

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2012*

LAURA BRICKNER, TREASURER



Dave Yost • Auditor of State

Board of Education
Seneca East Local School District
13343 East US 224
Attica, Ohio 44807

We have reviewed the *Independent Auditors' Report* of the Seneca East Local School District, Seneca County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2011 through June 30, 2012. 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 Seneca East Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 14, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Seneca East Local School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Seneca East Local School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable and the 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 26, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 26, 2012

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)**

The discussion and analysis of the Seneca East Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets of governmental activities decreased \$1,414,441 which represents a 6.21% decrease from 2011.
- General revenues accounted for \$7,212,835 in revenue or 77.30% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,118,728 or 22.70% of total revenues of \$9,331,563.
- The District had \$10,746,004 in expenses related to governmental activities; \$2,118,728 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,212,835 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$7,490,289 in revenues and \$8,883,600 in expenditures and other financing uses. During fiscal year 2012, the general fund's fund balance decreased \$1,393,311 from a balance of \$2,021,264 to a balance of \$627,953.
- The District's debt service fund had \$648,761 in revenues and \$803,629 in expenditures. During fiscal year 2012, the debt service fund's fund balance decreased \$154,868 from a balance of \$568,705 to a balance of \$413,837.

Using these Basic Financial Statements

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 District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District perform financially during 2012?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operations and maintenance, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the District's most significant funds. The District's only major governmental funds are the general fund and the debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs within the District. The District's internal service fund accounts for a self-funded prescription drug insurance program and a partially self-funded medical insurance program for employees of the District. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-54 of this report.

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2012 and June 30, 2011.

| | Net Assets | |
|--|------------------------------------|------------------------------------|
| | Governmental Activities 2012 | Governmental Activities 2011 |
| | <u>2012</u> | <u>2011</u> |
| <u>Assets</u> | | |
| Current and other assets | \$ 6,024,866 | \$ 5,754,139 |
| Capital assets, net | <u>30,156,559</u> | <u>30,817,870</u> |
| Total assets | <u>36,181,425</u> | <u>36,572,009</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 3,705,807 | 2,297,626 |
| Long-term liabilities | <u>11,100,733</u> | <u>11,485,057</u> |
| Total liabilities | <u>14,806,540</u> | <u>13,782,683</u> |
| <u>Net Assets</u> | | |
| Invested in capital assets, net of related debt | 19,921,207 | 20,201,576 |
| Restricted | 1,303,794 | 1,269,633 |
| Unrestricted | <u>149,884</u> | <u>1,318,117</u> |
| Total net assets | <u>\$ 21,374,885</u> | <u>\$ 22,789,326</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$21,374,885. Of this total, \$1,303,794 is restricted in use.

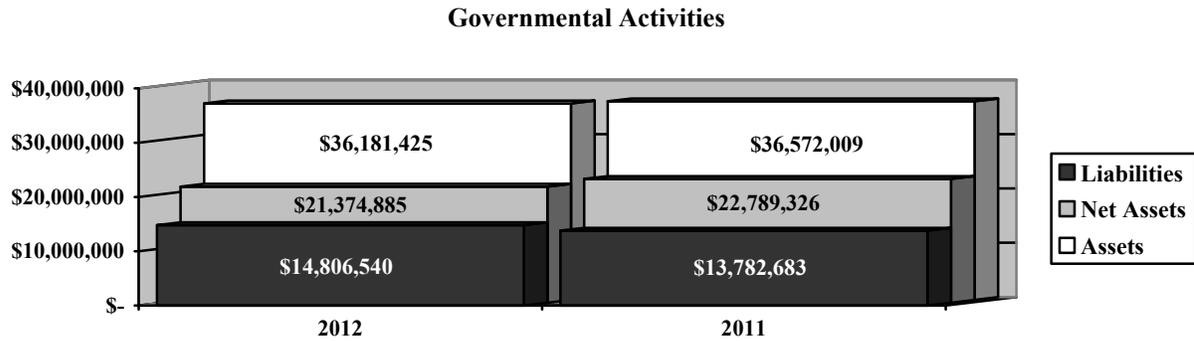
**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

At year-end, capital assets represented 83.35% of total assets. Capital assets include land, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$19,912,207. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,303,794, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$149,884 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below shows the District's assets, liabilities and net assets at June 30, 2012 and 2011:



The table below shows the change in net assets for fiscal years 2012 and 2011.

Change in Net Assets

| | Governmental Activities 2012 | Governmental Activities 2011 |
|------------------------------------|------------------------------------|------------------------------------|
| Revenues | | |
| Program revenues: | | |
| Charges for services and sales | \$ 1,201,202 | \$ 1,269,298 |
| Operating grants and contributions | 917,526 | 1,598,961 |
| Capital grants and contributions | - | 11,994 |
| General revenues: | | |
| Property taxes | 2,083,207 | 2,316,280 |
| School district income taxes | 1,091,091 | 973,206 |
| Grants and entitlements | 4,019,877 | 4,124,237 |
| Investment earnings | 6,020 | 18,319 |
| Other | 12,640 | 44,872 |
| Total revenues | 9,331,563 | 10,357,167 |

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

| | Change in Net Assets | |
|--|-----------------------------|----------------------|
| | Governmental | Governmental |
| | Activities | Activities |
| | <u>2012</u> | <u>2011</u> |
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | \$ 4,651,631 | \$ 4,960,696 |
| Special | 1,207,039 | 1,260,395 |
| Vocational | 202,145 | 253,805 |
| Support services: | | |
| Pupil | 168,775 | 196,530 |
| Instructional staff | 390,762 | 395,538 |
| Board of education | 46,917 | 50,530 |
| Administration | 603,115 | 672,906 |
| Fiscal | 324,116 | 309,442 |
| Business | 10,468 | 22,629 |
| Operations and maintenance | 1,127,891 | 722,465 |
| Pupil transportation | 556,937 | 571,086 |
| Operations of non-instructional services | | |
| Food service operations | 458,253 | 489,962 |
| Other non-instructional services | 41,136 | 3,490 |
| Extracurricular activities | 432,417 | 364,781 |
| Interest and fiscal charges | <u>524,402</u> | <u>519,914</u> |
| Total expenses | <u>10,746,004</u> | <u>10,794,169</u> |
| Change in net assets | (1,414,441) | (437,002) |
| Net assets at beginning of year | <u>22,789,326</u> | <u>23,226,328</u> |
| Net assets at end of year | <u>\$ 21,374,885</u> | <u>\$ 22,789,326</u> |

Governmental Activities

Net assets of the District's governmental activities decreased \$1,414,441. Total governmental expenses of \$10,746,004 were offset by program revenues of \$2,118,728 and general revenues of \$7,212,835. Program revenues supported 19.72% of the total governmental expenses.

The primary sources of revenue for governmental activities in fiscal year 2012 are derived from property taxes, school district income taxes and grants and entitlements. These revenue sources represent 77.10% of total governmental revenue. Property taxes fell during the year resulting from the timing of collections and advances available from Seneca and Huron Counties totaling \$283,108, \$1,224,177 and \$1,394,627 at June 30, 2012, 2011 and 2010, respectively, which were recognized as revenue in the year in which the advances were available. Charges for services program revenues decreased 5.36% during fiscal year 2012, while operating grants and contributions fell \$681,435, or 42.62% from the prior year. Operating grant revenue from the Education Jobs and Medicaid Assistance Act, IDEA Part B federal funding, and the American Recovery and Reinvestment Act of 2009 decreased \$248,625, \$98,409, and \$330,395, respectively, and are the largest components of the net decrease in operating grant and contribution program revenues from the prior year.

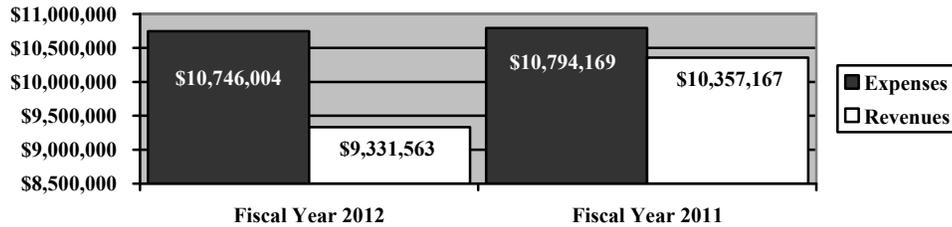
**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,060,815 or 56.40% of total governmental expenses for fiscal year 2012.

The graph below presents governmental activities revenues and expenses for fiscal year 2012 and 2011.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

| | Total Cost of Services 2012 | Net Cost of Services 2012 | Total Cost of Services 2011 | Net Cost of Services 2011 |
|--|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 4,651,631 | \$ 3,835,986 | \$ 4,960,696 | \$ 3,497,068 |
| Special | 1,207,039 | 593,858 | 1,260,395 | 569,367 |
| Vocational | 202,145 | 148,433 | 253,805 | 200,093 |
| Support services: | | | | |
| Pupil | 168,775 | 168,570 | 196,530 | 167,539 |
| Instructional staff | 390,762 | 378,292 | 395,538 | 372,047 |
| Board of education | 46,917 | 46,917 | 50,530 | 50,530 |
| Administration | 603,115 | 603,012 | 672,906 | 667,297 |
| Fiscal | 324,116 | 323,098 | 309,442 | 308,527 |
| Business | 10,468 | 10,468 | 22,629 | 22,629 |
| Operations and maintenance | 1,127,891 | 1,115,318 | 722,465 | 695,664 |
| Pupil transportation | 556,937 | 550,918 | 571,086 | 566,116 |
| Operations of non-instructional services | | | | |
| Food service operations | 458,253 | 21,432 | 489,962 | 52,048 |
| Other non-instructional services | 41,136 | 41,136 | 3,490 | 3,490 |
| Extracurricular activities | 432,417 | 265,436 | 364,781 | 221,587 |
| Interest and fiscal charges | 524,402 | 524,402 | 519,914 | 519,914 |
| Total expenses | <u>\$ 10,746,004</u> | <u>\$ 8,627,276</u> | <u>\$ 10,794,169</u> | <u>\$ 7,913,916</u> |

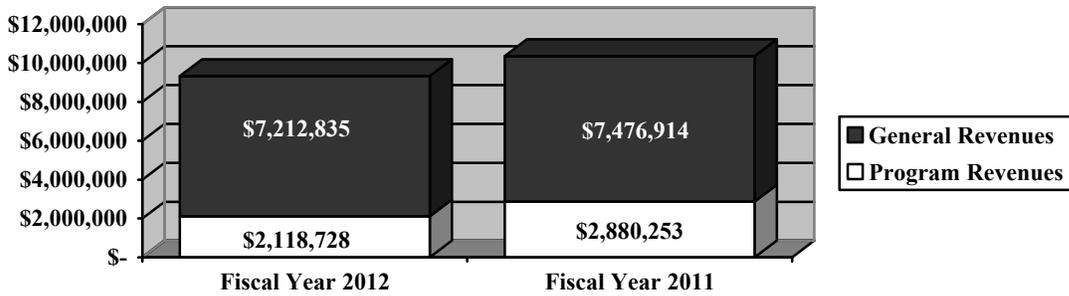
**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

The District's dependence upon taxes and other general revenues for governmental activities is apparent, as 75.54% of instruction activities are supported through such revenues. For all governmental activities, general revenue support is 80.28%. The District's taxpayers, and grants and entitlements received from the State of Ohio, are the primary support for District's students.

The graph below presents the District's governmental activities revenues for fiscal year 2012 and 2011.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds, as presented on the balance sheet on page 15, reported a combined fund balance of \$1,861,482, which is lower than last year's fund balance of \$3,175,409. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

| | Fund Balance June 30, 2012 | Fund Balance June 30, 2011 | Increase (Decrease) | Percentage Change |
|--------------------|-------------------------------|-------------------------------|------------------------|----------------------|
| General | \$ 627,953 | \$ 2,021,264 | \$ (1,393,311) | (68.93) % |
| Debt service | 413,837 | 568,705 | (154,868) | (27.23) % |
| Other Governmental | 819,692 | 585,440 | 234,252 | 40.01 % |
| Total | <u>\$ 1,861,482</u> | <u>\$ 3,175,409</u> | <u>\$ (1,313,927)</u> | (41.38) % |

General Fund

The District's general fund revenues were 6.39% lower than in fiscal year 2011, while expenditures increased 8.06% resulting in a decrease in the fund balance of the general fund of \$1,393,311 following transfers of \$206,250 and \$110,000 to the replacement capital projects fund (a nonmajor governmental fund) and the technology replacement capital projects fund (a nonmajor governmental fund), respectively, during 2012. In spite of a 4.54% increase in income tax revenue during fiscal year 2012, total tax revenue decreased \$227,414 from the prior year. This decrease resulted from the timing of the District's collections and lower advances available from Seneca County at June 30, 2012. In the general fund, the amount of property tax collections available to advance to the District was \$199,747, \$865,194 and \$986,530 at June 30, 2012, 2011 and 2010, respectively. These amounts were recorded as revenue in the fiscal year in which the advances were available to the District rather than when cash was received. Tuition revenue decreased 9.19% due largely to a \$54,195 reduction in receipts for open enrollment and an \$18,381 reduction in tuition received for special education. Earnings on investments fell 69.35%, or \$11,453, due to lower interest earned during the year on the District's depository accounts and nonnegotiable certificates of deposit. Moreover, other revenues decreased 25.30% from the prior year due to lower donations and miscellaneous receipts during fiscal year 2012. Intergovernmental revenues remained consistent with fiscal year 2011.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

Overall, expenditures increased \$638,864, or 8.06%, from 2011, the largest influencing factors of which were related to expenditures for instruction and support services. The District's instructional expenditures increased 5.24% during the year due to higher expenditures for teachers' salaries despite small reductions in spending for purchased services and capital outlay. Meanwhile, support services expenditures increased for purchased services, materials, and supplies while salaries for support services did not vary significantly from the prior year.

The table that follows assists in illustrating the activities of the District's general fund during fiscal year 2012.

| | 2012 Amount | 2011 Amount | Increase (Decrease) | Percentage Change |
|----------------------------|---------------------|---------------------|------------------------|----------------------|
| <u>Revenues</u> | | | | |
| Taxes | \$ 2,474,465 | \$ 2,701,879 | \$ (227,414) | (8.42) % |
| Tuition | 734,930 | 809,263 | (74,333) | (9.19) % |
| Earnings on investments | 5,061 | 16,514 | (11,453) | (69.35) % |
| Intergovernmental | 4,167,660 | 4,329,448 | (161,788) | (3.74) % |
| Other revenues | <u>108,173</u> | <u>144,807</u> | <u>(36,634)</u> | <u>(25.30) %</u> |
| Total | <u>\$ 7,490,289</u> | <u>\$ 8,001,911</u> | <u>\$ (511,622)</u> | <u>(6.39) %</u> |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 5,288,241 | \$ 5,024,742 | \$ 263,499 | 5.24 % |
| Support services | 3,016,963 | 2,635,123 | 381,840 | 14.49 % |
| Non-instructional services | 2,859 | 3,490 | (631) | (18.08) % |
| Extracurricular activities | 205,000 | 210,844 | (5,844) | (2.77) % |
| Debt service | <u>54,287</u> | <u>54,287</u> | <u>-</u> | <u>- %</u> |
| Total | <u>\$ 8,567,350</u> | <u>\$ 7,928,486</u> | <u>\$ 638,864</u> | <u>8.06 %</u> |

Debt Service Fund

The District's debt service fund had \$648,761 in revenues and \$803,629 in expenditures. During fiscal year 2012, the debt service fund's fund balance decreased \$154,868 from a balance of \$568,705 to a balance of \$413,837.

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$8,105,356 which were decreased to \$7,921,036 in the final budget. Actual revenues and other financing sources for fiscal year 2012 were \$8,140,389. This represents a \$219,353 increase over budgeted revenues.

General fund original appropriations and other financing uses were \$7,801,771, which were increased during the year to \$9,082,471. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$8,836,647, which were \$245,824 below the final budgeted appropriations.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$30,156,559 invested in land, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. Balances at June 30, 2011 have been reclassified due to the reclassification of certain assets between asset classes, a result of a capital asset appraisal performed during 2012. These restated balances had no effect on net assets at June 30, 2011.

The following table shows the balances of the District's capital assets at June 30, 2012 compared to restated balances at June 30, 2011.

| | Capital Assets at June 30 (Net of Depreciation) | |
|---------------------------|--|----------------------|
| | Governmental Activities | |
| | 2012 | Reclassified 2011 |
| Land | \$ 20,972 | \$ 20,972 |
| Building and improvements | 28,294,818 | 28,833,439 |
| Furniture and equipment | 1,332,665 | 1,544,311 |
| Vehicles | 508,104 | 419,148 |
| Total | <u>\$ 30,156,559</u> | <u>\$ 30,817,870</u> |

The overall decrease in capital assets of \$661,311 is due to depreciation expense of \$857,663 exceeding capital asset additions of \$196,352 during fiscal year 2012.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2012, the District had \$10,293,517 in general obligation bonds and \$144,366 in capital lease obligations outstanding. Of this total, \$394,340 is due within one year and \$10,043,543 is due in greater than one year.

The following table summarizes the bonds and lease obligations outstanding.

| | Outstanding Debt, at Year End | |
|---------------------------|--------------------------------------|----------------------------|
| | Governmental Activities | Governmental Activities |
| | 2012 | 2011 |
| General obligation bonds | \$ 10,293,517 | \$ 10,577,477 |
| Capital lease obligations | 144,366 | 185,308 |
| Total | <u>\$ 10,437,883</u> | <u>\$ 10,762,785</u> |

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)**

Current Financial Related Activities

As the preceding analysis demonstrates, the District relies heavily upon property taxes, income taxes, and intergovernmental revenue from the State of Ohio to support its operations. These revenue sources represented 19.45%, 13.58%, and 55.64% of total general fund revenues, respectively, during fiscal year 2012. The District ended the year with a budgetary-basis unencumbered balance in the general fund of \$805,788. Due to the loss of federal funding associated with Education Jobs and Medicaid Act and American Recovery and Reinvestment Act grants that it had received in the prior year, additional expenditures were required to be made by the District's general fund. The reduction in these revenues impacted the District's governmental funds and the District's financial condition as a whole.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Laura Brickner, Treasurer, Seneca East Local School District, 13343 East U.S. 224, Attica, Ohio 44807.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2012

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents. | \$ 2,227,441 |
| Cash with fiscal agent | 20 |
| Receivables: | |
| Property taxes | 3,295,764 |
| Income taxes. | 400,962 |
| Accounts. | 5,258 |
| Accrued interest | 1,243 |
| Intergovernmental | 42,994 |
| Prepayments | 34,416 |
| Materials and supplies inventory. | 16,768 |
| Capital assets: | |
| Land | 20,972 |
| Depreciable capital assets, net. | 30,135,587 |
| Capital assets, net | 30,156,559 |
| Total assets. | 36,181,425 |
| Liabilities: | |
| Accounts payable. | 73,964 |
| Accrued wages and benefits | 645,609 |
| Pension obligation payable. | 167,573 |
| Intergovernmental payable | 57,898 |
| Claims payable. | 4,579 |
| Unearned revenue | 2,721,094 |
| Accrued interest payable | 35,090 |
| Long-term liabilities: | |
| Due within one year. | 444,508 |
| Due in more than one year. | 10,656,225 |
| Total liabilities | 14,806,540 |
| Net Assets: | |
| Invested in capital assets, net of related debt. | 19,921,207 |
| Restricted for: | |
| Debt service. | 460,375 |
| Capital projects | 523,108 |
| Federally funded programs | 20 |
| Classroom facilities maintenance | 320,291 |
| Unrestricted | 149,884 |
| Total net assets | \$ 21,374,885 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | Expenses | Program Revenues | | Net (Expense) |
|---|----------------------|--------------------------------------|--|---|
| | | Charges for Services and Sales | Operating Grants and Contributions | Revenue and Changes in Net Assets |
| | | | | Governmental Activities |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 4,651,631 | \$ 772,996 | \$ 42,649 | \$ (3,835,986) |
| Special | 1,207,039 | 29,115 | 584,066 | (593,858) |
| Vocational | 202,145 | - | 53,712 | (148,433) |
| Support services: | | | | |
| Pupil | 168,775 | - | 205 | (168,570) |
| Instructional staff | 390,762 | - | 12,470 | (378,292) |
| Board of education | 46,917 | - | - | (46,917) |
| Administration | 603,115 | - | 103 | (603,012) |
| Fiscal | 324,116 | - | 1,018 | (323,098) |
| Business | 10,468 | - | - | (10,468) |
| Operations and maintenance | 1,127,891 | 9,672 | 2,901 | (1,115,318) |
| Pupil transportation | 556,937 | - | 6,019 | (550,918) |
| Operation of non-instructional services: | | | | |
| Food service operations | 458,253 | 240,250 | 196,571 | (21,432) |
| Other non-instructional services | 41,136 | - | - | (41,136) |
| Extracurricular activities | 432,417 | 149,169 | 17,812 | (265,436) |
| Interest and fiscal charges | 524,402 | - | - | (524,402) |
| Totals | \$ 10,746,004 | \$ 1,201,202 | \$ 917,526 | (8,627,276) |

General Revenues:

Property taxes levied for:

| | |
|----------------------------|-----------|
| General purposes | 1,504,759 |
| Special revenue | 27,876 |
| Debt service | 550,572 |

Income taxes levied for:

| | |
|--|-----------|
| General purposes | 1,091,091 |
| Grants and entitlements not restricted to specific programs | 4,019,877 |
| Investment earnings | 6,020 |
| Miscellaneous | 12,640 |

Total general revenues 7,212,835

Change in net assets (1,414,441)

Net assets at beginning of year 22,789,326

Net assets at end of year \$ 21,374,885

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

| | <u>General</u> | <u>Debt Service</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-------------------------|---|---|
| Assets: | | | | |
| Equity in pooled cash and cash equivalents. | \$ 970,495 | \$ 334,324 | \$ 851,272 | \$ 2,156,091 |
| Cash with fiscal agent. | - | - | 20 | 20 |
| Receivables: | | | | |
| Property taxes. | 2,328,437 | 922,153 | 45,174 | 3,295,764 |
| Income taxes. | 400,962 | - | - | 400,962 |
| Accounts. | 4,290 | - | 968 | 5,258 |
| Accrued interest. | 1,038 | - | 205 | 1,243 |
| Interfund loans. | 18,459 | - | - | 18,459 |
| Intergovernmental. | 42,994 | - | - | 42,994 |
| Prepayments. | 34,326 | - | 90 | 34,416 |
| Materials and supplies inventory. | 804 | - | 15,964 | 16,768 |
| Total assets. | <u>\$ 3,801,805</u> | <u>\$ 1,256,477</u> | <u>\$ 913,693</u> | <u>\$ 5,971,975</u> |
| Liabilities: | | | | |
| Accounts payable. | \$ 60,148 | \$ - | \$ 1,010 | \$ 61,158 |
| Accrued wages and benefits. | 625,047 | - | 20,562 | 645,609 |
| Pension obligation payable. | 156,267 | - | 11,306 | 167,573 |
| Compensated absences payable. | 17,497 | - | - | 17,497 |
| Retirement incentive payable. | 13,200 | - | - | 13,200 |
| Interfund loans payable. | - | - | 18,459 | 18,459 |
| Intergovernmental payable. | 56,560 | - | 1,338 | 57,898 |
| Deferred revenue. | 322,386 | 81,628 | 3,991 | 408,005 |
| Unearned revenue. | 1,922,747 | 761,012 | 37,335 | 2,721,094 |
| Total liabilities. | <u>3,173,852</u> | <u>842,640</u> | <u>94,001</u> | <u>4,110,493</u> |
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Materials and supplies inventory. | 804 | - | 15,964 | 16,768 |
| Prepayments. | 34,326 | - | 90 | 34,416 |
| Restricted: | | | | |
| Debt service. | - | 413,837 | - | 413,837 |
| Classroom facilities maintenance. | - | - | 316,300 | 316,300 |
| Other purposes. | - | - | 20 | 20 |
| Committed: | | | | |
| Capital improvements. | - | - | 523,108 | 523,108 |
| Termination benefits. | 71,178 | - | - | 71,178 |
| Assigned: | | | | |
| Student instruction. | 2,957 | - | - | 2,957 |
| Student and staff support. | 14,809 | - | - | 14,809 |
| Public school support. | 7,898 | - | - | 7,898 |
| Subsequent year appropriations. | 451,585 | - | - | 451,585 |
| Other purposes. | 44,396 | - | - | 44,396 |
| Unassigned (deficit). | - | - | (35,790) | (35,790) |
| Total fund balances. | <u>627,953</u> | <u>413,837</u> | <u>819,692</u> | <u>1,861,482</u> |
| Total liabilities and fund balances. | <u>\$ 3,801,805</u> | <u>\$ 1,256,477</u> | <u>\$ 913,693</u> | <u>\$ 5,971,975</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

| | | | |
|--|----|--------------|--------------|
| Total governmental fund balances | | \$ | 1,861,482 |
| <i>Amounts reported for governmental activities on the statement of net assets are different because:</i> | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | 30,156,559 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | | |
| Property taxes receivable | \$ | 291,562 | |
| Income taxes receivable | | 73,673 | |
| Intergovernmental receivable | | 42,770 | |
| Total | | 408,005 | 408,005 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | | (35,090) |
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets. | | | 53,965 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | | |
| General obligation bonds | | (10,293,517) | |
| Capital lease obligations | | (144,366) | |
| Compensated absences | | (625,553) | |
| Retirement incentive | | (6,600) | |
| Total | | (11,070,036) | (11,070,036) |
| Net assets of governmental activities | | \$ | 21,374,885 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | <u>General</u> | <u>Debt Service</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|--------------------|-------------------------|---|---|
| Revenues: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 1,457,047 | \$ 531,327 | \$ 27,154 | \$ 2,015,528 |
| Income taxes | 1,017,418 | - | - | 1,017,418 |
| Tuition | 734,930 | - | - | 734,930 |
| Charges for services | - | - | 240,250 | 240,250 |
| Earnings on investments | 5,061 | - | 1,977 | 7,038 |
| Classroom materials and fees | 37,366 | - | - | 37,366 |
| Extracurricular | 18,680 | - | 130,489 | 149,169 |
| Rental income | 9,672 | - | - | 9,672 |
| Contributions and donations | 177 | - | 20,931 | 21,108 |
| Contract services | 29,815 | - | - | 29,815 |
| Other local revenues | 12,463 | - | - | 12,463 |
| Intergovernmental - State | 4,167,660 | 117,434 | 43,781 | 4,328,875 |
| Intergovernmental - federal | - | - | 543,809 | 543,809 |
| Total revenues | <u>7,490,289</u> | <u>648,761</u> | <u>1,008,391</u> | <u>9,147,441</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,229,421 | - | 40,908 | 4,270,329 |
| Special | 855,844 | - | 299,616 | 1,155,460 |
| Vocational | 202,976 | - | - | 202,976 |
| Support services: | | | | |
| Pupil | 156,427 | - | 209 | 156,636 |
| Instructional staff | 345,939 | - | 12,579 | 358,518 |
| Board of education | 43,859 | - | - | 43,859 |
| Administration | 564,134 | - | 76 | 564,210 |
| Fiscal | 292,416 | 14,823 | 734 | 307,973 |
| Business | 1,495 | - | - | 1,495 |
| Operations and maintenance | 987,161 | - | 110,875 | 1,098,036 |
| Pupil transportation | 625,532 | - | 6,479 | 632,011 |
| Operation of non-instructional services: | | | | |
| Food service operations | - | - | 437,409 | 437,409 |
| Other non-instructional services | 2,859 | - | - | 2,859 |
| Extracurricular activities | 205,000 | - | 181,504 | 386,504 |
| Debt service: | | | | |
| Principal retirement | 40,942 | 340,000 | - | 380,942 |
| Interest and fiscal charges | 13,345 | 448,806 | - | 462,151 |
| Total expenditures | <u>8,567,350</u> | <u>803,629</u> | <u>1,090,389</u> | <u>10,461,368</u> |
| Excess of expenditures over revenues | <u>(1,077,061)</u> | <u>(154,868)</u> | <u>(81,998)</u> | <u>(1,313,927)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | 316,250 | 316,250 |
| Transfers (out) | <u>(316,250)</u> | <u>-</u> | <u>-</u> | <u>(316,250)</u> |
| Total other financing sources (uses) | <u>(316,250)</u> | <u>-</u> | <u>316,250</u> | <u>-</u> |
| Net change in fund balances | <u>(1,393,311)</u> | <u>(154,868)</u> | <u>234,252</u> | <u>(1,313,927)</u> |
| Fund balances at beginning of year | <u>2,021,264</u> | <u>568,705</u> | <u>585,440</u> | <u>3,175,409</u> |
| Fund balances at end of year | <u>\$ 627,953</u> | <u>\$ 413,837</u> | <u>\$ 819,692</u> | <u>\$ 1,861,482</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

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, 2012

Net change in fund balances - total governmental funds \$ (1,313,927)

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

| | | | |
|---------------------------|----|-----------|-----------|
| Capital asset additions | \$ | 196,352 | |
| Current year depreciation | | (857,663) | |
| Total | | | (661,311) |

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

| | | | |
|-------------------|--|--------|---------|
| Property taxes | | 67,679 | |
| Income taxes | | 73,673 | |
| Intergovernmental | | 35,302 | |
| Total | | | 176,654 |

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:

| | | | |
|----------------|--|---------|---------|
| Bonds | | 340,000 | |
| Capital leases | | 40,942 | |
| Total | | | 380,942 |

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

| | | | |
|---|--|----------|----------|
| Increase in accrued interest payable | | (6,211) | |
| Accreted interest on capital appreciation bonds | | (56,040) | |
| Total | | | (62,251) |

The internal service fund used by management to charge the cost of insurance to the governmental funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities.

53,965

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

11,487

Change in net assets of governmental activities \$ (1,414,441)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|----------------------------|--------------------------|--------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 1,846,750 | \$ 2,129,674 | \$ 2,125,753 | \$ (3,921) |
| Income taxes. | 960,151 | 960,151 | 1,001,726 | 41,575 |
| Tuition. | 809,263 | 790,882 | 734,930 | (55,952) |
| Earnings on investments | 12,624 | 5,914 | 6,436 | 522 |
| Classroom materials and fees | 35,460 | 35,460 | 37,366 | 1,906 |
| Rental income | 7,732 | 3,543 | 3,543 | - |
| Contributions and donations | 8,400 | 95 | 177 | 82 |
| Contract services. | 15,347 | 17,245 | 17,245 | - |
| Other local revenues | 36,472 | 36,472 | 7,949 | (28,523) |
| Intergovernmental - State | 4,329,448 | 3,903,996 | 4,167,660 | 263,664 |
| Total revenues | <u>8,061,647</u> | <u>7,883,432</u> | <u>8,102,785</u> | <u>219,353</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,946,136 | 4,261,656 | 4,236,420 | 25,236 |
| Special. | 802,992 | 919,195 | 808,449 | 110,746 |
| Vocational. | 214,295 | 218,683 | 204,404 | 14,279 |
| Support services: | | | | |
| Pupil. | 144,913 | 161,894 | 156,535 | 5,359 |
| Instructional staff | 287,572 | 364,825 | 347,535 | 17,290 |
| Board of education | 49,531 | 47,114 | 45,130 | 1,984 |
| Administration. | 591,832 | 567,265 | 562,942 | 4,323 |
| Fiscal | 269,042 | 282,527 | 280,771 | 1,756 |
| Business. | 22,629 | 1,495 | 1,495 | - |
| Operations and maintenance. | 644,953 | 986,617 | 962,160 | 24,457 |
| Pupil transportation | 450,724 | 634,855 | 600,920 | 33,935 |
| Operation of non-instructional services | 3,490 | 7,501 | 5,000 | 2,501 |
| Extracurricular activities. | 180,037 | 193,219 | 191,724 | 1,495 |
| Total expenditures | <u>7,608,146</u> | <u>8,646,846</u> | <u>8,403,485</u> | <u>243,361</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>453,501</u> | <u>(763,414)</u> | <u>(300,700)</u> | <u>462,714</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | 23,483 | 15,946 | 15,946 | - |
| Transfers (out). | (193,625) | (415,625) | (414,703) | 922 |
| Advances in. | 20,226 | 21,658 | 21,658 | - |
| Advances (out) | - | (20,000) | (18,459) | 1,541 |
| Total other financing sources (uses) | <u>(149,916)</u> | <u>(398,021)</u> | <u>(395,558)</u> | <u>2,463</u> |
| Net change in fund balance | 303,585 | (1,161,435) | (696,258) | 465,177 |
| Fund balance at beginning of year | 1,470,057 | 1,470,057 | 1,470,057 | - |
| Prior year encumbrances appropriated | 31,989 | 31,989 | 31,989 | - |
| Fund balance at end of year | <u>\$ 1,805,631</u> | <u>\$ 340,611</u> | <u>\$ 805,788</u> | <u>\$ 465,177</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

| | Governmental Activities - Internal Service Fund |
|---|--|
| Assets: | |
| Equity in pooled cash and cash equivalents. | \$ 71,350 |
| Total assets | <u>71,350</u> |
| Liabilities: | |
| Accounts payable. | 12,806 |
| Claims payable | <u>4,579</u> |
| Total liabilities | <u>17,385</u> |
| Net assets: | |
| Unrestricted. | <u>53,965</u> |
| Total net assets | <u>\$ 53,965</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | Governmental Activities - Internal Service Fund |
|---|--|
| Operating revenues: | |
| Charges for services | \$ 257,440 |
| Operating expenses: | |
| Purchased services | 39,665 |
| Claims | 45,760 |
| Insurance costs | 118,050 |
| Total operating expenses. | 203,475 |
| Operating income/change in net assets . . . | 53,965 |
| Net assets at beginning of year. | - |
| Net assets at end of year. | \$ 53,965 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | Governmental Activities - Internal Service Fund |
|---|--|
| Cash flows from operating activities: | |
| Cash received from charges for services | \$ 257,440 |
| Cash payments for purchased services | (36,406) |
| Cash payments for claims | (41,181) |
| Cash payments for insurance costs | (108,503) |
| | 71,350 |
| Net cash provided by operating activities | 71,350 |
| Cash and cash equivalents at beginning of year | - |
| Cash and cash equivalents at end of year | \$ 71,350 |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 53,965 |
| Changes in assets and liabilities: | |
| Increase in accounts payable | 12,806 |
| Increase in claims payable | 4,579 |
| | 71,350 |
| Net cash provided by operating activities | \$ 71,350 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

| | Private-Purpose Trust | |
|--|----------------------------------|---------------|
| | Scholarship | Agency |
| Assets: | | |
| Current assets: | | |
| Equity in pooled cash and cash equivalents . . . | \$ 208,323 | \$ 53,444 |
| Accrued interest. | 151 | - |
| Total assets. | 208,474 | \$ 53,444 |
| Liabilities: | | |
| Accounts payable. | - | \$ 825 |
| Due to students | - | 52,619 |
| Total liabilities | - | \$ 53,444 |
| Net assets: | | |
| Held in trust for scholarships. | 208,474 | |
| Total net assets | \$ 208,474 | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | Private-Purpose Trust |
|--|----------------------------------|
| | Scholarship |
| Additions: | |
| Interest | \$ 705 |
| Gifts and contributions | 21,474 |
| Total additions | 22,179 |
| Deductions: | |
| Scholarships awarded | 13,941 |
| Change in net assets | 8,238 |
| Net assets at beginning of year | 200,236 |
| Net assets at end of year | \$ 208,474 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1971. The District serves an area of approximately 154 square miles and is located in Seneca and Huron Counties. The District is staffed by 68 certified employees and 38 classified employees who provide services to 981 students from preschool through grade 12 and other community members. The District currently operates 2 elementary schools, an elementary/junior high school, a high school, and an administration building.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the 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 District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of thirty-eight public school districts 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 NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Payments made by the District to NOECA for services during fiscal year 2012 totaled \$20,698. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Vanguard-Sentinel Career Center

The Vanguard-Sentinel Career Center (Career Center) is a distinct political subdivision of the State of Ohio, which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of one representative from the Seneca East Local School District, one representative from twelve other participating school districts, and two representatives from the Fremont City School District. The degree of control exercised by any participating school district is limited to its representation on the Board. The Career Center is its own budgeting and taxing authority. Financial information can be obtained from Jay Valasek, Vanguard-Sentinel Career Center, 1306 Cedar Street, Fremont, Ohio 43420.

Bay Area Council

The Bay Area Council was established in 1986 to carry out a cooperative program for the purchase of natural gas among boards of education located in Erie, Huron, Ottawa, Sandusky, Seneca, and Wood Counties. The Bay Area Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member boards of education. The Bay Area Council is governed by a Board of Directors. This Board is elected by an Assembly consisting of a representative from each participating school district. Financial information can be obtained from the Erie County Educational Service Center, who serves as fiscal agent, 2902 Columbus Avenue, Sandusky, Ohio 44870.

Northwestern Ohio Educational Research Council, Incorporated

The Northwestern Ohio Educational Research Council, Inc. is a non-profit organization under the direction of a Board of Directors. The Council was formed to provide conferences and training to personnel of the participating districts. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. To obtain financial information write to the Northwestern Ohio Educational Research Council, Inc., David G. Elsass, Treasurer, at P.O. Box 456, Ashland, Ohio 44805.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

North Central Ohio Regional Council of Governments (NCORCOG)

NCORCOG is a legally separate body politic and corporate served by a eight-member Board of Directors that meets the definition of regional Council of governments under Chapter 167 of the Ohio Revised Code. NORCOG is a regional source for shared services. Cost savings achieved are designed to not only maintain existing essential services, but to enhance them as well.

The initial, founding members, and Board of Directors are North Central Ohio ESC, Seneca County, the City of Tiffin, Clinton Township, Village of New Riegel, North Central Academy, Tiffin City School District, and Seneca East Local School District. The Superintendent of North Central Ohio ESC serves as Chair of the Board. The Chair is a non-voting member and shall only vote in the event of a tie. The Treasurer of North Central Ohio ESC serves as ex-officio/advisor for fiscal matters and is also a non-voting member. Membership is voluntary pursuant to resolution, ordinance or other appropriate action. Application of membership shall be subject to approval by the Board of Directors. Each political subdivision shall be entitled to one vote.

North Central Ohio ESC serves as the fiscal agent. NCORCOG issues a publicly available, stand-alone financial report. The report may be obtained by writing to the Treasurer of the North Central Ohio ESC, 928 W. Market Street, Tiffin, Ohio 44883.

RELATED ORGANIZATION

Seneca East Public Library

The Seneca East Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Seneca East Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. Although the District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Seneca East Public Library, Ernestine Walliser, who serves as Clerk-Treasurer, 14 North Main Street, Attica, Ohio 44807.

INSURANCE PURCHASING POOLS

North Central Ohio Joint Self-Insurance Association (the "Association")

The Association is a public entity risk pool consisting of the North Central Ohio Educational Service Center, the Sandusky County Educational Service Center, and five local school districts - Tiffin, Old Fort, Bettsville, Seneca East, and New Riegel. The Association was established pursuant to Section 9.833, Ohio Revised Code, in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of the local school districts, the North Central Ohio Educational Service Center, and the Sandusky County Educational Service Center. The North Central Ohio Educational Service Center acts as fiscal agent to the Association. Refer to Note 12.B. for further information on this public entity risk pool.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. 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. Refer to Note 12.D. for further information on this group rating plan.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: 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 purposes 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 are the District's major governmental funds:

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

Debt service fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds payable.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted or committed for specified purposes other than debt service or capital projects.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following is a description of the District's internal service fund:

Internal Service Fund - The internal service fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost-reimbursement basis. The District's internal service fund accounts for a self-funded prescription drug insurance program and a partially self-funded medical insurance program for employees of the District.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of 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 not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income 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 income taxes is recognized in the fiscal year in which the underlying exchange transaction is accrued (See Note 7).

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period and delinquent property taxes due at June 30, 2012, are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a corresponding amount reported as intergovernmental revenue.

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds, except agency funds. The specific timetable for fiscal year 2012 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Seneca County Budget Commission for tax rate determination.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificates issued for fiscal year 2012.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2012. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

As part of formal budgetary control, purchase orders, contracts and other commitment for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a portion of restricted, committed or assigned classifications of fund balance.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2012, investments were limited to certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as certificates of deposits, are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, the replacement fund (a nonmajor governmental fund), the capital projects fund (a nonmajor governmental fund) and the private-purpose trust fund. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$5,061, which includes \$1,166 assigned from other funds.

For presentation on the basic 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 District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those assets specifically related to activities reported in the governmental funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$1,500. Donated capital assets are recorded at their fair market values as of the date received. 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. The District does not possess infrastructure.

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

| <u>Description</u> | <u>Governmental Activities Estimated Lives</u> |
|----------------------------|--|
| Buildings and improvements | 20 - 50 years |
| Furniture and equipment | 5 - 20 years |
| Vehicles | 6 - 10 years |

I. Interfund Balances

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

J. Compensated Absences

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2012, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least 10 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

M. 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 improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At the fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is nonspendable on the fund financial statements by an amount equal to the carrying value of the assets.

O. Estimates

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

P. 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 basic financial statements.

Interfund activity between governmental funds is eliminated in the statement of activities.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the 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.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Nether type of transaction occurred during fiscal year 2012.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

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. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|-----------------------------------|----------------|
| Food service | \$ 18,586 |
| District managed student activity | 1,150 |

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 - DEPOSITS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing 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 deposits are deposits of interim monies. 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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 - DEPOSITS - (Continued)

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public 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 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the District had \$2,770 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Cash with Fiscal Agent

At fiscal year-end, the District had \$20 in cash and cash equivalents held by the North Central Ohio Educational Service Center. This amount is included on the balance sheet as "cash with fiscal agent". The North Central Ohio Educational Service Center holds this flow through grant money for the District together with that of other school districts and therefore the District cannot classify this money in accordance with GASB Statement No. 40.

C. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$2,486,438. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$2,048,448 of the District's bank balance of \$2,548,448 was exposed to custodial risk as discussed below, while \$500,000 was covered by the FDIC.

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

D. Investments

As of June 30, 2012, the District did not have any investments.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS - (Continued)

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

| | |
|---|---------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 2,486,438 |
| Cash on hand | 2,770 |
| Cash with fiscal agent | <u>20</u> |
| Total | <u>\$ 2,489,228</u> |
| <u>Cash and investments per statement of net assets</u> | |
| Governmental activities | \$ 2,227,461 |
| Private-purpose trust fund | 208,323 |
| Agency funds | <u>53,444</u> |
| Total | <u>\$ 2,489,228</u> |

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund financial statements:

Transfers to other governmental funds from:

| | |
|--------------|-------------------|
| General fund | <u>\$ 316,250</u> |
|--------------|-------------------|

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

- B.** Interfund balances at June 30, 2012 as reported on the fund statements consist of the following individual interfund loan receivable and payable:

| <u>Receivable fund</u> | <u>Payable fund</u> | <u>Amount</u> |
|------------------------|--------------------------|------------------|
| General fund | Other governmental funds | <u>\$ 18,459</u> |

This interfund balance will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the statement of net assets.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Seneca and Huron Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$199,747 in the general fund, \$79,513 in the debt service fund and \$3,848 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$865,194 in the general fund, \$341,106 in the debt service fund and \$17,877 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - PROPERTY TAXES – (Continued)

The assessed values upon which the fiscal year 2012 taxes were collected are as follows:

| | 2011 Second Half Collections | | 2012 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 96,090,460 | 93.85 | \$ 109,735,250 | 94.27 |
| Public utility personal | <u>6,295,520</u> | <u>6.15</u> | <u>6,675,200</u> | <u>5.73</u> |
| Total | <u>\$ 102,385,980</u> | <u>100.00</u> | <u>\$ 116,410,450</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$38.99 | | \$38.99 | |

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The voters of the District passed a 1% school district income tax that was renewed in May 2010. This tax is effective for five years and will expire on December 31, 2015. School district income tax revenue credited to the general fund during fiscal year 2012 was \$1,017,418.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2012 consisted of property and income taxes, accounts, accrued interest, and intergovernmental grants and entitlements. 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 receivables reported on the statement of net assets follows:

Governmental activities:

| | |
|-------------------|---------------------|
| Property taxes | \$ 3,295,764 |
| Income taxes | 400,962 |
| Accounts | 5,258 |
| Accrued interest | 1,243 |
| Intergovernmental | <u>42,994</u> |
| Total | <u>\$ 3,746,221</u> |

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

| | Reclassified Balance 06/30/11 | Additions | Disposals | Balance 06/30/12 |
|---|-------------------------------------|---------------------|-------------|----------------------|
| Governmental activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 20,972 | \$ - | \$ - | \$ 20,972 |
| Total capital assets, not being depreciated | <u>20,972</u> | <u>-</u> | <u>-</u> | <u>20,972</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Buildings and improvements | 30,774,517 | - | - | 30,774,517 |
| Furniture and equipment | 2,176,708 | - | - | 2,176,708 |
| Vehicles | 926,097 | 196,352 | - | 1,122,449 |
| Total capital assets, being depreciated | <u>33,877,322</u> | <u>196,352</u> | <u>-</u> | <u>34,073,674</u> |
| <i>Less: accumulated depreciation</i> | | | | |
| Buildings and improvements | (1,941,078) | (538,621) | - | (2,479,699) |
| Furniture and equipment | (623,397) | (220,646) | - | (844,043) |
| Vehicles | (515,949) | (98,396) | - | (614,345) |
| Total accumulated depreciation | <u>(3,080,424)</u> | <u>(857,663)</u> | <u>-</u> | <u>(3,938,087)</u> |
| Governmental activities capital assets, net | <u>\$ 30,817,870</u> | <u>\$ (661,311)</u> | <u>\$ -</u> | <u>\$ 30,156,559</u> |

During fiscal year 2012, the District's capital assets were appraised by an outside valuation company. As a result of the appraisal, the District reclassified various assets among the District's depreciable asset classes. Such adjustments are reflected in the beginning balance of capital assets at June 30, 2011 and had no effect on net assets as previously reported.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------------|-------------------|
| <u>Instruction:</u> | |
| Regular | \$ 410,770 |
| Special | 28,262 |
| Vocational | 22,226 |
| <u>Support services:</u> | |
| Pupil | 14,062 |
| Instructional staff | 44,372 |
| Board of education | 3,058 |
| Administration | 47,207 |
| Fiscal | 15,070 |
| Business | 8,973 |
| Operations and maintenance | 29,545 |
| Pupil transportation | 124,877 |
| Food service operations | 45,913 |
| Other non-instructional services | 38,277 |
| Extracurricular | 25,051 |
| Total depreciation expense | <u>\$ 857,663</u> |

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

The District has entered into capitalized leases for copiers and for physical fitness equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of furniture and equipment have been capitalized in the amount of \$222,624. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2012 was \$111,312, leaving a current book value of \$111,312. A corresponding liability was recorded in the government-wide financial statements. Principal payments in the 2012 fiscal year totaled \$40,942 and were paid by the general fund.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2012:

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|-------------------------|
| 2013 | \$ 54,287 |
| 2014 | 54,287 |
| 2015 | <u>54,287</u> |
| Total minimum lease payments | 162,861 |
| Less amount representing interest | <u>(18,495)</u> |
| Total | <u>\$144,366</u> |

NOTE 11 - LONG-TERM OBLIGATIONS

A. During fiscal year 2012, the following changes occurred in governmental activities long-term obligations:

| | <u>Interest</u> | <u>Balance</u> | | | <u>Balance</u> | <u>Amounts</u> |
|---------------------------------|-----------------|----------------------|-------------------|---------------------|----------------------|-------------------|
| | <u>Rate</u> | <u>06/30/11</u> | <u>Additions</u> | <u>Reductions</u> | <u>06/30/12</u> | <u>Due in</u> |
| | | | | | | <u>One Year</u> |
| Governmental activities: | | | | | | |
| General obligation bonds | 3.5-4.8% | \$ 10,577,477 | \$ 56,040 | \$ (340,000) | \$ 10,293,517 | \$ 350,000 |
| Capital lease obligations | | 185,308 | - | (40,942) | 144,366 | 44,340 |
| Retirement incentive | | 19,800 | - | - | 19,800 | 13,200 |
| Compensated absences | | <u>702,472</u> | <u>89,661</u> | <u>(149,083)</u> | <u>643,050</u> | <u>36,968</u> |
| Total long-term liabilities | | <u>\$ 11,485,057</u> | <u>\$ 145,701</u> | <u>\$ (530,025)</u> | <u>\$ 11,100,733</u> | <u>\$ 444,508</u> |

Compensated Absences: Compensated absences will be paid from the fund from which employees' salaries are paid, which for the District is primarily the general fund.

Retirement Incentive: During fiscal year 2011, the District offered a retirement incentive to employees who retired and agreed to be rehired for one additional year, fiscal year 2012. Under the retirement incentive, the District agrees to provide assistance in paying health insurance premiums after retirement for a period of eighteen months. Three employees accepted the incentive and will be paid in eighteen monthly installments of \$100 (single coverage) or \$500 (family coverage) beginning in July 2012. A long-term liability of \$19,800 associated with the retirement incentive is included on the statement of net assets, of which \$13,200 is due within one year.

Capital Lease Obligation: Capital lease obligations will be paid from the general fund. See Note 10 for details.

B. On November 1, 2005, the District issued general obligation bonds. The issuance proceeds of \$11,845,986 were issued to finance the District's portion of the Ohio Schools Facilities Project, and retired the \$9,000,000 in bond anticipation notes issued on May 3, 2005. The principal balance of the general obligation bonds at June 30, 2012 was \$10,045,000.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The issue is comprised of both current interest bonds, par value \$11,800,000, and capital appreciation bonds, par value \$45,986. The capital appreciation bonds mature between 2019 and December 1, 2021 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,335,000. Total accreted interest of \$202,531 has been included in the statement of activities.

The following is a schedule of activity for fiscal year 2012 on the general obligation bonds:

| | Balance 6/30/11 | Additions | Reductions | Balance 6/30/12 |
|--|----------------------|------------------|---------------------|----------------------|
| Current interest bonds | \$ 10,385,000 | \$ - | \$ (340,000) | \$ 10,045,000 |
| Capital appreciation bonds | 45,986 | - | - | 45,986 |
| Accreted interest on capital appreciation bonds | 146,491 | 56,040 | - | 202,531 |
| Total general obligation bonds | \$ 10,577,477 | \$ 56,040 | \$ (340,000) | \$ 10,293,517 |

The following is a summary of the future debt service requirements to maturity for the general obligation bonds:

| Fiscal Year Ending | Current Interest Bonds | | | Capital Appreciation Bonds | | |
|--------------------|------------------------|---------------------|----------------------|----------------------------|---------------------|---------------------|
| | June 30, | Principal | Interest | Total | Principal | Interest |
| 2013 | \$ 350,000 | \$ 435,856 | \$ 785,856 | \$ - | \$ - | \$ - |
| 2014 | 365,000 | 421,556 | 786,556 | - | - | - |
| 2015 | 380,000 | 406,181 | 786,181 | - | - | - |
| 2016 | 400,000 | 389,606 | 789,606 | - | - | - |
| 2017 | 410,000 | 372,906 | 782,906 | - | - | - |
| 2018 - 2022 | 870,000 | 1,734,630 | 2,604,630 | 45,986 | 1,289,014 | 1,335,000 |
| 2023 - 2027 | 2,545,000 | 1,359,790 | 3,904,790 | - | - | - |
| 2028 - 2032 | 3,175,000 | 718,766 | 3,893,766 | - | - | - |
| 2033 - 2034 | 1,550,000 | 71,101 | 1,621,101 | - | - | - |
| Total | \$ 10,045,000 | \$ 5,910,392 | \$ 15,955,392 | \$ 45,986 | \$ 1,289,014 | \$ 1,335,000 |

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The Ohio Revised Code further provides that when a Board of Education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the 9% limit to finance additional facilities, the State Department of Education may declare that district a “special needs” district. This permits the incurrence of additional debt based upon projected 5-year growth of the school district’s assessed valuation. The District was determined to be a “special needs” district by the State Superintendent.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The 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 2012, the District contracted for the following insurance coverage:

Coverage provided by Ohio Casualty - The Netherlands Insurance Co. is as follows:

| | |
|--|--------------|
| Buildings and Contents -replacement cost (\$2,500 deductible) | \$28,530,545 |
| Computer Equipment (\$500 deductible) - blanket all locations | 443,003 |
| Maintenance Equipment (\$500 deductible) | 20,000 |
| Misc. Radio (\$500 deductible) | 10,000 |
| Musical Instruments (\$500 deductible) | 100,000 |
| Automobile Liability | 1,000,000 |
| Uninsured Motorists | 100,000 |
| Medical Payments -per person | 5,000 |
| General Liability - | |
| Each Occurrence Limit | 1,000,000 |
| Damage to Premises Rented Limit - any one premises | 300,000 |
| Medical Expense Limit - any one person | 15,000 |
| Personal and Advertising Injury Limit - any one person or organization | 1,000,000 |
| General Aggregate Limit | 2,000,000 |
| Products/Completed Operations Aggregate Limit | 2,000,000 |
| School Leaders Errors and Omissions | |
| Each Wrongful Act Limit | 1,000,000 |
| Aggregate Limit | 1,000,000 |
| Aggregate Defense Expense Amount - non-monetary relief | 100,000 |
| Deductible - one wrongful act | 2,500 |
| Sexual Misconduct and Molestation Liability | |
| Each Loss Limit | 1,000,000 |
| Aggregate Limit | 1,000,000 |
| Innocent Party Aggregate Defense Expense Amount | 300,000 |

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - RISK MANAGEMENT - (Continued)

| | |
|---|-------------|
| Employers Stop Gap liability | |
| Bodily Injury by Accident - each accident limit | \$1,000,000 |
| Bodily Injury By Disease - policy limit | 1,000,000 |
| Bodily Injury By Disease - each employee limit | 1,000,000 |
| Aggregate | 2,000,000 |

Coverage provided by Ohio Casualty - The Midwestern Indemnity Company are as follows:

| | | |
|--------------------------|-------------------------------|-----------|
| Umbrella Liability | | |
| Each Occurrence Limit | Any one occurrence or offense | 2,000,000 |
| Aggregate Limits | General Aggregate Limit | 2,000,000 |
| | Products/Completed Operations | 2,000,000 |
| Self Insurance Retention | Any one occurrence | 0 |

| | |
|---|---------|
| Coverages provided by Ohio Mutual Insurance Association | |
| Farm Buildings and Contents (\$100 deductible) | 101,900 |
| Coverage provided by Farmers Mutual | 17,500 |

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

B. Health, Dental, Vision and Life Insurance

During fiscal year 2012, the District elected to provide medical benefits to employees through a partially self-insured plan. The District pays a portion of the deductibles for employees. The plan is administered by Anthem Blue Cross Blue Shield.

The District provides dental, vision and life insurance to employees through the North Central Ohio Joint Self Insurance Association. The North Central Ohio Joint Self Insurance Association is a public entity risk pool for seven member school Districts. The risk of loss transfers entirely to the pool. The District paid a monthly premium to the pool for dental, vision and life insurance. The agreement for formation of the pool provided that it will be self-sustaining through member premiums and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$50,000 for any employee.

C. Prescription Drug Insurance

During fiscal year 2012, the District became self-insured for employee prescription drug insurance. PRM Plus, Inc. is the third party administrator of the plan. Claims incurred but not reported within the District's Self-Insurance Internal Service Fund were determined to be \$4,579 as of June 30, 2012. The District has adopted Governmental Accounting Standards Board Statement No. 30 "Risk Financing Omnibus" and the claims liabilities and the claims incurred but not reported have been calculated in accordance with the criteria contained therein.

| | Beginning Balance | Claims Incurred | Claims Paid | Ending Balance |
|------|----------------------|--------------------|----------------|-------------------|
| 2012 | \$ - | \$ 45,760 | \$ 41,181 | \$ 4,579 |

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 12 - RISK MANAGEMENT - (Continued)

D. Workers' Compensation Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan'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 Ohio School Boards Association. 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 plan to cover the cost of administering the Plan.

The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. 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 plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the Plan for fiscal year 2012.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$131,845, \$115,970 and \$119,271, respectively; 60.43 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained 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, under "Publications".

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

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$525,386, \$479,725 and \$484,643, respectively; 83.07 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$8,746 made by the District and \$6,247 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. 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 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The 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 on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$5,180, \$11,846 and \$3,919, respectively; 60.43 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$7,063, \$6,296 and \$6,475, respectively; 60.43 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$37,527, \$34,266 and \$34,617, respectively; 83.07 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

| | <u>General fund</u> |
|---|-----------------------|
| Budget basis | \$ (696,258) |
| Net adjustment for revenue accruals | (650,208) |
| Net adjustment for expenditure accruals | (84,190) |
| Net adjustment for other sources/uses | (19,145) |
| Funds budgeted elsewhere | 31,744 |
| Adjustment for encumbrances | 24,746 |
| GAAP basis | <u>\$ (1,393,311)</u> |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the farm fund, the public school support fund and the termination benefits fund.

NOTE 16 - CONTINGENCIES

A. Grants and Enrollment

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 17 - SET-ASIDES - (Continued)

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2011 | \$ - |
| Current year set-aside requirement | 169,472 |
| Contributions in excess of the current fiscal year set-aside requirement | - |
| Current year qualifying expenditures | - |
| Excess qualified expenditures from prior years | - |
| Current year offsets | (316,250) |
| Waiver granted by ODE | - |
| Prior year offset from bond proceeds | - |
| Total | <u>\$ (146,778)</u> |
| Balance carried forward to fiscal year 2013 | <u>\$ -</u> |
| Set-aside balance June 30, 2012 | <u>\$ -</u> |

During fiscal year 2005 the District issued \$11,845,986 in capital related general obligation bonds. These proceeds may be used to reduce the capital acquisition set-aside to zero in future years. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$11,117,080 at June 30, 2012.

NOTE 18 - OTHER COMMITMENTS

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

| <u>Fund</u> | <u>Year-End Encumbrances</u> |
|--------------------|----------------------------------|
| General fund | \$ 19,329 |
| Other governmental | <u>3,064</u> |
| Total | <u>\$ 22,393</u> |

SENECA EAST LOCAL SCHOOL DISTRICT



Single Audit Reports

June 30, 2012

SENECA EAST LOCAL SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012

| Federal Grant/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|---|----------------------------------|---------------------------|------------------|----------------------|------------------|---------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| Passed Through Ohio Department of Education: | | | | | | |
| Nutrition Cluster: | | | | | | |
| School Breakfast Program | 3L70 | 10.553 | \$19,320 | \$0 | \$19,320 | \$0 |
| National School Lunch Program | 3L60 | 10.555 | 146,190 | 37,947 | 146,190 | 37,947 |
| Total Nutrition Cluster | | | <u>165,510</u> | <u>37,947</u> | <u>165,510</u> | <u>37,947</u> |
| Total U.S. Department of Agriculture | | | <u>165,510</u> | <u>37,947</u> | <u>165,510</u> | <u>37,947</u> |
| U.S. DEPARTMENT OF EDUCATION | | | | | | |
| Passed Through Ohio Department of Education: | | | | | | |
| Special Education Cluster: | | | | | | |
| Special Education-Grants to States | 3M20 | 84.027 | 203,024 | 0 | 203,024 | 0 |
| Special Education-Grants to States - ARRA | 3DL0 | 84.391 | 4,644 | 0 | 0 | 0 |
| Total Special Education Cluster | | | <u>207,668</u> | <u>0</u> | <u>203,024</u> | <u>0</u> |
| Title I Cluster: | | | | | | |
| Title I Grants to Local Educational Agencies | 3M00 | 84.010 | 97,686 | 0 | 97,686 | 0 |
| Total Title I Cluster | | | <u>97,686</u> | <u>0</u> | <u>97,686</u> | <u>0</u> |
| Education Technology State Grants | 3S20 | 84.318 | 689 | 0 | 689 | 0 |
| Improving Teacher Quality | 3Y60 | 84.367 | 35,792 | 0 | 35,792 | 0 |
| Education Jobs | N/A | 84.410 | 6,857 | 0 | 6,857 | 0 |
| Total Department of Education | | | <u>348,692</u> | <u>0</u> | <u>344,048</u> | <u>0</u> |
| Total Federal Assistance | | | <u>\$514,202</u> | <u>\$37,947</u> | <u>\$509,558</u> | <u>\$37,947</u> |

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

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

To the Board of Education
Seneca East Local School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Seneca East Local School District (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 26, 2012

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

To the Board of Education
Seneca East Local School District

Compliance

We have audited the Seneca East Local School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the District 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 District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2012, and have issued our report thereon dated December 26, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 26, 2012

**SENECA EAST LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

Section I – Summary of Auditor’s Results

| | | | |
|---------------------|---|---|------------------------------|
| <i>(d)(1)(i)</i> | <i>Type of Financial Statement Opinion</i> | Unqualified | |
| <i>(d)(1)(ii)</i> | <i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i> | No | |
| <i>(d)(1)(ii)</i> | <i>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i> | No | |
| <i>(d)(1)(iii)</i> | <i>Was there any material reported non-compliance at the financial statement level (GAGAS)?</i> | No | |
| <i>(d)(1)(iv)</i> | <i>Were there any material internal control weakness conditions reported for major federal programs?</i> | No | |
| <i>(d)(1)(iv)</i> | <i>Were there any other significant control deficiencies reported for major federal programs?</i> | No | |
| <i>(d)(1)(v)</i> | <i>Type of Major Programs' Compliance Opinion</i> | Unqualified | |
| <i>(d)(1)(vi)</i> | <i>Are there any reportable findings under Section .510?</i> | No | |
| <i>(d)(1)(vii)</i> | <i>Major Programs (list):</i> | Special Education Cluster: Grants to State Grants to State - ARRA | CFDA# 84.027 CFDA# 84.391 |
| <i>(d)(1)(viii)</i> | <i>Dollar Threshold: Type A/B Programs</i> | Type A: > \$300,000 Type B: all others | |
| <i>(d)(1)(ix)</i> | <i>Low Risk Auditee?</i> | Yes | |

Section II – Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

None

Section III – Federal Award Findings and Questioned Costs

None

SENECA EAST LOCAL SCHOOL DISTRICT
JUNE 30, 2012

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133

The Seneca East Local School District had no prior audit findings or questioned costs.



Dave Yost • Auditor of State

SENECA EAST LOCAL SCHOOL DISTRICT

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 26, 2013**