	0	39,855
Receivables:				
Taxes	6,152,118	521,948	87,808	6,761,874
Intergovernmental	29,880	0	129,299	159,179
Materials and Supplies Inventory	34,747	0	0	34,747
Inventory Held for Resale	0	0	14,687	14,687
<b>Total Assets</b>	<u>\$ 12,987,256</u>	<u>\$ 788,225</u>	<u>\$ 1,747,353</u>	<u>\$ 15,522,834</u>
<b>Liabilities:</b>				
Accounts Payable	\$ 12,609	\$ 0	\$ 0	\$ 12,609
Accrued Wages and Benefits	1,597,411	0	258,018	1,855,429
Intergovernmental Payable	498,846	0	56,519	555,365
Matured Compensated Absences Payable	31,646	0	0	31,646
Deferred Revenue	5,025,184	421,071	125,237	5,571,492
<b>Total Liabilities</b>	<u>7,165,696</u>	<u>421,071</u>	<u>439,774</u>	<u>8,026,541</u>
<b>Fund Balances:</b>				
Reserved for Encumbrances	18,386	0	19,565	37,951
Reserved for Property Taxes	1,188,318	100,877	16,838	1,306,033
Reserved for Textbooks and Instructional Materials	39,855	0	0	39,855
Unreserved:				
Undesignated, Reported in:				
General Fund	4,575,001	0	0	4,575,001
Special Revenue Funds	0	0	1,034,140	1,034,140
Capital Projects Funds	0	0	237,036	237,036
Debt Service Funds	0	266,277	0	266,277
<b>Total Fund Balances</b>	<u>5,821,560</u>	<u>367,154</u>	<u>1,307,579</u>	<u>7,496,293</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 12,987,256</u>	<u>\$ 788,225</u>	<u>\$ 1,747,353</u>	<u>\$ 15,522,834</u>

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

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**Reconciliation of Total Governmental Fund Balances  
To Net Assets of Governmental Activities  
June 30, 2010**

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<b>Total Governmental Fund Balances</b>		\$ 7,496,293
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		29,844,124
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:		
Grants	\$ 54,267	
Excess Cost	61,384	
Delinquent Property Taxes	479,673	595,324
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
Classroom Facilities Serial Bonds	(5,115,000)	
Classroom Facilities Capital Appreciation Bonds	(122,698)	
Accretion of Capital Appreciation Bonds	(154,492)	
Capital Leases	(33,466)	(5,425,656)
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Accrued Interest Payable	(21,436)	
Compensated Absences	(1,468,233)	
Accrued Vacation Payable	(58,473)	(1,548,142)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		1,676,126
<b>Net Assets of Governmental Activities</b>		<b>\$ 32,638,069</b>

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

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2010**

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 6,340,693	\$ 525,244	\$ 88,258	\$ 6,954,195
Intergovernmental	12,047,870	72,729	2,249,760	14,370,359
Investment Earnings	17,694	0	5,945	23,639
Tuition and Fees	44,723	0	3,107	47,830
Rentals	1,282	0	0	1,282
Extracurricular Activities	0	0	182,993	182,993
Charges for Services	0	0	365,093	365,093
Miscellaneous	10,452	0	0	10,452
<b>Total Revenues</b>	<b>18,462,714</b>	<b>597,973</b>	<b>2,895,156</b>	<b>21,955,843</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	6,543,235	0	817,264	7,360,499
Special	1,537,848	0	643,445	2,181,293
Vocational	102,120	0	0	102,120
Student Intervention Services	35,230	0	0	35,230
Other	960,187	0	15,020	975,207
Support Services:				
Pupils	1,234,386	0	282,128	1,516,514
Instructional Staff	415,510	0	95,794	511,304
Board of Education	32,832	0	0	32,832
Administration	1,317,992	0	63,864	1,381,856
Fiscal	409,138	8,909	1,512	419,559
Business	97,234	0	65,174	162,408
Operation and Maintenance of Plant	1,306,904	0	0	1,306,904
Pupil Transportation	1,521,054	0	0	1,521,054
Central	89,207	0	5,000	94,207
Operation of Non-Instructional Services:				
Food Service Operations	5	0	675,969	675,974
Extracurricular Activities	381,773	0	140,531	522,304
Debt Service:				
Principal Retirement	14,361	134,302	0	148,663
Interest and Fiscal Charges	1,899	412,933	0	414,832
<b>Total Expenditures</b>	<b>16,000,915</b>	<b>556,144</b>	<b>2,805,701</b>	<b>19,362,760</b>
Excess of Revenues Over (Under) Expenditures	2,461,799	41,829	89,455	2,593,083
Net Change in Fund Balance	2,461,799	41,829	89,455	2,593,083
<b>Fund Balance (Deficit) at Beginning of Year</b>	<b>3,359,761</b>	<b>325,325</b>	<b>1,218,124</b>	<b>4,903,210</b>
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ 5,821,560</b>	<b>\$ 367,154</b>	<b>\$ 1,307,579</b>	<b>\$ 7,496,293</b>

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

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**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances to the Statement of Activities  
For the Fiscal Year Ended June 30, 2010**

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**Net Change in Fund Balances - Total Governmental Funds** \$ 2,593,083

**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 amount by which  
depreciation expense exceeded additions in the current period.

Capital Asset Additions	\$ 254,269	
Current Year Depreciation	(1,615,400)	
Total	(1,361,131)	(1,361,131)

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

Grants	19,963	
Excess Cost	51,164	
Delinquent Property Taxes	(83,447)	
	(12,320)	(12,320)

Repayment of leases and bond principal are expenditures in the governmental  
funds, but the repayment reduces long-term liabilities in the  
statement of net assets.

Lease Principal	14,361	
Bond Principal	134,302	
Accreted Interest on Matured Capital Appreciation Bonds	155,698	
	304,361	304,361

Some expenses reported in the statement of activities do not  
use the current financial resources and therefore, are not reported  
as expenditures in governmental funds.

Increase in Accrued Interest Payable	(21,436)	
Decrease in Compensated Absences	105,546	
Increase in Vacations Payable	(6,854)	
Total	77,256	77,256

In statement of activities, interest is accrued on outstanding bonds, whereas  
in governmental funds, an interest expenditure is reported when due.

Current Year Bond Accretion		(36,760)
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The internal service fund used by management to charge the costs  
of insurance to individual funds is not reported in the district-wide  
statement of activities. The net revenue (expense) of internal service  
funds is reported with governmental activities.

293,224

**Change in Net Assets of Governmental Activities**

**\$ 1,857,713**

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

**Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 5,840,217	\$ 5,840,217	\$ 5,679,212	\$ (161,005)
Intergovernmental	12,281,303	11,876,951	12,011,996	135,045
Investment Income	70,000	16,145	17,694	1,549
Tuition and Fees	50,500	52,680	76,227	23,547
Rental	1,806	1,806	1,282	(524)
Miscellaneous	42,000	42,000	46,326	4,326
<b>Total Revenues</b>	<b>18,285,826</b>	<b>17,829,799</b>	<b>17,832,737</b>	<b>2,938</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	7,086,947	6,769,536	6,597,205	172,331
Special	281,844	1,601,023	1,511,072	89,951
Vocational	148,554	110,835	110,644	191
Student Intervention Services	58,977	51,800	35,196	16,604
Other	1,208,314	1,077,052	972,074	104,978
Support Services:				
Pupils	1,638,157	1,272,782	1,243,468	29,314
Instructional Staff	492,957	456,525	419,408	37,117
Board of Education	35,756	35,917	32,797	3,120
Administration	1,351,112	1,395,169	1,321,667	73,502
Fiscal	523,903	454,206	416,552	37,654
Business	135,010	125,830	113,494	12,336
Operation and Maintenance of Plant	1,750,978	1,472,365	1,308,000	164,365
Pupil Transportation	1,590,776	1,674,847	1,515,717	159,130
Central	841,746	167,803	90,134	77,669
Extracurricular Activities	462,279	401,263	378,689	22,574
<b>Total Expenditures</b>	<b>17,607,310</b>	<b>17,066,953</b>	<b>16,066,117</b>	<b>1,000,836</b>
Excess of Revenues Over (Under) Expenditures	678,516	762,846	1,766,620	1,003,774
<b>Other Financing Sources (Uses):</b>				
Advances In	0	0	228	228
Refund of Prior Year Expenditures	0	0	8,131	8,131
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>8,359</b>	<b>8,359</b>
Net Change in Fund Balance	678,516	762,846	1,774,979	1,012,133
<b>Fund Balance (Deficit) at Beginning of Year</b>	<b>4,919,334</b>	<b>4,919,334</b>	<b>4,919,334</b>	<b>0</b>
Prior Year Encumbrances Appropriated	51,739	51,739	51,739	0
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ 5,649,589</b>	<b>\$ 5,733,919</b>	<b>\$ 6,746,052</b>	<b>\$ 1,012,133</b>

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

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*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2010*

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	Governmental Activities - Internal Service Funds
<b>Assets:</b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 2,036,423
<b>Liabilities:</b>	
<i>Current Liabilities:</i>	
Claims Payable	360,297
<b>Net Assets:</b>	
Unrestricted	\$ 1,676,126

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

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*Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2010*

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	Governmental Activities - Internal Service Funds
<b>Operating Revenues:</b>	
Charges for Services	\$ 2,588,570
<b>Operating Expenses:</b>	
Purchased Services	271,614
Claims	2,026,367
<b>Total Operating Expenses</b>	<b>2,297,981</b>
Operating Income (Loss)	290,589
<b>Non-Operating Revenue :</b>	
Investment Earnings	2,635
Change in Net Assets	293,224
Net Assets (Deficit) Beginning of Year	1,382,902
Net Assets (Deficit) End of Year	\$ 1,676,126

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

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**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2010**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash Flows From Operating Activities:</b>	
Cash Received for Charges for Services	\$ 2,588,570
Cash Paid for Goods and Services	(271,614)
Cash Paid for Claims	(2,083,045)
	233,911
<i>Net Cash Provided By (Used For) Operating Activities</i>	<i>233,911</i>
<b>Cash Flows From Investing Activities:</b>	
Cash Receipts for Interest	2,635
	2,635
<i>Net Increase in Cash and Cash Equivalents</i>	<i>236,546</i>
<i>Cash and Cash Equivalents at Beginning of Year</i>	<i>1,799,877</i>
<i>Cash and Cash Equivalents at End of Year</i>	<i>\$ 2,036,423</i>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>	
Operating Income (Loss)	\$ 290,589
Increase (Decrease) in Liabilities:	
Claims Payable	(56,678)
	233,911
<i>Net Cash Provided By (Used For) Operating Activities</i>	<i>\$ 233,911</i>

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

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*Statement of Assets & Liabilities*  
*Fiduciary Funds*  
*June 30, 2010*

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	<u>Agency Fund</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 45,900</u>
<b>Liabilities:</b>	
Due to Students	<u>\$ 45,900</u>

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

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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

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

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 88 non-certified and approximately 138 certified teaching personnel and administrative employees providing education to 2,137 students.

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

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

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

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

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

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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

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

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

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

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

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

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

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

***Government-wide Financial Statements*** – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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the primary government, except for fiduciary funds. The internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

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

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

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

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

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

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

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue within the basic financial statements.

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

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

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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contributions and interest" program revenue account. Unused donated commodities are reported in the account "inventory held for resale" within the basic financial statements.

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

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

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

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

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

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

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

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

GAAP Basis	\$ 2,461,799
Net Adjustment for Revenue Accruals	(621,618)
Net Adjustment for Expenditure Accruals	(40,743)
Adjustment for Encumbrances	<u>(24,459)</u>
 Budget Basis	 <u><u>\$ 1,774,979</u></u>

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

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

During fiscal year 2010, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAROhio). STAROhio is a very liquid investment account which is reported as cash equivalents in the basic financial statements.

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

#### **G. Investments**

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

The District has invested funds in the State Treasury Asset Reserve of Ohio during 2010. 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, 2010.

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

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$17,694, which includes \$5,106 assigned from other District funds.

### **H. Inventory**

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

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

### **I. Capital Assets and Depreciation**

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

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

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

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

### **J. Accrued Liabilities and Long-Term Obligations**

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

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

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010***

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

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

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

**K. Compensated Absences**

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

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

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

**L. Net Assets**

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

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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

#### **M. Pensions**

The provision for pension costs are recorded when the related payroll is accrued and the obligation is incurred. For governmental funds, pension liabilities earned as of June 30, 2010 are recorded as a fund liability.

#### **N. Interfund Activity**

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

#### **O. Restricted Assets**

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

#### **P. Reservations of Fund Balance**

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

#### **Q. Estimates**

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

#### **R. Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are interfund charges for the internal service funds. Operating

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

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010***

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expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2010.

**T. Changes in Accounting Principles**

For the year ended June 30, 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments," and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies."

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization, have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

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

**NOTE 2 - ACCOUNTABILITY**

The following funds had GAAP deficit balances at June 30, 2010:

<u>Nonmajor special revenue funds:</u>	<u>Fund Balance</u>
Miscellaneous state funds	\$ 994
IDEA grant fund	2,541
Education stabilization fund	6,564
Title I	2,795

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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

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

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan.
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

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

***Deposits*** At fiscal year end, the carrying amount of the District's deposits was \$6,611,747 and the bank balance was \$6,759,795. Of the bank balance:

1. \$1,190,164 was covered by federal depository insurance; and
2. \$5,569,631 was exposed to custodial credit risk as discussed above. Of this balance, collateral of \$3,367,082 was held in the name of Southeast Local School District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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#### ***Investments***

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

Ending investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2010. This value as of June 30, 2010 was \$4,020,423.

*Credit Risk* – The District's only investment at June 30, 2010 was in STAROhio, which is rated AAAM by Standard & Poor's. The District's policy doesn't address credit risk.

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

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

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

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2010 were levied after October 1, 2009 on assessed values as of January 1, 2008, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Southeast Local District and periodically remits to the District its portion of the taxes collected. The County Auditor also periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property that are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010 was \$1,188,318 in the general fund, \$100,877 in the bond retirement debt service fund, \$16,838 in the classroom facility maintenance fund.

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

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

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010***

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The assessed value upon which the fiscal year 2010 receipts were based is:

	<u>2009 Second Half Collections</u>	<u>2010 First Half Collections</u>
Agricultural/Residential and Other Real Estate	\$ 222,685,564	\$ 217,280,810
Public Utility Personal	6,773,490	7,315,740
Tangible Personal Property	702,804	334,570
Total Assessed Value	<u>\$ 230,161,858</u>	<u>\$ 224,931,120</u>
Tax rate per \$1,000 of assessed valuation	\$ 39.31	\$ 39.56

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2010 consisted of taxes and intergovernmental receivables. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
General Fund	\$ 29,880
<u>Other governmental funds:</u>	
IDEA Grant	75,868
Title I	46,706
Improving Teacher Quality	6,725
Total Intergovernmental Receivable	<u>\$ 159,179</u>

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

***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010***

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

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<b>Governmental Activities</b>				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 400,918	\$ 0	\$ 0	\$ 400,918
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	2,544,781	0	0	2,544,781
Building and Improvements	38,539,912	0	0	38,539,912
Machinery and Equipment	2,024,491	41,586	(5,364)	2,060,713
Vehicles	2,167,189	212,683	0	2,379,872
<i>Total Capital Assets, being depreciated</i>	<u>45,276,373</u>	<u>254,269</u>	<u>(5,364)</u>	<u>45,525,278</u>
<i>Accumulated Depreciation</i>				
Land Improvements	(1,554,994)	(100,966)	0	(1,655,960)
Building and Improvements	(9,478,093)	(1,318,871)	0	(10,796,964)
Machinery and Equipment	(1,699,859)	(96,617)	5,364	(1,791,112)
Vehicles	(1,739,090)	(98,946)	0	(1,838,036)
<i>Total Accumulated Depreciation</i>	<u>(14,472,036)</u>	<u>(1,615,400)</u>	<u>5,364</u>	<u>(16,082,072)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>30,804,337</u>	<u>(1,361,131)</u>	<u>0</u>	<u>29,443,206</u>
<i>Governmental Activities, Capital Assets, net</i>	<u>\$ 31,205,255</u>	<u>\$ (1,361,131)</u>	<u>\$ 0</u>	<u>\$ 29,844,124</u>

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

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010***

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Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,398,970
Support Services:	
Vocational	1,488
Instructional Staff	32,790
Administration	3,404
Business	14,825
Operation and Maintenance of Plant	38,509
Pupil Transportation	105,322
Central	2,360
Operation of Food Services	12,015
Extracurricular Activities	5,717
	<hr/>
Total Depreciation	<u><u>\$ 1,615,400</u></u>

**NOTE 7- DEFINED BENEFIT PENSION PLANS**

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District 's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The District's contributions to SERS for pension obligations for the years ended June 30, 2010, 2009 and 2008 were \$306,282, \$202,016 and \$252,420, respectively; 50% has been contributed for fiscal year 2010 and 100% of the contributions have been made for fiscal years 2009 and 2008.

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy – For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,044,913, \$920,284 and \$869,382, respectively; 84% has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$24,375 made by the District and \$17,410 made by the plan members.

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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#### ***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2010, three of the school board members have elected social security. The Board's liability is 6.2% of wages paid.

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

#### ***A. State Teachers Retirement System***

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

Funding Policy – Ohio law authorized STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for fiscal years ended June 30, 2010, 2009 and 2008 were \$80,378, \$70,791 and \$66,876, respectively; 84% has been contributed for fiscal year 2010 and 100% for the fiscal years 2009 and 2008.

#### ***B. School Employees Retirement System***

Plan Description — The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by SERS for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan included hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocated the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, .46% of covered payroll was allocated to health care.

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

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for the years ended June 30, 2010, 2009 and 2008 were \$62,163, \$109,120 and \$105,840, respectively; 50% has been contributed for fiscal year 2010 and 100% of the contributions have been made for fiscal years 2009 and 2008.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was .76%. The District's contributions for the years ended June 30, 2010, 2009 and 2008 were \$18,214, \$11,828 and \$15,087, respectively, which equaled the required contributions each year.

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

Detail of the changes in the long-term general obligation bonds and compensated absences of the District for the year ended June 30, 2010, is as follows:

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010	Amount Due Within One Year
<i>General Obligation Bonds:</i>					
<i>School Improvement</i>					
<i>Classroom Facilities Improvement</i>					
Serial Bonds	\$5,115,000	\$ 0	\$ 0	\$5,115,000	\$ 0
<i>Classroom Facilities Improvement</i>					
Capital Appreciation Bonds	257,000	0	(134,302)	122,698	122,698
<i>Accretion on Capital</i>					
Appreciation Bonds	273,430	36,760	(155,698)	154,492	154,492
<i>Total General Obligation Bonds</i>	<u>5,645,430</u>	<u>36,760</u>	<u>(290,000)</u>	<u>5,392,190</u>	<u>277,190</u>
<i>Other Long-term Liabilities:</i>					
Compensated Absences	1,573,779	6,856	(112,402)	1,468,233	89,321
Capital Lease	47,827	0	(14,361)	33,466	15,035
<i>Total Other Long-term Liabilities</i>	<u>1,621,606</u>	<u>6,856</u>	<u>(126,763)</u>	<u>1,501,699</u>	<u>104,356</u>
<i>Total Governmental Long-term Obligations</i>	<u>\$ 7,267,036</u>	<u>\$ 43,616</u>	<u>\$ (416,763)</u>	<u>\$ 6,893,889</u>	<u>\$ 381,546</u>

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

***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010***

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

The capital appreciation bonds mature on December 1, 2010 and December 1, 2023. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as long-term liability. The maturity amount of the bonds is \$290,000. For fiscal year 2010, \$36,760 was accreted for a liability of \$154,492.

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2010, follows:

Fiscal Year Ending June 30,	General Obligation Bond			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 0	\$ 257,236	\$ 257,236	\$ 122,698	\$ 167,302	\$ 290,000
2012	290,000	249,986	539,986	0	0	0
2013	305,000	235,110	540,110	0	0	0
2014	320,000	219,486	539,486	0	0	0
2015	335,000	203,111	538,111	0	0	0
2016-2020	1,935,000	741,055	2,676,055	0	0	0
2021-2024	1,930,000	203,015	2,133,015	0	0	0
Totals	<u>\$ 5,115,000</u>	<u>\$ 2,108,999</u>	<u>\$ 7,223,999</u>	<u>\$ 122,698</u>	<u>\$ 167,302</u>	<u>\$ 290,000</u>

### **NOTE 10 – STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves for the purpose of textbooks and other instructional materials and an additional amount for capital improvements. During the fiscal year ended June 30, 2010, the reserve activity (cash-basis) was as follows:

	Capital Improvement	Textbook Instructional Materials	Total
Set-Aside Carry Over Balance as of June 30, 2009	\$ 0	\$ 68,784	\$ 68,784
Current Year Set-Aside Requirement	329,771	329,771	659,542
Qualifying Offset	(329,771)	0	(329,771)
Qualifying Disbursements	0	(358,700)	(358,700)
Total	<u>\$ 0</u>	<u>\$ 39,855</u>	<u>\$ 39,855</u>
Cash Balance Carried Forward to FY 2011	<u>\$ 0</u>	<u>\$ 39,855</u>	<u>\$ 39,855</u>
Amount to Restrict for Set-Asides			<u>\$ 39,855</u>

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

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010***

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

**NOTE 11 - RISK MANAGEMENT**

**A. Public Entity Risk Pools**

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

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

**B. Other Insurance**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2010, the District contracted for various insurance coverages, as follows:

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

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

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

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010***

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The District also maintains a self-funded health insurance program for employee health coverage. The plan was started in July of 2003. The claims are processed by the third party administrator, Benefit Services Inc. An internal service fund is presented in the financial statements and reflects premiums paid into the self-insurance fund by other funds which are available to pay claims and administrative costs, and establish claims reserves. Claims are paid weekly through the third party administrator and fixed costs for administrative and stop loss costs are paid on a monthly basis. The District purchases stop-loss coverage through Sun Life Insurance Company to protect the plan in the occurrence of catastrophic claims. The outstanding claims at June 30, 2010 for the self-insurance program amounted to \$360,297.

The claims liability reported in the fund at June 30, 2010 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount in 2009 and 2010 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims	Claims Payments	Balance at Fiscal Year End
2009	\$ 376,122	\$ 2,283,168	\$ (2,242,315)	\$ 416,975
2010	416,975	2,026,367	(2,083,045)	360,297

**NOTE 12 - JOINTLY GOVERNED ORGANIZATION**

**Stark Portage Area Computer Consortium**

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

The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges and assessments as charged. SPARCC is governed by a board made up of superintendents from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. During fiscal year 2010, the amount paid by the District was \$81,645. The Southeast Local School District does not maintain an ongoing financial interest or an ongoing financial responsibility.

Payments to SPARCC are made from the general fund. Financial information can be obtained from Gene Feucht, who serves as director, at 2100 38<sup>th</sup> Street, NW, Canton, Ohio 44709.

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

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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

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

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

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

The District is not a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2010.

#### **NOTE 14 – CAPITAL LEASE**

Capital lease obligations relate to copier equipment which is leased under a long-term agreement. This lease meets the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee. \$59,300 has been recorded as capital assets relating to capital leases with \$29,650 of accumulated depreciation as of June 30, 2010. Capital lease payments in the general fund have been reclassified and are reflected as debt service in the basic financial statements for the general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. The following schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2010 is summarized below.

Fiscal Year Ending June, 30	Capital Lease		
	Principal	Interest	Total
2011	\$ 15,035	\$ 1,225	\$ 16,260
2012	15,741	519	16,260
2013	2,690	20	2,710
Total	<u>\$ 33,466</u>	<u>\$ 1,764</u>	<u>\$ 35,230</u>

#### **NOTE 15 – SUBSEQUENT EVENTS**

In July 2010, the Board of Education approved a Memorandum of Agreement with the Ohio Schools Facilities Commission (OSFC) related to the corrective measures needed on the District's HVAC system. The State portion will total \$4,231,055 and the local share will be \$1,135,895. The local share will be covered by an OSFC corrective action grant, while the State portion is included as an amendment to the Master Facilities Plan.



## Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

December 13, 2010

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

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

We have audited the financial statements of governmental activities, each major fund, and the aggregate remaining fund information of Southeast Local School District (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

Southeast Local School District, Portage County, Ohio  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards  
December 13, 2010  
Page 2

Compliance and Other Matters

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

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

*Hea & Associates, Inc.*



## Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

December 13, 2010

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

### **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

#### **Compliance**

We have audited the compliance of the Southeast Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

### **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

### **Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the District as of and for the year ended June 30, 2010, and have issued our report thereon dated December 13, 2010. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Hea & Associates, Inc.*

**SOUTHEAST LOCAL SCHOOL DISTRICT**  
**PORTAGE COUNTY, OHIO**  
*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS*  
*FOR THE FISCAL YEAR ENDED JUNE 30, 2010*

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Program Year	Federal Receipts	Federal Disbursements
<b>U. S. Department of Education (Passed Through Ohio Department of Education):</b>				
<i><b>Title I Cluster</b></i>				
Grants to Local Educational Agencies (Title I)	84.010	2009	\$ 42,653	\$ 50,618
Grants to Local Educational Agencies (Title I)	84.010	2010	153,228	143,481
School Improvement Sub A (Title I)	84.010	2010	60,000	58,473
ARRA - Grants to Local Educational Agencies (Title I)	84.389	2010	<u>80,019</u>	<u>76,821</u>
Total Title I Cluster			335,900	329,393
<i><b>Special Education Cluster</b></i>				
Special Education - Grants to States (IDEA Part B)	84.027	2009	73,452	86,520
Special Education - Grants to States (IDEA Part B)	84.027	2010	310,598	297,561
ARRA - Special Education Grants to States (IDEA Part B)	84.391	2010	<u>274,636</u>	<u>271,715</u>
Total Special Education Cluster			658,686	655,796
Safe and Drug Free Schools (Title IV-A)	84.186	2009	0	1,092
Safe and Drug Free Schools (Title IV-A)	84.186	2010	<u>5,155</u>	<u>5,157</u>
Total Safe and Drug Free Schools (Title IV-A)			5,155	6,249
Technology Literacy Quality State Grants (Title II-D)	84.318	2010	<u>1,761</u>	<u>1,761</u>
Total Technology Literacy Quality State Grants (Title II-D)			1,761	1,761
Improving Teacher Quality State Grants (Title II-A)	84.367	2009	20,112	24,313
Improving Teacher Quality State Grants (Title II-A)	84.367	2010	<u>83,391</u>	<u>78,322</u>
Total Improving Teacher Quality State Grants (Title II-A)			103,503	102,635
ARRA - State Fiscal Stabilization Fund	84.394	2010	703,251	588,435
<b>Total Department of Education</b>			<u>1,808,256</u>	<u>1,684,269</u>
<b>U. S. Department of Agriculture (Passed Through Ohio Department of Education):</b>				
Child Nutrition Cluster:				
School Breakfast Program (A)	10.553	2010	62,710	62,710
National School Lunch Program - Non Cash (B)	10.555	2010	34,206	34,206
National School Lunch Program (A)	10.555	2010	<u>278,219</u>	<u>278,219</u>
Total Child Nutrition Cluster			375,135	375,135
<b>Total U.S. Department of Agriculture</b>			<u>375,135</u>	<u>375,135</u>
Total Federal Assistance			<u>\$ 2,183,391</u>	<u>\$ 2,059,404</u>

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

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

*Notes to the Schedule of Expenditures Federal Awards – Cash Basis  
For the Fiscal Year Ended June 30, 2010*

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**Note A - Child Nutrition Cluster**

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

**Note B – Food Donation Program**

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

**Note C - Transfers**

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education’s (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2010, the ODE authorized the following transfers:

<u>CFDA</u>		<u>Program</u>		
<u>Number</u>	<u>Program Title</u>	<u>Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.010	Title I - Grants to Local Educational Agencies	2009	\$ 3,248	
84.010	Title I - Grants to Local Educational Agencies	2010		\$ 3,248
84.186	Title IV-A - Safe and Drug-Free Schools	2009	113	
84.186	Title IV-A - Safe and Drug-Free Schools	2010		113

**SOUTHEAST LOCAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133, Section .505  
JUNE 30, 2010**

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

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Title I #84.010, 84.389 IDEA-B # 84.027, 84.391 State Fiscal Stabilization #84.394
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None noted.

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

None noted.

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# Dave Yost • Auditor of State

**SOUTHEAST LOCAL SCHOOL DISTRICT**

**PORTAGE COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 27, 2011**