

SOUTHEASTERN LOCAL SCHOOL DISTRICT



Basic Financial Statements

June 30, 2012



Dave Yost • Auditor of State

Board of Education
Southeastern Local School District
226 Clifton Road
South Charleston, Ohio 45368

We have reviewed the *Independent Auditors' Report* of the Southeastern Local School District, Clark County, prepared by Plattensburg & 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 Southeastern Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 12, 2013

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Southeastern 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 Southeastern 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, thereof 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 27, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 27, 2012

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

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

Financial Highlights

Key financial highlights for 2012 are as follows:

- Assets exceeded liabilities at the close of the most recent fiscal year by \$9.40 million. Of this amount, \$5.37 million is unrestricted for the School District's discretionary use.
- General revenues accounted for \$6.72 million in revenue or 81.53 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$1.52 million or 18.47 percent of total revenues of \$8.24 million.
- The School District had \$8.21 million in expenses related to governmental activities; only \$1.52 million of these expenses were offset by program specific charges for services, grants or contributions.
- Among major funds, the general fund had \$7.02 million in revenues and \$7.06 million in expenditures. The permanent improvement fund had \$0.30 million in revenues and \$0.50 million in expenditures.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all the School District's assets and liabilities, with the difference between the two is reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

The *statement of activities* presents information showing how the School District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The government-wide financial statements can be found after the MD & A of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School District's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net assets and statement of activities.

The School District maintains twenty-four individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of fund revenues, expenditures and changes in fund balance for the general fund and permanent improvement fund which are considered major funds. Data from the other twenty-two governmental funds are combined into a single, aggregate presentation.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

The School District adopts an annual appropriation budget for all of its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found immediately following the government-wide statement of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statement can be found after the budget and actual changes in the general fund of this report.

Notes to the 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. The notes to the financial statements can be found starting after the fiduciary fund statement of this report.

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net assets for 2011 to 2012.

Table 1
Net Assets

	<u>2011</u>	<u>2012</u>	<u>Change</u>
Assets			
Current Assets	\$ 9,565,524	\$ 9,798,183	\$ 232,659
Capital Assets (Net of Depreciation)	<u>4,073,623</u>	<u>4,176,972</u>	<u>103,349</u>
Total Assets	<u>13,639,147</u>	<u>13,975,155</u>	<u>336,008</u>
Liabilities			
Current Liabilities	2,556,184	2,864,001	307,817
Long-Term Liabilities	<u>1,716,749</u>	<u>1,712,718</u>	<u>(4,031)</u>
Total Liabilities	<u>4,272,933</u>	<u>4,576,719</u>	<u>303,786</u>

The increase in current liabilities for 2012 resulted from non payment of intergovernmental payables recorded at June 30, 2012 being paid during fiscal year 2013 due to billing discrepancy and an increase in contracts payable. Long-term liabilities decreased as the result of the refunding of outstanding debt and

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Management's Discussion and Analysis
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scheduled debt service payments which were offset by current year bond issuance. The increase in current assets was due to the income in income taxes receivable recorded at June 30, 2012 as tax receipts are expected to increase for fiscal year 2013. Capital assets increased as current year additions exceeded depreciation expense for the year.

Table 1
Net Assets (continued)

Net Assets			
Invested in Capital Assets, Net of Related Debt	2,816,940	2,907,602	90,662
Restricted for:			
Grants	30,538	5,805	(24,733)
District Manged Activities	119,041	112,232	(6,809)
State Mandates	199,052	-	(199,052)
Capital Improvements	1,015,118	1,004,418	(10,700)
Other Purposes	1,802	1,583	(219)
Unrestricted	<u>5,183,723</u>	<u>5,366,796</u>	<u>183,073</u>
Total Net Assets	<u>\$ 9,366,214</u>	<u>\$ 9,398,436</u>	<u>\$ 32,222</u>

Table 2 provides a comparison of the revenue for fiscal years 2011 and 2012.

Table 2
Revenues

	<u>2011</u>	<u>2012</u>	<u>Change</u>
Revenues			
<i>Program Revenues</i>			
Charges for Services	\$ 714,765	\$ 713,972	\$ (793)
Operating Grants	818,836	808,997	(9,839)
<i>General Revenues</i>			
Property Taxes	2,620,924	2,098,407	(522,517)
Income Taxes	888,760	983,365	94,605
Unrestricted Grants	3,747,648	3,618,003	(129,645)
Investment Earnings	16,969	19,741	2,772
Other	<u>8,881</u>	<u>3,978</u>	<u>(4,903)</u>
Total Revenues	<u>\$ 8,816,783</u>	<u>\$ 8,246,463</u>	<u>\$ (570,320)</u>

Decreases noted in the general revenue accounts were due to the decreases realized in property taxes and unrestricted grants collected by other government

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agencies and remitted back to the School District . Total revenues decreased in 2012 over those reported in 2011 by 6.47 percent.

Table 3 compares total functional expenses from 2011 to 2012.

Table 3
Functional Expenses

Expenses	<u>2011</u>	<u>2012</u>	<u>Change</u>
Instruction:			
Regular	\$ 3,833,302	\$ 3,690,562	\$ (142,740)
Special	1,063,039	1,110,537	47,498
Other	258,549	264,179	5,630
Support Services:			
Pupils/Staff	673,594	667,728	(5,866)
Adminstration/Fiscal	987,112	887,647	(99,465)
Maintenance	574,373	537,705	(36,668)
Transportation	430,939	408,992	(21,947)
Other	29,306	52,989	23,683
Food Service/Latchkey	222,575	198,092	(24,483)
Extracurricular Activities	343,640	317,894	(25,746)
Interest and Fiscal Charges	85,638	77,916	(7,722)
Total Expenses	<u>8,502,067</u>	<u>8,214,241</u>	<u>(287,826)</u>
Net Change	314,716	32,222	(282,494)
Beginning Net Assets	<u>9,051,498</u>	<u>9,366,214</u>	<u>314,716</u>
Ending Net Assets	<u>\$ 9,366,214</u>	<u>\$ 9,398,436</u>	<u>\$ 32,222</u>

Overall, expenses decreased by 3.33% from those reported from the prior year due to a reduction in positions not filled with attrition.

The Major Funds

The School District's major funds are accounted for using the modified accrual basis of accounting, focusing on the near-term financial resources of the District. The major funds are the general fund and the permanent improvement fund. Both accounted for 88.39% of the \$8.28 million in total revenue and 88.50% of the \$8.54 million in total expenditures. The general fund and permanent improvement fund received a majority of their revenues from property taxes and intergovernmental revenues. The general fund had a year-end balance of \$5.78 million. The permanent improvement fund ended the year with a balance of \$1.01 million; virtually unchanged from one year prior.

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(Unaudited)

The general fund recognized \$0.93 million in current liabilities for fiscal year 2012. Accrued salaries and benefits accounted for 68.99% of those liabilities. Taxes receivable accounted for 92.86% of the \$2.65 million receivables in the general fund. However, a portion of the taxes receivable is offset by deferred revenue because those taxes are not intended to finance the 2012 fiscal year.

General Fund Budgetary

Table 4 depicts the change from the final budget to the actual revenue for the fiscal year ended June 30, 2012.

Table 4
Original and Final Budget versus Actual General Fund Revenues

	Original Budget	Final Budget	Actual
Revenues			
Property Taxes	\$ 2,231,188	\$ 2,284,227	\$ 2,284,227
Intergovernmental	3,590,774	3,570,834	3,570,834
Tuition and Fees	516,251	513,384	513,384
Income Taxes	917,532	912,437	912,437
Other	3,675	2,518	2,518
Total Revenues	<u>\$ 7,259,420</u>	<u>\$ 7,283,400</u>	<u>\$ 7,283,400</u>

The original/final revenue estimates come from the certificate of estimated resources approved by the County Tax Commission, with tax estimates developed by the County Auditor. The property tax actual amounts are higher than originally expected due to an increase in tax collection for 2012 over 2011. The District was able to more accurately predict revenue throughout the fiscal year from more consistency in the revenue sources.

Table 5 depicts the change from the original to the final general fund expenditure budgets for the fiscal year ended June 30, 2012.

Table 5
Original Budget versus Actual General Fund Expenditures

	Original Budget	Actual
Expenditures		
Instructional	\$ 4,550,963	\$ 4,237,857
Support Services	3,267,626	2,815,564
Other	51,880	54,378
Total Expenditures	<u>\$ 7,870,469</u>	<u>\$ 7,107,799</u>

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Management's Discussion and Analysis
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(Unaudited)

The original budget comes from the Tax Budget filed in January of 2011. Traditionally the tax budget expenditures include all possible needs for the future year. A line in the budget is included for contingencies in the original budget. Although this money is not spent, it still shows in the original budget. The variance from the original and final budget is created due to the assumption that the Federal and State Grants are not available until monies are received. Southeastern is continually striving to hold expenditures down to ensure that the burden on the tax payers is held to a minimum, thus cutting planned expenditures where acceptable. The District's final expenditures are \$269,150 less than final budgeted amounts due in part to federal grants paying a portion of salaries and benefits, no severances paid out for retirement and managements efforts to control operating costs of the District.

Capital Assets

At the end of the year, the School District had \$4,176,972 invested in land, construction in progress, land improvements, buildings and improvements, equipment, and vehicles less accumulated depreciation. Table 6 shows the breakdown of the individual classes for capital assets (see note 10 for more detailed information):

Table 6
Capital Assets

Class	2011	2012	Percentage Change
Land	\$ 11,000	\$ 11,000	0.00%
Construction in Progress	-	86,466	100.00%
Land Improvements	1,007,670	1,029,770	2.19%
Buildings and Improvements	7,554,500	7,667,237	1.49%
Furniture and Equipment	931,421	1,011,501	8.60%
Vehicles	982,633	1,029,502	4.77%
Sub-Total	10,487,224	10,835,476	3.32%
Accumulated Depreciation	(6,413,601)	(6,658,504)	3.82%
Net Capital Assets	<u>\$ 4,073,623</u>	<u>\$ 4,176,972</u>	<u>2.54%</u>

Debt Administration

A long-term note was issued in September, 2003 for \$524,197 to update mechanical/energy conservation of both buildings. In 2012 the District issued \$432,133 of energy conservation bonds payable which were used to refund the old outstanding energy conservation note as well as fund additional projects. The

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

final principal and interest payment for the HB264 bond is June 1, 2018, all payments coming from the permanent improvement fund. During the year, the District made \$30,175 of scheduled debt service payments associated with the old HB264 note and the newly issued energy conservation bonds. In addition, the District refunded \$269,897 of the old HB264 note payable with proceeds from the current year issuance.

In fiscal year 2010, the District issued \$1.06 million of bonds to finance the construction of school facilities as well as made an acquisition of two new school buses. The bus bond was issued for \$138,600 and will be repaid over 36 months. The District paid \$51,286 of principal payments during the year and retired the bus bond. The \$918,000 construction bond was issued to finance the construction of a facility as well as other land improvements and will be repaid over a sixteen year period with a \$51,000 principal payment made during the 2012 year. The construction bond is eligible to participate in the 2009 Qualified School Construction Bond Program in which the District issued taxable bonds at a higher rate and will subsequently receive an interest subsidy reimbursement through the Program which makes the effective interest rate on the construction bond being 1.59%.

In a prior year, the District entered into a capital lease to acquire copying equipment used throughout the District. During fiscal year 2012, the District made principal payments of \$21,014 on the capital lease which resulted in an ending obligation of \$24,311 with \$22,406 due during the next fiscal year.

For further information on the School District's debt and lease obligations, refer to notes 15 and 16 of the financial statements.

For the Future

At this time, the Southeastern Local School District is financially stable. The District is proud of its community support of the public schools. However, as the State economy is emerging from a record making recession and budgets consistently decreases, the necessity for community support needs to increase.

District Administration continue to review and explore cost saving measures to eliminate/reduce future deficits. This has been addressed in shared services with both the Superintendent and Treasurer Positions in fiscal year 2012. The Board is cognizant of the need for new, additional operating money in the near future and is working with administration to arrive at a proper, affordable levy request for the community while attempting to stay off the ballot as long as possible.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

The District will need to receive additional local monies in some fashion in 2014 or 2015 so that it can stay out of the impending deficit while maintaining our consistently increasing test scores and academic excellence. The District valuation consists mostly of a residential tax base, thus shifting more of the financial responsibility to our taxpayers.

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward School Districts with little property tax wealth. The legislators and government officials have rolled out a new "BRIDGE" funding formula for FY12. However, the effects of the recession on the national, state and our local economy created a state deficit which required the State of Ohio to make nearly \$8 Billion in reductions in the FY12 -13 state biennium budget which translated into funding reductions for nearly every school district in Ohio. This continued reduction in funding adds to uncertainty of where and how much monies we should expect in future years.

In conclusion, the Southeastern Local School District has committed itself to financial excellence for many years. The District's primary goal is to be proactive in dealing with the financial woes of the State and the current economy. The School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Treasurer, Southeastern Local Schools, 226 Clifton Road, South Charleston, OH, 45368. Also see: www.sels.us

Southeastern Local School District
Clark County, Ohio
Statement of Net Assets
June 30, 2012

	Governmental Activities
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$7,052,934
Cash with Fiscal Agents	1,225
Receivables:	
Property and Other Taxes	2,231,151
Income Tax	425,945
Accounts	8,481
Intergovernmental	45,203
Materials and Supplies Inventory	13,182
Prepaid Items	863
Deferred Charges	19,199
Nondepreciable Capital Assets	97,466
Depreciable Capital Assets, net	4,079,506
Total Assets	13,975,155
 <u>Liabilities</u>	
Payables:	
Accounts	17,547
Contracts	86,466
Intergovernmental	307,819
Salaries and Employee Benefits	687,461
Matured Interest	1,225
Unearned Revenue	1,763,483
Noncurrent Liabilities:	
Due Within One Year	215,763
Due in More Than One Year	1,496,955
Total Liabilities	4,576,719
 <u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	2,907,602
Restricted for:	
Capital Improvements	1,004,418
District Managed Activities	112,232
State and Federal Grant Programs	5,805
Other Purposes	1,583
Unrestricted	5,366,796
Total Net Assets	\$9,398,436

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2012

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Changes in Net Assets</u>
		<u>Services</u>	<u>Grants and</u>	<u>Governmental</u>
			<u>Contributions</u>	<u>Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$3,690,562	\$508,323	\$88,266	(\$3,093,973)
Special	1,110,537	6,424	536,693	(567,420)
Vocational	243,857	0	57,076	(186,781)
Student Intervention Services	20,308	0	0	(20,308)
Other	14	0	0	(14)
Support Services:				
Pupils	375,767	0	0	(375,767)
Instructional Staff	291,961	0	1,606	(290,355)
Board of Education	25,454	0	0	(25,454)
Administration	577,549	0	0	(577,549)
Fiscal	284,644	0	0	(284,644)
Operation and Maintenance of Plant	537,705	0	0	(537,705)
Pupil Transportation	408,992	0	0	(408,992)
Central	52,989	11,109	2,455	(39,425)
Operation of Non-Instructional Services	198,092	88,946	97,123	(12,023)
Extracurricular Activities	317,894	99,170	25,778	(192,946)
Interest and Fiscal Charges	77,916	0	0	(77,916)
Total Governmental Activities	\$8,214,241	\$713,972	\$808,997	(\$6,691,272)

General Revenues:	
Property Taxes, Levied for General Purposes	1,917,060
Property Taxes, Levied for Capital Outlay	181,347
Income Taxes, Levied for General Purposes	983,365
Grants and Contributions not Restricted to Specific Programs	3,618,003
Investment Earnings	19,741
Miscellaneous	3,978
Total General Revenues	<u>6,723,494</u>
Changes in Net Assets	32,222
Net Assets-Beginning	<u>9,366,214</u>
Net Assets-Ending	<u>\$9,398,436</u>

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Balance Sheet - Governmental Funds
June 30, 2012

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$5,835,776	\$1,083,963	\$133,195	\$7,052,934
Cash in Segregated Accounts	0	0	1,225	1,225
Receivables:				
Property and Other Taxes	2,039,426	191,725	0	2,231,151
Income Taxes	425,945	0	0	425,945
Accounts	8,481	0	0	8,481
Interfund	180,263	0	0	180,263
Intergovernmental	822	0	44,381	45,203
Prepaid Items	863	0	0	863
Materials and Supplies Inventory	12,583	0	599	13,182
Total Assets	\$8,504,159	\$1,275,688	\$179,400	\$9,959,247
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Payables:				
Accounts	\$1,188	\$0	\$16,359	\$17,547
Contracts	0	86,466	0	86,466
Intergovernmental	287,425	7,923	12,471	307,819
Salaries and Employee Benefits	642,139	0	45,322	687,461
Interfund	0	0	180,263	180,263
Matured Interest	0	0	1,225	1,225
Deferred Revenue	1,797,039	164,863	2,671	1,964,573
Total Liabilities	2,727,791	259,252	258,311	3,245,354
<u>Fund Balances:</u>				
Nonspendable	13,446	0	599	14,045
Restricted	0	1,016,436	117,813	1,134,249
Committed	0	0	1	1
Assigned	882,597	0	0	882,597
Unassigned	4,880,325	0	(197,324)	4,683,001
Total Fund Balances	5,776,368	1,016,436	(78,911)	6,713,893
Total Liabilities and Fund Balances	\$8,504,159	\$1,275,688	\$179,400	\$9,959,247

See accompanying notes to the basic financial statements.

Southeastern Local School District
Clark County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net asset of Governmental Activities
June 30, 2012

Total Governmental Fund Balances	\$6,713,893
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**Amounts reported for governmental activities in
the statement of net assets are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,176,972
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Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	201,090
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Costs associated with the issuance of bonds are deferred and amortized over the life of the bonds on the accrual basis but are reported as expenditures in the year in which the bonds are issued in the funds.	19,199
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,712,718)</u>
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Net Assets of Governmental Activities	<u><u>\$9,398,436</u></u>
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See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$1,936,096	\$182,993	\$0	\$2,119,089
Intergovernmental	3,570,834	100,245	746,982	4,418,061
Charges for Services	0	0	88,946	88,946
Tuition and Fees	513,384	0	0	513,384
Interest	0	19,740	1	19,741
Income Tax	981,708	0	0	981,708
Gifts and Donations	2,455	0	25,798	28,253
Extracurricular Activities	11,109	0	99,170	110,279
Miscellaneous	3,136	0	568	3,704
Total Revenues	7,018,722	302,978	961,465	8,283,165
Expenditures:				
Current:				
Instruction:				
Regular	3,406,639	186,653	94,883	3,688,175
Special	521,839	0	557,968	1,079,807
Vocational	239,590	0	4,000	243,590
Student Intervention Services	20,308	0	0	20,308
Other	14	0	0	14
Support Services:				
Pupils	372,114	0	0	372,114
Instructional Staff	289,770	0	1,596	291,366
Board of Education	25,454	0	0	25,454
Administration	582,695	0	0	582,695
Fiscal	284,280	4,280	0	288,560
Operation and Maintenance of Plant	530,798	0	0	530,798
Pupil Transportation	484,426	0	0	484,426
Central	38,529	0	100	38,629
Operation of Non-Instructional Services	0	14,507	191,848	206,355
Extracurricular Activities	183,844	0	131,757	315,601
Capital Outlay	3,000	86,466	0	89,466
Debt Service:				
Principal Retirement	72,300	111,175	0	183,475
Interest and Fiscal Charges	2,154	76,317	0	78,471
Cost of Debt Issuance	0	20,944	0	20,944
Total Expenditures	7,057,754	500,342	982,152	8,540,248
Excess of Revenues Over (Under) Expenditures	(39,032)	(197,364)	(20,687)	(257,083)
Other Financing Sources:				
Issuance of Energy Conservation Bonds	0	162,236	0	162,236
Issuance of Refunding Bonds	0	269,897	0	269,897
Premium on Bonds Issued	0	37,192	0	37,192
Payments to Refunded Bond Escrow Agent	0	(269,897)	0	(269,897)
Proceeds from Sale of Capital Assets	274	0	0	274
Total Other Financing Sources	274	199,428	0	199,702
Net Change in Fund Balances	(38,758)	2,064	(20,687)	(57,381)
Fund Balances - Beginning	5,815,126	1,014,372	(58,224)	6,771,274
Fund Balances - ending	\$5,776,368	\$1,016,436	(\$78,911)	\$6,713,893

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark 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 Governmental Fund Balances	(\$57,381)
 <i>Amounts reported in governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeds depreciation in the current period.	103,349
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(36,976)
Principal payments on debt obligations and payments to refunded bond escrow agent are reported as expenditures in governmental funds, however these payments reduce long-term liabilities in the statement of net assets.	453,372
Issuance of debt is reported as other financing sources in the governmental funds, however, the debt issued is reported as a component of long-term liabilities on the statement of net assets.	(432,133)
Certain components of debt issued are reported as revenues and expenditures in the governmental funds in the year in which the debt is issued, however on the statement of net assets these items are capitalized and amortized over the life of the debt obligation:	
Bond issuance costs	20,944
Premium on bonds issued	(37,192)
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures/revenues in governmental funds:	
Amortization of deferred bond issuance cost	(1,745)
Amortization of premium on bonds	3,266
Accretion on capital appreciation bonds	(966)
Compensated absences	17,684
	17,684
Change in net assets of governmental activities	\$32,222

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$2,231,188	\$2,284,227	\$2,284,227	\$0
Intergovernmental	3,590,774	3,570,834	3,570,834	0
Tuition and Fees	516,251	513,384	513,384	0
Income Tax	917,532	912,437	912,437	0
Miscellaneous	3,675	2,518	2,518	0
Total Revenues	7,259,420	7,283,400	7,283,400	0
Expenditures:				
Current:				
Instruction:				
Regular	3,707,751	3,499,422	3,442,928	56,494
Special	592,250	564,106	533,578	30,528
Vocational	234,467	244,954	238,793	6,161
Student Intervention Services	16,495	22,890	22,558	332
Support Services:				
Pupils	455,824	399,283	380,172	19,111
Instructional Staff	309,812	301,050	286,383	14,667
Board of Education	23,997	28,539	25,344	3,195
Administration	706,315	603,594	587,224	16,370
Fiscal	433,039	300,204	280,585	19,619
Operation and Maintenance of Plant	666,664	624,816	576,467	48,349
Pupil Transportation	418,470	519,462	473,909	45,553
Central	16,014	19,781	19,498	283
Extracurricular Activities	237,491	194,167	185,982	8,185
Capital Outlay	3,000	3,000	3,000	0
Debt Service:				
Principal Retirement	48,880	51,681	51,378	303
Total Expenditures	7,870,469	7,376,949	7,107,799	269,150
Excess (Deficiency) of Revenues Over (Under) Expenditures	(611,049)	(93,549)	175,601	269,150
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	0	274	274	0
Advances In	155,415	155,415	155,415	0
Advances Out	(204,000)	(204,000)	(180,263)	23,737
Total Other Financing Sources (Uses)	(48,585)	(48,311)	(24,574)	23,737
Net Change in Fund Balance	(659,634)	(141,860)	151,027	292,887
Fund Balances at Beginning of Year	5,361,535	5,361,535	5,361,535	0
Prior Year Encumbrances Appropriated	102,580	102,580	102,580	0
Fund Balance at End of Year	\$4,804,481	\$5,322,255	\$5,615,142	\$292,887

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2012

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$25,057
Prepaid Items	<u>85</u>
Total Assets	<u><u>25,142</u></u>
<u>Liabilities</u>	
Accounts Payable	686
Undistributed Monies	8,357
Due to Students	<u>16,099</u>
Total Liabilities	<u><u>\$25,142</u></u>

See accompanying notes to the basic financial statements

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 1 - Description of the School District and Reporting Entity

Southeastern Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal guidelines. This Board of Education controls the School District's three instructional/support facilities staffed by thirty-three non-certified, fifty-six certificated full-time teaching personnel and four administrative employees who provide services to seven hundred forty-three students and other community members.

Reporting Entity:

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

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

The School District participates in four jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Notes 19 and 20 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Clark County Family and Children First Council (the "Council")
- Springfield/Clark County Technology Center (CTC)
- Miami Valley Educational Computer Association (MVECA)
- Southwestern Ohio Educational Purchasing Council (SOEPC)

Insurance Purchasing Pool:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP)

Note 2 - Summary of Significant Accounting Policies

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

A. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 2 – Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

B. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within sixty days of the end of the fiscal period. Expenditures generally are recorded when a liability is expected to be liquidated with expendable, available resources. However, debt service expenditures, as well as compensated absences, are recorded only when payment is due.

Property taxes, grants and entitlements, tuition, fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Fund Accounting

The School 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. The School District employs the use of two categories of funds: governmental and fiduciary.

Governmental Funds

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

The School District reports the following major governmental funds:

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 2 – Summary of Significant Accounting Policies (Continued)

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *permanent improvement* capital projects fund is used to account for all transaction related to the acquiring, constructing, or improving such permanent improvements as are authorized in ORC Chapter 5705.

Fiduciary Fund

Fiduciary fund reporting focuses on net assets and changes in net assets. The School District maintains two fiduciary funds: agency funds known as the Cafeteria Employee Plan and the Students Activities Fund. The Cafeteria Employee Plan was established to account for activity related to certain employee requested benefits. The Student Activities Fund was established to account for revenues generated by student managed activities. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use the restricted resources first, and then unrestricted resources, as they are needed.

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the fiscal year with the legal restriction that assignment by fund cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds other than the general fund which is at the fund/function level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget 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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

Estimated Resources By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board of Education.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 2 – Summary of Significant Accounting Policies (Continued)

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, eight supplemental appropriations were legally enacted; however, these amendments were not significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the year, including all supplemental appropriations. Formal budgetary integration is employed as a management control device by the Board of Education during the year for all funds, other than agency funds, at the fund level other than the general fund which is at the fund/function level, consistent with statutory provisions.

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are 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 fiscal year-end are reported as a assignment of fund balance for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the statement of net assets and governmental fund balance sheet. The School District also utilizes a financial institution to service bonded debt as principal and interest come due. The balance in this account is presented on the statement of net assets and governmental fund balance sheet as "Cash with Fiscal Agent" and represents deposits.

During fiscal year 2012, the School District did not have any investments.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the permanent improvement capital projects fund during fiscal year 2012 includes \$19,740 assigned from other funds, with other non-major governmental funds reporting \$1.

Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables". These amounts are eliminated in the statement of net assets.

Inventory

Inventories are stated at cost and determined on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 2 – Summary of Significant Accounting Policies (Continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside for budget stabilization. See Note 22 for additional information regarding set-asides.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and vehicles are reported on the government-wide statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold \$1,500. The School District does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also not capitalized.

Depreciation is computed using the straight-line method over the following useful life of three to ten years, with building improvements being depreciated over twenty years and buildings over fifty years. Improvements to fund capital assets are depreciated over the remaining useful lives of the related assets.

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities are reported on the governmental fund financial statements as an obligation when they are incurred. However, compensated absences and long-term debt obligations that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they have matured during the fiscal year and remain unpaid.

Compensated Absences

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

The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after fifteen years of current service with the School District.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 2 – Summary of Significant Accounting Policies (Continued)

For governmental funds, unpaid compensated absences due and payable at the end of the fiscal year are recorded as matured leave payable in the fund financial statements. These amounts are reported in governmental funds only to the extent have matured through employee resignations and retirements. For the fiscal year, the School District reported no fund liability associated with compensated absences. The entire compensated absences liability is reported on the government-wide statement of net assets.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchase funds. Flows of cash or goods from one fund to another without requirement for repayment are reported as interfund transfers. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Exchange/Non-Exchange Transactions

Revenues 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.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenues

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 2 – Summary of Significant Accounting Policies (Continued)

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 category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District’s governing board.

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

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

Estimates

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 2 – Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets represent the difference between assets and liabilities in the statements of net assets. Net assets invested in capital assets are calculated, net of accumulated depreciation and reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At year end, the School District had no net assets restricted by enabling legislation.

Reconciliation of Government-wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds”. The details of this (\$1,712,718) difference are as follows:

Capital Lease Payable	(\$ 24,311)
Compensated Absences	(442,382)
Energy Conservation Bonds Payable	(136,493)
Refunding Bonds Payable	(266,606)
Bonds Payable	(809,000)
Unamortized Bond Premium	(33,926)
Net Adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	(\$1,712,718)

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund”. The details of \$4,176,972 difference are as follows:

Capital Assets	\$ 10,835,476
Accumulated Depreciation	(6,658,504)
Net Adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$ 4,176,972

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

An element of that reconciliation states that “Repayment of long-term obligations is reported as an expenditure in governmental funds, the repayment reduces long-term liabilities in the statement of net assets.” The details of this \$453,372 are as follows:

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 2 – Summary of Significant Accounting Policies (Continued)

Principal Reduction on Lease Obligation	\$ 21,014
Principal Reduction on the Bonds Payable	102,286
Principal Reduction on the Energy Conservation Bonds Payable	26,000
Principal Reduction on the Refunding Bonds Payable	4,000
Principal Reduction on the Energy Conservation Notes Payable	30,175
Defeasance of Energy Conservation Notes Payable	<u>269,897</u>
<i>Net Adjustment – current financial resources focus to reduce fund balance – total government funds to arrive at net assets – governmental activities</i>	<u>\$ 453,372</u>

Another element of that reconciliation states that “capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.” The details of this \$103,349 are as follows:

Current Capital Additions	\$ 448,605
Depreciation Expense	<u>(345,256)</u>
<i>Net Adjustment – capital assets to increase fund balance – total governmental to arrive at net assets – governmental activities</i>	<u>\$ 103,349</u>

NOTE 3 – FUND BALANCES

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

NOTE 3 – FUND BALANCES (Continued)

Fund Balances	General	Permanent Improvement	Nonmajor Governmental Funds	Total
Nonspendable				
Inventory and Prepaids	\$ 13,446	\$ -	\$ 599	\$ 14,045
Restricted				
Capital Improvements	-	1,016,436	-	1,016,436
District Managed Activities	-	-	112,232	112,232
State Educational Grants	-	-	2,430	2,430
Federal Education Grants	-	-	1,569	1,569
Other Purposes	-	-	1,582	1,582
Total Restricted	-	1,016,436	117,813	1,134,249
Committed				
Donated Funds	-	-	1	1
Assigned				
School Programs	16,266	-	-	16,266
Future Obligations	866,331	-	-	866,331
Total Assigned	882,597	-	-	882,597
Unassigned (Deficit)	4,880,325	-	(197,324)	4,683,001
Total Fund Balances	\$ 5,776,368	\$ 1,016,436	\$ (78,911)	\$ 6,713,893

Note 4 - Accountability

At June 30, 2012 the School District reported deficit fund balances in the following non-major governmental funds: food service (\$193,095); State Stabilization (\$2,464); Title I grant (\$1,017); Title II-A (\$149). These deficits resulted from the accrual of various liabilities. The general fund provides operating transfers to cover deficit balances; however, this is done when cash is required, not when accruals occur.

Note 5 - Budgetary Basis of Accounting

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

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 5 - Budgetary Basis of Accounting (Continued)

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$ (38,758)
Revenue Accruals	278,860
Expenditure Accruals	134,500
Encumbrances	(203,576)
Advances	(24,848)
Excess(deficit) of Funds Combined with General Fund for Reporting Purposes	4,849
Budget Basis	\$ 151,027

Note 6 - Deposits and Investments

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 division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 6 - Deposits and Investments (Continued)

6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand At fiscal year-end, the School District had \$425 in undeposited cash on hand which is included in the basic financial statements of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

At fiscal year-end, the carrying value of the School District's cash deposits was \$7,079,216 and the bank balance was \$7,288,925. \$5,250,000 of the School District's deposits was insured by federal depository insurance. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$2,038,925 of the School District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 7 - Property Taxes (Continued)

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

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. In prior years, tangible personal property used in business (except for public utilities) was assessed for ad valorem taxation purposes at 25 percent of its true value. As part of a phase out of the personal property tax, the assessment percentage for personal property was reduced to zero in 2009. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The School District receives property taxes from Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property 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 amount available as an advance at June 30, 2012, was \$309,431 in the general fund and \$26,862 in the permanent improvement capital projects fund.

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

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$92,728,210	94.97%	\$94,102,180	94.86%
Public Utility	4,908,320	5.03%	5,103,910	5.14%
Total Assessed Value	<u>\$97,636,530</u>	<u>100.00%</u>	<u>\$99,206,090</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.83		\$41.47	

Note 8 - Income Tax

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue earned during fiscal year 2012 was \$981,708.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 9 - Receivables

Receivables at June 30, 2012, consisted of property taxes, income tax, accounts (rent and tuition), intergovernmental grants and interfund. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Non-Major Funds:	
Title I	\$20,795
IDEA VI-B	13,314
Totals	\$34,109

Note 10 – Capital Assets

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

	Balance 7/1/2011	Increases	Decreases	Balance 6/30/2012
Governmental Activities:				
<i>Capital Assets, not depreciated</i>				
Land	\$ 11,000	\$ -	\$ -	\$ 11,000
Construction in Progress	-	86,466	-	86,466
Subtotal	11,000	86,466	-	97,466
<i>Capital Assets, being depreciated</i>				
Land Improvements	1,007,670	22,100	-	1,029,770
Buildings and Improvements	7,554,500	112,737	-	7,667,237
Furniture and Equipment	931,421	80,080	-	1,011,501
Vehicles	982,633	147,222	100,353	1,029,502
Total at Historical Cost	10,487,224	448,605	100,353	10,835,476
Less: Accumulated Depreciation	(6,413,601)	(345,256)	(100,353)	(6,658,504)
Capital Assets, Net	\$ 4,073,623	\$ 103,349	\$ -	\$ 4,176,972

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 10 – Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Instruction:	
Regular	\$ 189,959
Special	33,157
Vocational	3,442
Support Services:	
Pupil	3,449
Instructional Staff	425
Administration	4,764
Fiscal	194
Operation and Maintenance of Plant	9,389
Pupil Transportation	72,150
Central	14,884
Non-Instructional Services	4,854
Extracurricular	<u>8,589</u>
Total Depreciation Expense	<u>\$ 345,256</u>

Note 11 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2012, the School District contracted with Arthur J. Gallagher & Co. for property and fleet, general liability, crime, and inland marine insurance.

Insurance coverage provided is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$350,000,000
Boiler and Machinery (\$3,500 deductible)	100,000,000
Automobile Liability (\$0 deductible)	1,000,000
Automobile Physical Damage (\$1,000 deductible)	Actual cash value
Professional Liability (\$5,000 deductible)	
Single Occurrence	1,000,000
Aggregate	1,000,000
General Liability (no deductible)	
Per occurrence	1,000,000
Crime (\$1,000 deductible)	750,000
Pollution Legal Liability (\$25,000 deductible)	1,000,000
Excess Liability	5,000,000

Settlement claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 11 - Risk Management (Continued)

Workers' Compensation

For fiscal year 2012, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control and actuarial services to the GRP.

Note 12 - Defined Benefit Pension Plans

School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability 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, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$200,568, \$182,040 and \$136,369 respectively; equal to the required contributions for each of the years noted.

State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 12 - Defined Benefit Pension Plans (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2011 (the latest information available), plan members were required to contribute 10 percent of their annual covered salaries. The School 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 School District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010, were \$481,692, \$486,108 and \$434,594 respectively; equal to the required contributions for each of the years noted.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, one members of the Board of Education has elected Social Security. The Board's liability is 4.2 percent of wages paid. The remaining members of the board have elected SERS.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 13 - Post-employment Benefits

School Employees Retirement System

The District participates in two cost-sharing multiple employer defined benefit OPEB 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS 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 Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

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, .55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2012, this amount was \$35,800.

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

The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$26,122, \$18,594 and \$21,037, respectively; equal to the required contribution for each of the years noted.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was .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 \$10,745, \$8,238 and \$9,035, respectively; equal to the required contribution for each of the years noted.

State Teachers Retirement System

The District contributes to the cost-sharing multiple employer defined benefit Health 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 writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

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 (latest information available), STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The Districts contributions for Health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$34,407, \$34,722 and \$33,430, respectively; equal to the required contributions for each of the years noted.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 14 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty-two days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 260 days for all certified and non-certified employees. Upon retirement, there are various limits for payment of unused sick leave credit as outlined in the School District's personnel policies.

Health Care Benefits

The School District has elected to provide employee medical/surgical benefits through United HealthCare. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Dental coverage is provided to employees through Delta Dental. Vision coverage is provided to employees through Vision Service Plan.

Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to all employees through Sun Life Insurance.

Note 15 - Capitalized Leases - Lessee Disclosure

In prior years, the School District entered into a capital lease for copiers. This lease met the criteria of a capital lease as defined by Statement of Financial Accounting Standards 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 combined financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. At June 30, 2012 \$100,675 of equipment has been capitalized in the statement of net assets for governmental activities, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was split between long-term liabilities due within a year and long-term liabilities due within more than one year on the statement of net assets for governmental activities. Principal payments made on lease obligations during the year totaled \$21,014.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 15 - Capitalized Leases - Lessee Disclosure (Continued)

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

Fiscal Year Ending June 30,	Governmental Activities
2013	\$ 23,076
2014	1,914
Total minimum lease payments	24,990
Less: amount representing interest	(679)
Present value of minimum lease payments	\$ 24,311

The following is a detailed schedule for the future principal/interest payments for the lease obligation:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 22,406	\$ 670	\$ 23,076
2014	1,905	9	1,914
Total	\$ 24,311	\$ 679	\$ 24,990

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 16 – Changes in Long-Term Liabilities

Changes in long-term obligations of the School District during fiscal year 2012 were as follows:

	Amount			Amount Outstanding 6/30/2012	Due within one year 6/30/2012
	Balance	Additions	Deletions		
	7/1/2011				
Notes Payable:					
HB 264	\$300,072	\$0	\$300,072	\$0	\$0
Bonds Payable:					
Refunding Bonds	\$0	\$250,000	\$4,000	\$246,000	\$50,000
Cap. Appr. Bonds on Refund. Bonds - Principal	\$0	\$19,897	\$0	\$19,897	\$0
Cap. Appr. Bonds on Refund. Bonds - Accreted Interest	\$0	\$709	\$0	\$709	\$0
HB264	\$0	\$155,000	\$26,000	\$129,000	\$25,000
Principal	\$0	\$7,236	\$0	\$7,236	\$0
Accreted Interest	\$0	\$257	\$0	\$257	\$0
Premium on Bonds Payable	\$0	\$37,192	\$3,266	\$33,926	\$0
School Bus	\$51,286	\$0	\$51,286	\$0	\$0
School Construction	\$860,000	\$0	\$51,000	\$809,000	\$52,000
Capital Lease	\$45,325	\$0	\$21,014	\$24,311	\$22,406
Long-Term Obligations	<u>\$ 1,256,683</u>	<u>\$ 470,291</u>	<u>\$ 456,638</u>	<u>\$ 1,270,336</u>	<u>\$ 149,406</u>
Compensted Absences	\$460,066	\$69,010	\$86,694	\$442,382	\$66,357
Total Long-Term Debt	\$1,716,749	\$539,301	\$543,332	\$1,712,718	\$215,763

Energy Conservation Bonds -In 2012, the School District issued \$432,133 in unvoted general obligation bonds for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The bonds were issued for a seven year period with final maturity at June 1, 2018 with a variable rate from 1.00% to 2.55%. The loan will be retired from the permanent improvement fund.

School Bus Bonds Payable – On July 15, 2009, the School District issued \$138,600 in School Bus Bonds, Series 2009 for the purpose of acquiring additional buses for the School District. The bonds were issued for a 36 month period with final maturity at July 15, 2012. The principal payments on the School Bus Bonds are being retired from the general fund and the interest payments from the permanent improvement fund.

Qualified School Construction Bonds Payable – On May 28, 2010, the School District issued \$918,000 in Qualified School Construction Bonds for the purpose of financing construction of school facilities. The bonds were issued for a sixteen year period with final maturity occurring on December 1, 2025. These bonds will be retired from the permanent improvement fund. With the approval of the Ohio School Facilities Commission, the School District is participating in the 2009 Qualified School Construction Bond Program. Through this Program, the School District issues taxable bonds at a higher rate than non-taxable bonds could have been issued it. The School District then receives a reimbursement through the program to offset the interest rate difference. The School District makes debt service payments at a rate of 7.0 percent on the bonds and receives subsequent interest subsidy payments through the Program which results in an effective interest rate of 1.59 percent on the qualifying bonds for the School District.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 16 – Changes in Long-Term Liabilities (Continued)

Compensated absences will be paid from the funds from which the employees' salaries are paid. The capital lease obligation will be paid from the general fund.

Principal and interest requirements to retire the School District's outstanding long-term debt obligations at June 30, 2012, were:

Fiscal Year Ending June 30,	Bonds Payable			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	127,000	59,385	186,385	-	-	-
2014	128,000	54,960	182,960	-	-	-
2015	129,000	50,352	179,352	-	-	-
2016	130,000	45,675	175,675	-	-	-
2017	130,000	40,775	170,775	-	-	-
2018-2022	290,000	138,950	428,950	27,132	47,868	75,000
2023-2026	250,000	35,350	285,350	-	-	-
Total	<u>\$ 1,184,000</u>	<u>\$ 425,447</u>	<u>\$ 1,609,447</u>	<u>\$ 27,132</u>	<u>\$ 47,868</u>	<u>\$ 75,000</u>

The School District's overall legal debt margin was \$8,119,548, the unvoted debt margin was \$99,206 and energy conservation debt margin of \$490,722 at June 30, 2012.

Note 17 - Refunding

On March 1, 2012, the District issued \$250,000 in current interest bonds with an average interest rate of 1.678% and \$19,897 in capital appreciation bonds of which was used to advance refund \$269,897 of outstanding 2003 HB264 Notes Payable with variable interest rates. The net proceeds of \$297,117 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the bond issue.

The District advance refunded their HB264 Notes Payable to reduce its total debt service payments by \$11,062.11 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$3,130.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 18 – Interfund Transactions

Interfund balances at June 30, 2012, consist of the following individual receivables as reported in the governmental fund balance sheet, such amounts are removed from the statement of net assets:

	Interfund	
	Receivable	Payable
General Fund	\$ 180,263	\$ 0
Non-major Funds		
Special Revenue	0	180,263
Total All Funds	\$ 180,263	\$ 180,263

The general fund advances monies to the grant special revenue funds at year end that are in a negative cash position. The advances will be repaid within one year once the special revenue fund receives reimbursement from federal or state agency.

Note 19 - Jointly Governed Organizations

Clark County Family and Children First Council - The Clark County Family and Children First Council (the “Council”) is a voluntary association established with the purpose to coordinate and integrate those services within Clark County which are available for families and to establish a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of families and children.

The Board of Trustees is comprised of representatives of each of the members of the Council, and representatives of those additional entities required to be represented on the Council pursuant to Section 121.37 of the Ohio Revised Code. The school districts in Clark County must appoint a superintendent of one of the schools to represent them on the eighteen member Board. Currently, the superintendent of the Clark County Educational Service Center serves as this representative. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council.

The Southeastern Local School District does not pay any dues since the Clark County Educational Service Center represents the School District. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member’s governing board. The School District made no financial contributions to the Council during fiscal year 2012. To obtain financial information, write to the Clark County Family and Children First Council, Marilyn Demma, who serves as Treasurer, at 6 West High Street, Suite 500, Springfield, Ohio 45502.

Springfield-Clark County Career Technology Center - The Springfield-Clark County Career Technology Center (CTC) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one or two representatives from each of the eight participating school districts’ and educational service center’s elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District. The School District made no financial contributions to the CTC during fiscal year 2012. To obtain financial information, write to the CTC, Pamela Mustovich, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 19 - Jointly Governed Organizations (Continued)

Miami Valley Educational Computer Association - The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark and Greene Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of one representative from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid MVECA \$27,425 for services provided during the year. Financial information can be obtained from Gary Bosserman, Director of MVECA at 330 Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. During fiscal year 2012, the School District made no payments to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Dr., Suite 208, Vandalia, OH 45377.

Note 20 - Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the 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.

Note 21 - Contingencies

Student Attendance Review

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 School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 School District at June 30, 2012, if applicable, cannot be determined at this time.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

Note 22 - Set-Aside Calculations

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

	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2011	(\$0)
Current Year Set-aside Requirement	137,318
Current Year Offsets	<u>(269,368)</u>
Totals	<u>(132,050)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>(0)</u>
Total Restricted Assets as of June 30, 2012	<u>(\$0)</u>

SOUTHEASTERN LOCAL SCHOOL DISTRICT



Single Audit Reports

June 30, 2012

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

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Nutrition Cluster:				
National School Lunch Program	3L60	10.555	\$85,770	\$85,770
Total Nutrition Cluster			<u>85,770</u>	<u>85,770</u>
Total U.S. Department of Agriculture			<u>85,770</u>	<u>85,770</u>
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Special Education Cluster:				
Special Education-Grants to States	3M20	84.027	149,143	149,547
Special Education-Grants to States - ARRA	3DJ0	84.391	42,453	42,453
Total Special Education Cluster			<u>191,596</u>	<u>192,000</u>
Title I Cluster:				
Title I Grants to Local Educational Agencies	3M00	84.010	225,306	217,990
Title I Grants to Local Educational Agencies - ARRA	3DK0	84.389	6,218	6,218
Total Title I Cluster			<u>231,524</u>	<u>224,208</u>
Title II-D Cluster:				
Education Technology State Grants	3S20	84.318	1,600	1,600
Total Education Technology State Grants Cluster			<u>1,600</u>	<u>1,600</u>
Improving Teacher Quality	3Y60	84.367	24,294	24,294
State Fiscal Stabilization Fund (SFSF) Ed St Grant - ARRA	GRF	84.394	0	30,974
Education Jobs Fund	3ET0	84.410	193,307	193,307
Total Department of Education			<u>642,321</u>	<u>666,383</u>
Total Federal Assistance			<u>\$728,091</u>	<u>\$752,153</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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
Southeastern Local School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern 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 27, 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. See Finding 2012-001. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

We noted certain matters that we reported to management of the District in a separate letter dated December 27, 2012.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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 27, 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
Southeastern Local School District

Compliance

We have audited the Southeastern 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 27, 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 27, 2012

**SOUTHEASTERN 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>	Yes	
<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 the 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 States	CFDA# 84.027
		Grants to States - ARRA	CFDA# 84.391
		Education Jobs	CFDA# 84.410
<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

2012–001 Finding Type —Significant Deficiency – Segregation of Duties

A fundamental element of internal control is the separation of duties so that one individual cannot perpetuate and conceal errors and irregularities in the normal course of his/her duties. Strong internal controls require the segregation of responsibilities for authorizing transactions, physical custody of assets and the related record keeping. Efficient segregation of duties is difficult in a small environment such as the Treasurer’s office. The Board should be aware of the risk associated with this lack of segregation of duties and attempt to exercise as much oversight control in these areas as possible.

Recommendation:

If additional staff were hired to work in the Treasurer’s office, that would allow functions and duties to be separated, reducing the risk that errors or fraud could occur.

Management Response:

The District agrees that there is risk involved; however, the cost/benefit of hiring another person in the Treasurer’s office would unnecessarily deplete funds because the current staff takes on the added responsibilities due to the District’s limited resources.

Section III – Federal Award Findings and Questioned Costs

None

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
JUNE 30, 2012**

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

<u>Finding Number</u>	<u>Finding Summary / Explanation</u>	<u>Status</u>	<u>Explanation</u>
2011-001	Segregation of duties - there is not an adequate number of personnel available to properly segregate duties to provide reasonable assurance that no one employee would have access to both physical assets and related accounting records, or to all phases of a transaction.	Not Corrected	The District has not increased the number of staff available to segregate related duties.

SOUTHEASTERN LOCAL SCHOOL DISTRICT



Agreed Upon Procedures Report

June 30, 2012

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Education
Southeastern Local School District

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

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

1. We noted the Board amended its anti-harassment policy on July 19, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 27, 2012



Dave Yost • Auditor of State

SOUTHEASTERN LOCAL SCHOOL DISTRICT

CLARK 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**