

Southeastern Local School District

Ross County

Single Audit

July 1, 2009 through June 30, 2010

Fiscal Year Audited Under GAGAS: 2010



**Balestra, Harr & Scherer, CPAs, Inc.**

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# Dave Yost • Auditor of State

Board of Education  
Southeastern Local School District  
2003 Lancaster Road  
Chillicothe, Ohio 45601

We have reviewed the *Independent Auditor's Report* of the Southeastern Local School District, Ross County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 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 Southeastern Local School District is responsible for compliance with these laws and regulations.

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Dave Yost  
Auditor of State

May 16, 2011

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Southeastern LSD  
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### **Independent Auditor's Report**

Members of the Board  
Southeastern Local School District  
2003 Lancaster Road  
Chillicothe, Ohio 45601

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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, the major fund, and the aggregate remaining fund information of the Southeastern Local School District, Ross County, Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund, for the year then ended in 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 28, 2010 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Members of the Board  
Southeastern Local School District  
Independent Auditor's Report  
Page 2

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 21 to the financial statements, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
December 28, 2010

**Southeastern Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

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

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year 2010 are as follows:

- Net assets of governmental activities increased \$137,750.
- General revenues accounted for \$9,866,933 or 77% of all revenues. Program specific revenues in the form of charges for services and sales, operating and capital grants and contributions, accounted for \$2,989,666 or 23% of total revenues of \$12,856,599.
- The School District had \$12,718,849 in expenses related to governmental activities; only \$2,989,666 of these expenses were offset by program specific charges for services and sales, operating and capital grants and contributions.

**USING THIS ANNUAL FINANCIAL REPORT**

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

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

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

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**Southeastern Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

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

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

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

***Proprietary Funds*** Proprietary fund reporting focuses on the determination of operating receipts over (under) operating disbursements and changes in net assets. Proprietary funds are classified as enterprise or internal service and the School District only has an internal service fund which is used to account for their self-insurance program for employee medical and dental claims. This fund is reported using the accrual basis of accounting.

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

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

**Southeastern Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

**THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2010 compared to 2009.

Table 1  
Net Assets

	Governmental Activities	
	2010	2009*
<b>Assets</b>		
Current and Other Assets	\$10,065,989	\$9,314,340
Capital Assets, Net	23,002,644	23,958,625
Total Assets	33,068,633	33,272,965
<b>Liabilities</b>		
Current and Other Liabilities	2,760,265	2,952,400
Long-term Liabilities	5,131,274	5,281,221
Total Liabilities	7,891,539	8,233,621
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	18,714,817	19,151,520
Restricted	1,433,134	1,521,411
Unrestricted	5,029,143	4,366,413
Total Net Assets	\$25,177,094	\$25,039,344

\* Amount restated, see Note 20 for additional information.

Total net assets of the School District as a whole increased \$137,750. The increase to current and other assets is due to an increase in cash with the School District at fiscal year end due to higher revenues received than expenses paid and due to a transfer of cash from the internal service fund as a result of the reorganization of the Ross County Insurance Consortium. Intergovernmental receivables also increased due the timing of draw downs. The increase is was partially offset by a decrease in cash with fiscal agents as the fiscal agent's cash on hand held for the School District decreased as a result of the reorganization of the Ross County Insurance Consortium. Capital assets, net decreased due to current year depreciation expense, which was partially offset by current year additions.

Current and other liabilities decreased \$192,135. This was due primarily to the decrease in claims payable due to the reorganization of the Consortium, which was partially offset by an increase in accrued wages and benefits payable. Long-term liabilities decreased primarily due to principal payments on debt obligations.

**Southeastern Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010  
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2010 and 2009.

Table 2  
Changes in Net Assets

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009**</u>
<b>Revenues</b>		
Program Revenues		
Charges for Services and Sales	\$ 1,084,731	\$ 945,442
Operating Grants and Contributions	1,904,935	1,405,801
Capital Grants and Contributions	-	3,020
Total Program Revenues	<u>2,989,666</u>	<u>2,354,263</u>
General Revenues		
Property Taxes	1,976,949	1,841,449
Income Taxes	54,603	63,768
Grants and Entitlements Not Restricted to Specific Programs	7,589,425	7,306,218
Investment Earnings	49,609	151,605
Gain on Sale of Capital Assets	1,500	500
Miscellaneous	194,847	197,586
Total General Revenues	<u>9,866,933</u>	<u>9,561,126</u>
Total Revenues	<u>12,856,599</u>	<u>11,915,389</u>
<b>Program Expenses</b>		
Instruction:		
Regular	5,890,152	5,675,088
Special	1,665,397	1,383,617
Other	20,248	23,114
Support Services:		
Pupils	501,521	440,449
Instructional Staff	354,893	329,191
Board of Education	11,854	16,314
Administration	567,064	571,446
Fiscal	217,049	239,483
Business	159,101	179,658
Operation and Maintenance of Plant	1,104,185	1,159,521
Pupil Transportation	1,019,922	883,812
Central	66,061	69,063
Operation of Non-Instructional Services	441,275	420,088
Extracurricular Activities	436,088	496,983
Interest and Fiscal Charges	264,039	264,593
Total Expenses	<u>12,718,849</u>	<u>12,152,420</u>
Increase (Decrease) in Net Assets	137,750	(237,031)
Net Assets, Beginning of Year*	25,039,344	25,276,375
Net Assets, End of Year	<u>\$ 25,177,094</u>	<u>\$ 25,039,344</u>

\*Amount restated, see Note 20 for additional information.

\*\* Certain reclassifications were made for consistency of presentation between years.

**Southeastern Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

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Operating grants and contributions increased primarily due to the receipt of stimulus funding. Income tax revenue is down for the current year due to fewer collections for delinquencies. The School District's levy expired December 30, 2004 and the only collections are for delinquencies. Grants and entitlements not restricted to specific programs increased from the prior year due to increased Foundation remittances and the change on restrictions of those monies. Investment earnings decreased due to reduced interest rates.

The most significant program expenses for the School District are regular instruction, operation and maintenance of plant, pupil transportation and special instruction. These programs account for 76 percent of the total governmental activities. Regular instruction, which accounts for 46 percent of the total, represents costs associated with providing general educational services. Operation and maintenance of plant, which represents 9 percent of the total, represents costs associated with operating and maintaining the School District's facilities. Special instruction, which represents 13 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Regular and special instruction increased as a direct result of the increase in intergovernmental revenue received by the School District in stimulus funding.

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

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

**Southeastern Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010  
Unaudited

Table 3  
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2010		2009*	
Program Expenses				
Instruction:				
Regular	\$5,890,152	\$5,158,890	\$5,675,088	\$4,954,028
Special	1,665,397	955,639	1,383,617	536,062
Other	20,248	17,101	23,114	5,387
Support Services:				
Pupils	501,521	454,391	440,449	402,571
Instructional Staff	354,893	201,409	329,191	205,000
Board of Education	11,854	10,740	16,314	14,999
Administration	567,064	513,804	571,446	525,396
Fiscal	217,049	162,025	239,483	179,632
Business	159,101	134,351	179,658	158,416
Operation and Maintenance of Plant	1,104,185	754,051	1,159,521	887,242
Pupil Transportation	1,019,922	922,917	883,812	1,208,125
Central	66,061	59,853	69,063	63,734
Operation of Non-Instructional Services	441,275	(118,844)	420,088	102,206
Extracurricular Activities	436,088	245,582	496,983	296,622
Interest and Fiscal Charges	264,039	257,274	264,593	258,737
Total	<u>\$12,718,849</u>	<u>\$9,729,183</u>	<u>\$12,152,420</u>	<u>\$9,798,157</u>

\*Certain reclassifications were made for consistency of presentation between years.

**THE SCHOOL DISTRICT'S FUNDS**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$13,601,161 and expenditures and other financing uses of \$12,689,539.

The School District has one major fund: the General Fund. The General Fund had \$10,579,860 in revenues and other financing sources and \$9,477,028 in expenditures and other financing uses. The General Fund's balance increased \$1,102,832. This increase is due revenues in excess of expenditures and the transfer in from the internal service fund due to the reorganization of the Ross County Insurance Consortium. Intergovernmental revenues increased due to increased Foundation remittances. Expenditures increased as a result of increased salaries and benefits.

**Southeastern Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010  
Unaudited

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2010, the School District amended its General Fund budget.

For the General Fund, final budget basis revenue was \$10,201,662, which increased from the original estimates of \$9,783,922. The increase is due to an increase in estimates for tax, intergovernmental and tuition revenues. Final budgeted revenues were below actual revenues due to the transfer of monies from the internal services fund due to the reorganization of the Ross County Insurance Consortium. For the General Fund, final budget basis expenditures were \$9,991,349, which increased from the original estimates of \$9,703,594. Appropriations were amended to reflect increases in anticipated salaries and benefits and purchased services. The School District's actual budget basis revenues were \$304,222 below final estimates. This difference is primarily due to conservative budgeting by the School District.

The School District's ending unobligated General Fund budgetary fund balance was \$6,046,433.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2010, the School District had \$23,002,644 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and library books and textbooks. For additional information on capital assets, see Note 9 to the basic financial statements. Table 4 shows fiscal year 2010 balances compared to 2009.

Table 4  
Capital Assets  
(Net of Depreciation)

	Governmental Activities	
	2010	2009
Land	\$705,000	\$705,000
Land Improvements	2,098,706	2,220,871
Buildings and Improvements	19,324,854	20,095,260
Furniture and Equipment	354,014	371,247
Vehicles	360,947	388,404
Library Books and Textbooks	159,123	177,843
Totals	\$23,002,644	\$23,958,625

The overall decrease in capital assets of \$955,981 is due to current year depreciation expense, which was partially offset by current year additions.

**Southeastern Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

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***Debt***

At June 30, 2010, the School District had \$4,645,690 in bonds and certificate of participation outstanding with \$251,000 due within one year. Table 5 summarizes the bond and notes outstanding. The bonds were issued for school construction and the certificate of participation was issued for the addition of a new athletic complex. For additional information on debt, see Note 14 to the basic financial statements.

Table 5  
Outstanding Debt at Year End

	2010	2009*
2000 General Obligation Bonds	\$308,992	\$445,152
2007 General Obligation Refunding Bonds	2,987,698	2,978,953
Certificate of Participation	1,349,000	1,383,000
	<u>\$4,645,690</u>	<u>\$4,807,105</u>

\* Amount restated, see Note 20 for additional information.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Phil Hartman, Treasurer at Southeastern Local School District, 2003 Lancaster Road, Chillicothe, Ohio 45601.

**Southeastern Local School District**  
*Statement of Net Assets*  
*June 30, 2010*

	Governmental Activities
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 7,864,995
Accrued Interest Receivable	20,088
Intergovernmental Receivable	290,450
Taxes Receivable	1,834,497
Unamortized Bond Issuance Costs	55,959
Noncurrent Assets:	
Nondepreciable Capital Assets	705,000
Depreciable Capital Assets, Net	22,297,644
<i>Total Assets</i>	33,068,633
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	29,084
Accrued Wages and Benefits Payable	935,345
Intergovernmental Payable	293,965
Accrued Interest Payable	22,219
Deferred Revenue	1,479,652
Noncurrent Liabilities:	
Due Within One Year	297,510
Due in More Than One Year	4,833,764
<i>Total Liabilities</i>	7,891,539
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	18,714,817
Restricted for:	
Debt Service	476,545
Capital Outlay	6,232
Other Purposes	950,357
Unrestricted	5,029,143
<i>Total Net Assets</i>	\$ 25,177,094

See accompanying notes to the basic financial statements.

**Southeastern Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2010

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 5,890,152	\$ 451,318	\$ 279,944	\$ (5,158,890)
Special	1,665,397	95,733	614,025	(955,639)
Other	20,248	1,749	1,398	(17,101)
Support Services:				
Pupils	501,521	47,130	-	(454,391)
Instructional Staff	354,893	19,551	133,933	(201,409)
Board of Education	11,854	1,114	-	(10,740)
Administration	567,064	53,260	-	(513,804)
Fiscal	217,049	16,453	38,571	(162,025)
Business	159,101	13,080	11,670	(134,351)
Operation and Maintenance of Plant	1,104,185	71,200	278,934	(754,051)
Pupil Transportation	1,019,922	85,039	11,966	(922,917)
Central	66,061	6,208	-	(59,853)
Operation of Non-Instructional Services	441,275	159,600	400,519	118,844
Extracurricular Activities	436,088	56,531	133,975	(245,582)
Interest and Fiscal Charges	264,039	6,765	-	(257,274)
<b>Totals</b>	<b>\$ 12,718,849</b>	<b>\$ 1,084,731</b>	<b>\$ 1,904,935</b>	<b>(9,729,183)</b>
<b>General Revenues</b>				
Property Taxes Levied for:				
				1,640,518
General Purposes				305,803
Debt Service				30,628
Classroom Facilities				54,603
Income Taxes				7,589,425
Grants and Entitlements not Restricted to Specific Programs				49,609
Investment Earnings				1,500
Gain on Sale of Assets				194,847
Miscellaneous				
<i>Total General Revenues</i>				<u>9,866,933</u>
<i>Change in Net Assets</i>				137,750
<i>Net Assets Beginning of Year - As Restated, See Note 20</i>				<u>25,039,344</u>
<i>Net Assets End of Year</i>				<u>\$ 25,177,094</u>

See accompanying notes to the basic financial statements.

**Southeastern Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2010*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 6,462,719	\$ 1,402,276	\$ 7,864,995
Accrued Interest Receivable	20,088	-	20,088
Interfund Receivable	88,882	-	88,882
Receivables:			
Intergovernmental	-	290,450	290,450
Taxes	1,521,154	313,343	1,834,497
<i>Total Assets</i>	<u>\$ 8,092,843</u>	<u>\$ 2,006,069</u>	<u>\$ 10,098,912</u>
<b>Liabilities</b>			
Accounts Payable	\$ 24,001	\$ 5,083	\$ 29,084
Accrued Wages and Benefits Payable	795,633	139,712	935,345
Interfund Payable	-	88,882	88,882
Intergovernmental Payable	257,475	36,490	293,965
Deferred Revenue	1,304,859	549,905	1,854,764
<i>Total Liabilities</i>	<u>2,381,968</u>	<u>820,072</u>	<u>3,202,040</u>
<b>Fund Balances</b>			
Reserved:			
Reserved for Encumbrances	392,716	39,318	432,034
Reserved for Property Taxes	216,295	46,077	262,372
Unreserved, Undesignated, Reported in:			
General Fund	5,101,864	-	5,101,864
Special Revenue Funds	-	674,120	674,120
Debt Service Funds	-	420,250	420,250
Capital Projects Funds	-	6,232	6,232
<i>Total Fund Balances</i>	<u>5,710,875</u>	<u>1,185,997</u>	<u>6,896,872</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 8,092,843</u>	<u>\$ 2,006,069</u>	<u>\$ 10,098,912</u>

See accompanying notes to the basic financial statements.

**Southeastern Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2010*

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**Total Governmental Fund Balances** \$ 6,896,872

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 23,002,644

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

Taxes	92,473	
Unamortized Financing Costs	55,959	
Intergovernmental	282,639	
	431,071	
<b>Total</b>		<b>431,071</b>

Long-term liabilities, including bonds, certificate of participation obligations, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Accrued Interest Payable	(22,219)	
Compensated Absences	(485,584)	
Certificate of Participation Obligations	(1,349,000)	
Refunding Bonds	(2,760,000)	
Accreted Debt from Refunding Bonds	(75,871)	
Unamortized Accounting Loss from Refunding	69,723	
Unamortized Premiums on Refunding Bonds	(221,550)	
General Obligation Bonds	(27,000)	
Accreted Debt from General Obligation Bonds	(281,992)	
	(5,153,493)	
<b>Total</b>		<b>(5,153,493)</b>

**Net Assets of Governmental Activities** \$25,177,094

See accompanying notes to the basic financial statements.

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

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$ 1,635,331	\$ 335,329	\$ 1,970,660
Income Taxes	54,603	-	54,603
Intergovernmental	7,551,481	1,669,294	9,220,775
Interest	49,609	-	49,609
Tuition and Fees	849,387	-	849,387
Rent	36,950	-	36,950
Extracurricular Activities	-	38,794	38,794
Customer Sales and Services	-	159,600	159,600
Miscellaneous	67,614	127,233	194,847
<i>Total Revenues</i>	<u>10,244,975</u>	<u>2,330,250</u>	<u>12,575,225</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	4,799,159	299,122	5,098,281
Special	1,011,045	667,956	1,679,001
Other	-	1,521	1,521
Support Services:			
Pupils	495,034	-	495,034
Instructional Staff	209,719	141,712	351,431
Board of Education	11,854	-	11,854
Administration	585,002	-	585,002
Fiscal	177,496	41,972	219,468
Business	139,187	19,406	158,593
Operation and Maintenance of Plant	768,054	303,525	1,071,579
Pupil Transportation	905,355	-	905,355
Central	67,553	-	67,553
Operation of Non-Instructional Services	-	438,891	438,891
Extracurricular Activities	187,587	145,787	333,374
Capital Outlay	-	159,919	159,919
Debt Service:			
Principal	34,000	205,000	239,000
Interest and Fiscal Charges	71,983	110,649	182,632
<i>Total Expenditures</i>	<u>9,463,028</u>	<u>2,535,460</u>	<u>11,998,488</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>781,947</u>	<u>(205,210)</u>	<u>576,737</u>
<b>Other Financing Sources (Uses):</b>			
Transfers In	333,385	691,051	1,024,436
Proceeds from Sale of Assets	1,500	-	1,500
Transfers Out	(14,000)	(677,051)	(691,051)
<i>Total Other Financing Sources (Uses)</i>	<u>320,885</u>	<u>14,000</u>	<u>334,885</u>
<i>Net Change in Fund Balances</i>	1,102,832	(191,210)	911,622
<i>Fund Balances at Beginning of Year</i>	<u>4,608,043</u>	<u>1,377,207</u>	<u>5,985,250</u>
<i>Fund Balances at End of Year</i>	<u>\$ 5,710,875</u>	<u>\$ 1,185,997</u>	<u>\$ 6,896,872</u>

See accompanying notes to the basic financial statements.

**Southeastern Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2010*

<b>Net Change in Fund Balances-Total Governmental Funds</b>	\$	911,622
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the difference between the capital asset additions and the amount of depreciation expense for the current period.		
Capital Asset Additions	128,725	
Depreciation	<u>(1,084,706)</u>	
Total		(955,981)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. These are the amounts of the proceeds from the sale of capital assets and the gain on the disposal of fixed assets.		
Proceed from Sale of Capital Assets	(1,500)	
Gain on Sale of Capital Assets	<u>1,500</u>	
Total		-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	6,289	
Intergovernmental	<u>273,585</u>	
Total		279,874
The amortization of premium from the sale of bonds is recorded as a reduction of liability in the statement of net assets, but does not result in an expenditure in the governmental funds.		
		15,558
The amortization of debt issuance costs is reported in the statement of activities but is not reported as an expenditure in the governmental funds.		
		(4,663)
Deferred amounts on refunded debt are included as expenditures in the funds, but are deferred and amortized over the life of the bonds in the government-wide financial statements.		
		(34,862)
Repayments of bond principal are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net assets and do not result in expenses in the statement of activities.		
		205,000
Repayments of certificate of participation obligations are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net assets and do not result in expenses in the statement of activities.		
		34,000
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The expense of the internal service fund is allocated among the governmental activities.		
		(243,890)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Increase in Compensated Absences	(11,468)	
Decrease in Interest Payable	841	
Increase in Accreted Interest	<u>(58,281)</u>	
Total		<u>(68,908)</u>
<b>Net Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>137,750</u></b>

See accompanying notes to the basic financial statements.

**Southeastern Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget and Actual (Budgetary Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2010*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 9,783,922	\$ 10,201,662	\$ 10,516,771	\$ 315,109
Total Expenditures and Other Financing Uses	<u>9,703,594</u>	<u>9,991,349</u>	<u>9,687,127</u>	<u>304,222</u>
Net Change in Fund Balance	80,328	210,313	829,644	619,331
Fund Balance at Beginning of Year	4,834,996	4,834,996	4,834,996	-
Prior Year Encumbrances Appropriated	<u>381,793</u>	<u>381,793</u>	<u>381,793</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 5,297,117</u>	<u>\$ 5,427,102</u>	<u>\$ 6,046,433</u>	<u>\$ 619,331</u>

See accompanying notes to the basic financial statements.

**Southeastern Local School District**  
*Statement of Revenues, Expenses and*  
*Changes in Fund Net Assets*  
*Governmental Activities*  
*Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2010*

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<b>Operating Revenues</b>	
Charges for Services	\$ 89,495
	<u>89,495</u>
<i>Total Operating Revenues</i>	<u>89,495</u>
Income Before Transfers	<u>89,495</u>
Transfers Out	<u>(333,385)</u>
Net Change in Net Assets	(243,890)
Net Assets at Beginning of Year	<u>243,890</u>
Net Assets at End of Year	<u>\$ -</u>

See accompanying notes to the basic financial statements.

**Southeastern Local School District**  
*Statement of Cash Flows*  
*Governmental Activities*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2010

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***Decrease in Cash and Cash Equivalents***

*Cash Flows from Operating Activities:*

Cash Received from Customers	\$ 89,495
Cash Payments for Claims	<u>(272,849)</u>

*Net Cash Used by Operating Activities* (183,354)

*Cash Flows from Noncapital Financing Activities:*

Transfers Out	<u>(333,385)</u>
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*Net Decrease in Cash and Cash Equivalents* (516,739)

Cash and Cash Equivalents at Beginning of Year 516,739

Cash and Cash Equivalents at End of Year \$ -

***Reconciliation of Operating Income to Net Cash  
Used by Operating Activities***

Operating Income \$89,495

*Change in Liability:*

Decrease in Claims Payable	<u>(272,849)</u>
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*Net Cash Used by Operating Activities* \$ (183,354)

See accompanying notes to the basic financial statements.

**Southeastern Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2010*

	Private Purpose Trust Fund	Agency Fund
<b>Assets</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 43,226	\$ 23,600
<i>Total Assets</i>	43,226	23,600
<b>Liabilities</b>		
Current Liabilities:		
Undistributed Monies		23,600
<i>Total Liabilities</i>		\$ 23,600
<b>Net Assets</b>		
Held in Trust for Scholarships	43,226	
<i>Total Net Assets</i>	\$ 43,226	

See accompanying notes to the basic financial statements.

**Southeastern Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2010*

	Private Purpose Trust Fund
<b>Additions</b>	
Gifts and Contributions	\$ 17,775
Increase in Market Value	9,500
<i>Total Additions</i>	27,275
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	19,500
<i>Total Deductions</i>	19,500
Change in Net Assets	7,775
Net Assets Beginning of Year - As Restated, See Note 20	35,451
Net Assets End of Year	\$ 43,226

See accompanying notes to the basic financial statements.

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1938 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 140 square miles. It is located in Ross County and includes the Hamlets of Londonderry, Higby, Harrison and Richmond Dale and portions of Liberty, Jefferson, Harrison, Springfield, Franklin and Scioto Townships. It is staffed by 76 non-certificated employees, and 74 certificated full-time teaching personnel who provide services to 1,280 students and other community members. The School District currently operates a K-12 instructional building.

*Reporting Entity:*

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

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

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

- Parent Teacher Organization
- Ross-Pike Educational Service District

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

***Government-wide Financial Statements:***

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

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

***Fund Financial Statements:***

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

**B. Fund Accounting**

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

**Governmental Funds**

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**General Fund**

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

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

**Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds. The following is a description of the School District's Internal Service Fund:

**Internal Service Fund**

The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only Internal Service Fund accounted for the self-insurance program for employee medical and dental benefits which was eliminated during fiscal year 2010.

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

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

**Measurement Focus**

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources 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 revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of the proprietary activity.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for proprietary and fiduciary funds. Differences in the accrual and modified accrual bases 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. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

**Expenses/Expenditures**

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

**C. Budgetary Process**

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

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

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

**D. Cash and Cash Equivalents**

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

During fiscal year 2010, the School District's investments were limited to certificate of deposits and the State Treasury Assets Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund amounted to \$49,609.

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

**E. Capital Assets and Depreciation**

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000 dollars. The School District does not have any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets, except land, are depreciated. Depreciable capital assets are depreciated using the straight-line method over an estimated useful life of 20 to 50 years for buildings and improvements, 5 to 20 years for furniture and equipment, 10 to 25 years for land improvements, 5 to 15 years for textbooks and library books, and 10 years for vehicles.

**F. Interfund Activity**

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**G. Compensated Absences**

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid. The School District had no matured compensated absences payable as of June 30, 2010.

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

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

All payables, accrued liabilities and long-term obligations payable from the Internal Service Fund are reported on the proprietary fund financial statements.

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

**I. Fund Balance Reserves**

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and property taxes.

The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriation under State statute.

**J. Estimates**

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**K. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements 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 School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes represents balances in special revenue funds for grants whose use is restricted by grant agreements.

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

Of the School District's \$1,433,134 in restricted net assets, none is restricted by enabling legislation.

**L. Interfund Balances**

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

**M. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

**NOTE 3 – ACCOUNTABILITY**

At June 30, 2010, the Lunchroom, Fiscal Stabilization, Title I and Improving Teacher Quality Special Revenue Funds had deficit fund balances of \$73,527, \$7,273, \$34,402, and \$6,750, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING** (continued)

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

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

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	\$1,102,832
Adjustments:	
Revenue Accruals	(63,089)
Expenditure Accruals	206,618
Encumbrances	<u>(416,717)</u>
Budget Basis	<u><u>\$829,644</u></u>

**NOTE 5 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations of or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 5 – DEPOSITS AND INVESTMENTS** (continued)

4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which both the obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 5 – DEPOSITS AND INVESTMENTS** (continued)

**Deposits**

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

As of June 30, 2010, the School District's bank balance of \$7,576,306 was either covered by FDIC or collateralized by the financial institution's public entity deposit pools in the manner described above.

**Investments**

As of June 30, 2010, the School District had the following investments and maturities:

	<u>Carrying/Fair Value</u>	<u>Maturities 6 months or less</u>
STAR Ohio	<u>\$ 639,207</u>	<u>\$ 639,207</u>

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the School District manages its exposure to declines in fair values by limiting investment portfolio maturities to five years or less.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District's investment policy does not address credit risk beyond the requirements of the Ohio Revised Code. The School District limits its investments to STAROhio. Investments in STAROhio were rated AAAM by Standard & Poor's.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District's investment policy allows investments in STAROhio, repurchase agreements, certificates of deposit or investments within financial institutions within the State of Ohio as designated by the Federal Reserve Board. The School District has invested 100% of its investments in STAROhio.

Custodial credit risk - Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code. All of the School District's securities are held in the name of the School District.

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

**NOTE 6 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 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 April 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, 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 School District prior to June 30.

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$72,950,820	89.10%	\$73,787,480	90.68%
Public Utility	7,091,780	8.66%	6,624,730	8.14%
Tangible Personal Property	1,833,460	2.24%	957,130	1.18%
<b>Total Assessed Value</b>	<b>\$81,876,060</b>	<b>100.00%</b>	<b>\$81,369,340</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$32.70		\$32.70	

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 6 – PROPERTY TAXES** (continued)

The School District receives property taxes from Ross County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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 represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became 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 available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2010, was \$216,295 in the General Fund, \$46,077 in the other governmental funds.

**NOTE 7 – INCOME TAX**

The School District levied a voted tax of 0.75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2000, for five years. This levy expired on December 31, 2004 and was not renewed. The School District continues to receive delinquent income taxes. Income tax revenue is credited to the General Fund. Income tax revenues received during the year were \$54,603.

**NOTE 8 – RECEIVABLES**

Receivables at June 30, 2010, consisted of property taxes, interest, intergovernmental grants and interfund amounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

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

Non-Major Special Revenue Funds:	
Title I	\$44,406
Title II-D	5,181
ARRA Title I	23,086
Title V	4,084
Title VI-B	<u>213,693</u>
Total	<u>\$290,450</u>

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

**NOTE 9 – CAPITAL ASSETS**

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

	Ending Balance 06/30/09	Additions	Disposals	Ending Balance 06/30/10
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 705,000	\$ -	\$ -	\$ 705,000
Total Capital Assets, Not Being Depreciated	705,000	-	-	705,000
Capital Assets Being Depreciated				
Land Improvements	3,160,120	37,775	-	3,197,895
Buildings and Improvements	24,991,012	-	-	24,991,012
Furniture and Equipment	587,833	17,000	-	604,833
Vehicles	1,492,756	73,950	(50,380)	1,516,326
Library Books and Textbooks	406,010	-	-	406,010
Total Capital Assets, Being Depreciated	30,637,731	128,725	(50,380)	30,716,076
Less Accumulated Depreciation:				
Land Improvements	(939,249)	(159,940)	-	(1,099,189)
Buildings and Improvements	(4,895,752)	(770,406)	-	(5,666,158)
Furniture and Equipment	(216,586)	(34,233)	-	(250,819)
Vehicles	(1,104,352)	(101,407)	50,380	(1,155,379)
Library Books and Textbooks	(228,167)	(18,720)	-	(246,887)
Total Accumulated Depreciation	(7,384,106)	(1,084,706)	50,380	(8,418,432)
Total Capital Assets Being Depreciated, Net	23,253,625	(955,981)	-	22,297,644
Governmental Activities Capital Assets, Net	\$ 23,958,625	\$ (955,981)	\$ -	\$23,002,644

Depreciation expense was charged to government functions as follows:

Instruction:	
Regular	\$ 848,968
Support Services:	
Instructional Staff	1,105
Business	508
Administration	313
Operation and Maintenance of Plant	11,806
Pupil Transportation	115,001
Operation of Non-Instructional Services	5,445
Extracurricular Activities	101,560
Total Depreciation Expense	\$ 1,084,706

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

**NOTE 10 – RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the School District contracted with Ohio Casualty Insurance for property and fleet insurance, and inland marine coverage. General liability coverage was provided by the Ohio School Plan. Coverage provided was as follows:

Building and Contents replacement cost (\$2,500 deductible)	\$37,949,518
Inland Marine Coverage (\$500 deductible)	50,000
Automobile Liability (\$500 deductible)	
Bodily Injury - Each person	1,000,000
Bodily Injury - Each accident	1,000,000
General Liability:	
Per occurrence	1,000,000
Total per year	3,000,000

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

For fiscal year 2010, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Compmanagement provides administrative, cost control and actuarial services to the GRP.

Medical/surgical and dental insurance was offered to employees through a self-insurance Internal Service Fund. The School District was a member of a claims servicing pool consisting of eleven school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn paid the claims on the School District's behalf. During 2010, the claims servicing pool changed their structure and became a public entity shared risk pool. Therefore, there is not a claims liability outstanding as of June 20, 2010.

Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2009	\$183,389	\$1,499,186	\$1,409,726	\$272,849
2010	272,849	0	272,849	0

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. Defined Benefit Pension Plans**

School Employees Retirement System

The School 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*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at 14 percent of annual covered payroll. 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Fund. The School District's contributions to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$257,532, \$153,538, and \$132,340, respectively; 55% has been contributed for fiscal year 2010 and 100% for the fiscal years 2009 and 2008.

State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**Plan Options** – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. 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.

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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.

**Combined Plan Benefits** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

A DB or Combined Plan member with five or more years' 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2010, 2009, and 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$548,697, \$557,529, and \$528,743, respectively; 84% has been contributed for the fiscal year 2010 and 100% for the fiscal years 2009 and 2008.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**B. 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, one member of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009, and 2008. For the School District, these amounts equaled \$42,824, \$41,994, and \$41,351, for fiscal years 2010, 2009, and 2008, respectively, which equaled the required allocations for those years.

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 12 - POSTEMPLOYMENT BENEFITS** (continued)

School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

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 years 2010, 2009, and 2008, the actuarially required allocations were 0.76 percent, 0.75 percent, and 0.66 percent, respectively. For the School District, contributions for the fiscal years ended June 30, 2010, 2009, and 2008, were \$13,100, \$11,863, and \$9,931, respectively, which equaled the required allocations for those years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge when added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. At June 30, 2010, 2009, and 2008, the health care allocations were 0.46 percent, 4.16 percent, and 4.18 percent, respectively. For the School District, the amounts contributed to fund health care benefits, including the surcharge, during the 2010, 2009, and 2008 fiscal years equaled \$39,643, \$96,041, and \$83,245, respectively, which equaled the required allocations for those years.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 12 - POSTEMPLOYMENT BENEFITS** (continued)

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*.

**NOTE 13 – EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Insurance Benefits**

The School District provides life and accidental death and dismemberment insurance to all full-time employees through Professional Risk Management.

**C. Deferred Compensation**

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

**NOTE 14 – LONG-TERM OBLIGATIONS**

The changes in the School District’s long-term obligations during fiscal year 2010 were as follows:

	Amount Outstanding 6/30/09*	Additions	Deductions	Amount Outstanding 6/30/10	Due in One Year
2000 General Obligation Bonds - 5.84%	\$165,000	\$0	\$165,000	\$0	\$0
2000 Capital Appreciation Bonds	27,000	0	0	27,000	15,080
2000 Capital Appreciation Bonds - Accretion	253,152	28,840	0	281,992	159,920
2007 General Obligation Refunding Bonds - 3.70%-4.00%	2,680,000	0	40,000	2,640,000	40,000
Premium	237,108	0	15,558	221,550	0
Accounting Loss	(104,585)	34,862	0	(69,723)	0
2007 Capital Appreciation Bonds - 16.99%	120,000	0	0	120,000	0
2007 Capital Appreciation Bonds - Accretion	46,430	29,441	0	75,871	0
<b>Total Long-Term Bonds and Loans</b>	<b>3,424,105</b>	<b>93,143</b>	<b>220,558</b>	<b>3,296,690</b>	<b>215,000</b>
Certificate of Participation Payable	1,383,000	0	34,000	1,349,000	36,000
Compensated Absences	474,116	760,337	748,869	485,584	46,510
<b>Total General Long-Term Obligations</b>	<b>\$5,281,221</b>	<b>\$853,480</b>	<b>\$1,003,427</b>	<b>\$5,131,274</b>	<b>\$297,510</b>

\* Amount restated, see Note 20 for additional information.

2000 General Obligation Bonds - The School District issued \$3,982,000 in voted general obligation bonds in 2000 for the purpose of constructing a new K-12 facility. The bonds were issued for a twenty-three year period with final maturity in December 2022. During fiscal year 2007, a portion of these bonds were advance refunded. The bonds will be retired from the Bond Retirement Fund.

The capital appreciation bonds, issued at \$27,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2011 and 2012. The maturity amount of the capital appreciation bonds is \$350,000. For fiscal year 2010, the capital appreciation bonds accreted \$28,840.

As of June 30, 2010, the School District has \$2,460,100 irrevocably held by a trustee in an escrow account to pay off the portion of the bonds which were advance refunded in 2007. Neither the cash nor the outstanding debt balances of the advance refunded bonds are reported in the accompanying financial statements.

2007 General Obligation Refunding Bonds – The School District issued \$2,850,000 in refunding bonds in 2007 for the purpose of repaying a portion of the general obligation bonds issued in 2000. The refunding bonds consisted of \$2,730,000 in serial bonds and \$120,000 in capital appreciation bonds. The serial bonds were issued for a fifteen year period with final maturity in December 2022. The capital appreciation bonds of \$255,000 will mature in 2015 and \$265,000 in 2016. The bonds will be retired from the Bond Retirement Fund.

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

**NOTE 14 – LONG-TERM OBLIGATIONS** (continued)

The capital appreciation bonds, issued at \$120,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2015 and 2016. The maturity amount of the capital appreciation bonds is \$520,000. For fiscal year 2010, the capital appreciation bonds accreted \$29,441.

In connection with refunding bonds, the School District has pledged future tax revenues to repay this debt. The refunding bonds are payable through their final maturities solely from tax revenues received from a bond tax levy. The tax revenue available for these refunding bonds for 2010 was \$304,799 and principal and interest paid was \$315,649. The coverage ratio for these refunding bonds was 0.96 for the year ended June 30, 2010.

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

Principal payments in fiscal year 2010 totaled \$34,000 in the governmental funds.

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

The following table represents the payments required on the certificate of participation for the amount outstanding at June 30, 2010:

Fiscal Year Ending June 30,	
2011	\$107,195
2012	106,561
2013	106,795
2014	105,906
2015	105,892
2016-2020	528,809
2021-2025	521,849
2026-2030	515,552
2031-2032	207,024
Total	2,305,583
Less: Amount Representing Interest and Admin Fees	(956,583)
Total Principal Outstanding	\$1,349,000

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

The School District's overall legal debt margin was \$4,536,241 with an unvoted debt margin of \$81,369 at June 30, 2010.

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

**NOTE 14 – LONG-TERM OBLIGATIONS** (continued)

Principal and interest requirements to retire Classroom Facilities Bonds outstanding at June 30, 2010 are as follows:

Fiscal Year Ending June 30,	2000 Capital Appreciation Principal*	2007 Capital Appreciation Principal*	2007 Serial Bonds Principal	2007 Serial Bonds Interest
2011	\$175,000	\$0	\$40,000	\$104,800
2012	175,000	0	50,000	103,000
2013	0	0	220,000	97,600
2014	0	0	230,000	88,600
2015	0	255,000	240,000	79,200
2016-2020	0	265,000	855,000	321,900
2021-2023	0	0	1,005,000	60,900
Total	<u>\$350,000</u>	<u>\$520,000</u>	<u>\$2,640,000</u>	<u>\$856,000</u>

\*Total principal due per the table on page 43 does not agree to the balance reported in the table above due to accretion.

**NOTE 15 – INTERFUND ACTIVITY**

**Advances**

Interfund balances at June 30, 2010, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2011 fiscal year:

<u>Interfund Loans</u>	<u>Receivable</u>	<u>Payable</u>
Major Fund:		
General Fund	\$ 88,882	\$ -
Nonmajor Special Revenue Funds		
Lunchroom	-	65,309
Athletic	-	23,142
Drug Free Schools	-	431
Total Nonmajor Special Revenue Funds	<u>-</u>	<u>88,882</u>
Total Interfund Receivables/Payables	<u>\$ 88,882</u>	<u>\$ 88,882</u>

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

**NOTE 15 – INTERFUND ACTIVITY** (continued)

**Transfers**

For the fiscal year ended June 30, 2010, transfers in and out that resulted from various interfund transactions were as follows:

<u>Interfund Loans</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Fund:		
General Fund	\$ 333,385	\$ 14,000
Nonmajor Funds:		
Classroom Facilities	-	677,052
Classroom Facilities Maintenance	677,052	-
EMIS	14,000	-
Total Nonmajor Funds	<u>691,052</u>	<u>677,052</u>
Internal Service Fund	<u>-</u>	<u>333,385</u>
Total	<u>\$ 1,024,437</u>	<u>\$ 1,024,437</u>

Transfers were made from the Classroom Facilities Fund to the Classroom Facilities Maintenance Fund for the districts portion that was left over from the New Building Project for upkeep on the building. The General Fund transferred money to the EMIS Fund to subsidize the fund. The transfer from the Internal Service Fund to the General Fund is due to the reorganization of the Ross County Insurance Consortium and the elimination of the Internal Service Fund since it is no longer considered a self funded plan.

**NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association* - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pickaway, Gallia, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$92,624 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Career and Technology Center, Tonya Cooper who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS** (continued)

*Great Seal Education Network of Tomorrow* - The Great Seal Education Network of Tomorrow is a regional council of governments (the Council) consisting of twelve city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the Board of Education) of each of the members. The Council possesses its own budgeting and taxing authority. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

*School Study Council of Ohio (SSCO)* – The School Study Council of Ohio (SSCO), created in 1965, is a non-profit consortium of fifty-six school districts, eleven educational service centers, four colleges of education, and eight related educational schools and agencies from thirty counties. It is owned and governed by the member organizations with the Board of Trustees representing member organizations. The School District’s Superintendent represents the School District on the Board of Trustees. Their mission is to enable district improvement through planning assistance, professional development, funding and related resource acquisition, research, system assessment and impact evaluation, leadership development, and other personalized technical assistance. The School District has no ongoing financial interest or ongoing financial responsibility to the Council. To obtain the SSCO annual report, write to School Study Council of Ohio, 4795 Evanswood Drive, Floor 3, Columbus, Ohio 43229-7216.

**NOTE 17 – PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOLS**

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

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

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

**NOTE 18 – SET-ASIDE CALCULATIONS**

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

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

	Textbooks and Instructional Materials	Capital Maintenance
Set Aside Reserve Balance as of June 30, 2009	\$0	\$0
Current Year Set-aside Requirement	136,854	136,854
Current Year Offsets	0	(27,857)
Current Year Qualifying Expenditures	(202,476)	(108,997)
Excess Qualified Expenditures from Prior Years	(502,207)	0
Total	(\$567,829)	\$0
Balance Carried Forward to Fiscal Year 2011	(\$567,829)	\$0
Set Aside Reserve Balance as of June 30, 2010	\$0	\$0

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero in the Textbooks and Capital Acquisition Reserves. The excess amount in the Textbooks Reserve may be carried forward and used to reduce the set-aside requirements of future fiscal years. The carryover amount in the Capital Acquisition Reserve is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$397,208 at June 30, 2010.

**NOTE 19 – CONTINGENCIES**

A. Grants

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

B. Litigation

The School District is party to legal proceedings. The School District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 20 – RESTATEMENT OF NET ASSETS/FUND BALANCE**

The School District's accreted debt and cash as of June 30, 2009 were understated. The restatement had the following effect on net assets:

	Governmental Activities	Private Purpose Trust
Balance as of June 30, 2009	\$25,127,997	\$26,619
Accreted Debt	(88,653)	0
Unrecorded Cash	0	8,832
Restated Balance as of July 1, 2009	<u>\$25,039,344</u>	<u>\$35,451</u>

**NOTE 21 – CHANGES IN ACCOUNTING PRINCIPLES**

For 2010, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments," Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans," and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies."

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the School District's basic financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the School District's basic financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District's basic financial statements.

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. The requirements in this statement will provide more consistent recognition, measurement, display and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District's basic financial statements.

Southeastern Local School District  
 Ross County  
 Schedule of Federal Awards Receipts and Expenditures  
 For the Fiscal Year Ended June 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
National School Lunch Program	3L60	10.555	\$ 220,919	\$ 38,236	\$ 220,919	\$ 38,236
School Breakfast Program	3L70	10.553	44,483	-	44,483	-
Total Nutrition Cluster			265,402	38,236	265,402	38,236
<b>Total United States Department of Agriculture</b>			265,402	38,236	265,402	38,236
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	275,378	-	246,799	-
Title I Grants to Local Education Agencies, ARRA	3DK0	84.389	123,995	-	116,507	-
Total Title I, Part A Cluster			399,373	-	363,306	-
<i>Special Education Cluster:</i>						
Special Education - Grants to States	3M20	84.027	272,517	-	243,702	-
Special Education - Grants to States, ARRA	3DJ0	84.391	112,163	-	109,372	-
Total Special Education Cluster			384,680	-	353,074	-
Safe and Drug-Free Schools and Communities - State Grants	3D10	84.186	3,269	-	2,597	-
Innovative Education Program Strategy	3M10	84.298	606	-	-	-
Education Technology State Grants	3S20	84.318	2,466	-	2,466	-
Improving Teacher Quality State Grants	3Y60	84.367	77,586	-	69,373	-
School Improvements Grant	3AN0	84.377	60,000	-	60,000	-
State Fiscal Stabilization Fund, ARRA	GRF	84.394	455,950	-	456,018	-
<b>Total United States Department of Education</b>			1,383,930	-	1,306,834	-
<b>Total Federal Financial Assistance</b>			<u>\$ 1,649,332</u>	<u>\$ 38,236</u>	<u>\$ 1,572,236</u>	<u>\$ 38,236</u>

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

**SOUTHEASTERN LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DONATION**

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

**NOTE C – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS**

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



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Members of the Board  
Southeastern Local School District  
2003 Lancaster Road  
Chillicothe, Ohio 45601

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Southeastern Local School District, Ross County, Ohio (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 28, 2010, wherein we noted that the School District implemented GASB Statements No. 51, No. 53, No. 57, and No. 58. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School 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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

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 material weaknesses, as defined above.

Members of the Board  
Southeastern Local School District  
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Required by Government Auditing Standards  
Page 2

### **Compliance and Other Matters**

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

We intend this report solely for the information and use of management, members of the Board of Education, federal awarding agencies, pass-through entities, and others within the School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
December 28, 2010



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

Members of the Board  
Southeastern Local School District  
2003 Lancaster Road  
Chillicothe, Ohio 45601

**Compliance**

We have audited the compliance of Southeastern Local School District, Ross County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of Southeastern Local School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

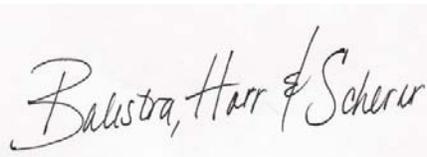
The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of opining 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 opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Members of the Board  
Southeastern Local School District  
Report on Compliance With Requirements Applicable to Each Major Federal Program and  
on Internal Control Over Compliance Required by OMB Circular A - 133  
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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be 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.

We intend this report solely for the information and use of management, Members of the Board of Education, others within the School District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 28, 2010

**Southeastern Local School District**  
*Schedule of Findings*  
*OMB Circular A-133 Section .505*  
*June 30, 2010*

SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under Section .510?	No
<i>(d)(1)(vii)</i>	Major Program(s) (list):	Title I Cluster: Title I - CFDA #84.010 Title I (ARRA) – CFDA #84.389  Special Education Cluster: Title VI-B - CFDA #84.027 Title VI-B (ARRA) - CFDA #84.391  Fiscal Stabilization Fund (ARRA) - CFDA #84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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# Dave Yost • Auditor of State

**SOUTHEASTERN LOCAL SCHOOL DISTRICT**

**ROSS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 31, 2011**