



Balestra, Harr & Scherer, CPAs, Inc.

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

www.bhscpas.com

SOUTHEASTERN LOCAL SCHOOL DISTRICT
ROSS COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2014
Fiscal Year Audited Under GAGAS: 2014



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Southeastern Local School District, Ross County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2013 through June 30, 2014. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

November 24, 2014

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**SOUTHEASTERN LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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

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Independent Auditor's Report

Southeastern Local School District
2003 Lancaster Road
Chillicothe, Ohio 45601

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Southeastern Local School District, Ross County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Southeastern Local School District, Ross County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
October 10, 2014

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The discussion and analysis of the Southeastern Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2014 are as follows:

- Net position of governmental activities increased \$103,803.
- General revenues accounted for \$10,357,818 or 79% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, accounted for \$2,707,947 or 21% of total revenues of \$13,065,765.
- The School District had \$12,961,962 in expenses related to governmental activities; only \$2,707,947 of these expenses were offset by program specific charges for services and sales, operating grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

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

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 9. Fund financial statements provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

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

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District's fiduciary funds are an agency fund and a private purpose trust fund. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

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

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013.

Table 1
Net Position

	Governmental Activities	
	2014	2013
Assets		
Current and Other Assets	\$ 12,110,268	\$ 11,283,926
Capital Assets, Net	19,160,306	19,974,328
Total Assets	31,270,574	31,258,254
Liabilities		
Current and Other Liabilities	1,314,782	1,355,281
Long-term Liabilities	4,278,436	4,511,123
Total Liabilities	5,593,218	5,866,404
Deferred Inflows of Resources		
Property Taxes not Levied to Finance Current Year Operations	1,907,401	1,725,698
Net Position		
Net Investment in Capital Assets	15,583,988	16,112,452
Restricted	1,235,799	1,254,062
Unrestricted	6,950,168	6,299,638
Total Net Position	\$ 23,769,955	\$ 23,666,152

Total net position of the School District as a whole increased \$103,803. The increase to current and other assets is due to an increase in cash with the School District at fiscal year end due to higher revenues received than expenses paid, and an increase in taxes receivable. Taxes receivable increased due to a revaluation of values within the County. Capital assets, net decreased due to current year depreciation expense, which was partially offset by current year additions and deletions.

Long-term liabilities decreased primarily due to principal payments on debt obligations.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 shows the changes in net position for the fiscal years ended June 30, 2014 and 2013.

Table 2
Changes in Net Position

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013*</u>
Revenues		
Program Revenues		
Charges for Services and Sales	\$ 1,168,663	\$ 1,216,859
Operating Grants and Contributions	1,539,284	1,558,450
Total Program Revenues	<u>2,707,947</u>	<u>2,775,309</u>
General Revenues		
Property Taxes	2,121,801	1,972,373
Income Taxes	8,189	27,417
Grants and Entitlements Not Restricted to Specific Programs	7,968,694	7,284,476
Investment Earnings	15,151	15,351
Miscellaneous	243,983	250,377
Total General Revenues	<u>10,357,818</u>	<u>9,549,994</u>
Total Revenues	<u>13,065,765</u>	<u>12,325,303</u>
Program Expenses		
Instruction:		
Regular	6,098,840	5,883,832
Special	1,600,035	1,603,127
Other	41,200	119
Support Services:		
Pupils	685,340	544,049
Instructional Staff	113,483	354,399
Administration	608,016	651,569
Fiscal	264,383	232,417
Business	148,238	249,534
Operation and Maintenance of Plant	1,143,790	1,106,608
Pupil Transportation	1,007,615	986,209
Central	125,425	111,783
Operation of Non-Instructional Services	447,836	458,402
Extracurricular Activities	485,405	527,291
Interest and Fiscal Charges	192,356	196,197
Total Expenses	<u>12,961,962</u>	<u>12,905,536</u>
Change in Net Position	103,803	(580,233)
Net Position, Beginning of Year	23,666,152	24,246,385
Net Position, End of Year	<u>\$ 23,769,955</u>	<u>\$ 23,666,152</u>

* Certain amounts were reclassified to conform with current year reporting.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

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

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

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

Table 3
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2014		2013*	
Program Expenses				
Instruction:				
Regular	\$ 6,098,840	\$ 5,557,691	\$ 5,883,832	\$ 5,372,127
Special	1,600,035	552,253	1,603,127	555,239
Other	41,200	15,436	119	119
Support Services:				
Pupils	685,340	550,288	544,049	491,316
Instructional Staff	113,483	100,219	354,399	244,408
Administration	608,016	548,838	651,569	588,445
Fiscal	264,383	207,666	232,417	185,242
Business	148,238	134,176	249,534	223,816
Operation and Maintenance of Plant	1,143,790	1,032,300	1,106,608	998,679
Pupil Transportation	1,007,615	916,731	986,209	898,359
Central	125,425	113,211	111,783	100,948
Operation of Non-Instructional Services	447,836	32,551	458,402	10,447
Extracurricular Activities	485,405	306,490	527,291	271,367
Interest and Fiscal Charges	192,356	186,165	196,197	189,715
Total	\$ 12,961,962	\$ 10,254,015	\$ 12,905,536	\$ 10,130,227

* Certain amounts were reclassified to conform with current year reporting.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$13,149,579 and expenditures and other financing uses of \$12,452,411.

The School District has one major fund: the General Fund. The General Fund had \$11,497,244 in revenues and \$10,801,244 in expenditures and other financing uses. The General Fund's balance increased \$696,000. This increase is due to revenues in excess of expenditures overall and the increase in property taxes and intergovernmental revenues exceeded the increases to instruction expenses.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2014, the School District amended its General Fund budget.

For the General Fund, final estimated revenue was \$11,322,963, which increased from the original estimates of \$10,672,992. The increase is due to increases to intergovernmental and tuition and fees revenue. For the General Fund, final budgeted expenditures were \$11,025,275, which increased from the original estimates of \$10,014,926. Appropriations were amended to reflect an increase necessary for regular instruction pupil support services. The School District's actual budget basis revenues were \$32,745 above final estimates. The School District's actual budget basis expenditures were \$194,303 under the final budget due to conservative budgeting by the School District.

The School District's ending unobligated General Fund budgetary fund balance was \$8,242,593.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, the School District had \$19,160,306 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and library books and textbooks. For additional information on capital assets, see Note 9 to the basic financial statements. Table 4 shows fiscal year 2014 balances compared to 2013.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2014	2013
Land	\$ 705,000	\$ 705,000
Land Improvements	1,500,164	1,650,640
Buildings and Improvements	16,248,868	17,019,275
Furniture and Equipment	295,204	278,389
Vehicles	326,827	218,061
Library Books and Textbooks	84,243	102,963
Totals	\$ 19,160,306	\$ 19,974,328

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The overall decrease in capital assets of \$814,022 is due to current year depreciation expense, which was partially offset by current year additions and deletions.

Debt

At June 30, 2014, the School District had \$3,832,249 in bonds and certificate of participation outstanding with \$282,000 due within one year. Table 5 summarizes the bond and certificate of participation outstanding. The bonds were issued for school construction and the certificate of participation was issued for the addition of a new athletic complex. For additional information on debt, see Note 14 to the basic financial statements.

Table 5
Outstanding Debt at Year End

	<u>2014</u>	<u>2013</u>
2007 General Obligation Refunding Bonds	2,635,249	2,824,302
Certificate of Participation	1,197,000	1,237,000
	<u>\$ 3,832,249</u>	<u>\$ 4,061,302</u>

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Southeastern Local School District
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 9,809,784
Accrued Interest Receivable	4,552
Intergovernmental Receivable	92,718
Taxes Receivable	2,203,214
Noncurrent Assets:	
Nondepreciable Capital Assets	705,000
Depreciable Capital Assets, Net	18,455,306
<i>Total Assets</i>	31,270,574
Liabilities	
Current Liabilities:	
Accounts Payable	35,637
Accrued Wages and Benefits Payable	1,029,852
Intergovernmental Payable	234,753
Accrued Interest Payable	7,000
Matured Compensated Absences Payable	7,540
Noncurrent Liabilities:	
Due Within One Year	342,232
Due in More Than One Year	3,936,204
<i>Total Liabilities</i>	5,593,218
Deferred Inflows of Resources	
Property Taxes not Levied to Finance Current Year Operations	1,907,401
Total Deferred Inflows of Resources	1,907,401
Net Position	
Net Investment in Capital Assets	15,583,988
Restricted for:	
Debt Service	505,652
Capital Outlay	6,232
Classroom Facilities Maintenance	699,337
Other Purposes	24,578
Unrestricted	6,950,168
<i>Total Net Position</i>	\$ 23,769,955

See accompanying notes to the basic financial statements.

Southeastern Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Instruction:				
Regular	\$ 6,098,840	\$ 505,156	\$ 35,993	\$ (5,557,691)
Special	1,600,035	116,473	931,309	(552,253)
Other	41,200	252	25,512	(15,436)
Support Services:				
Pupils	685,340	54,974	80,078	(550,288)
Instructional Staff	113,483	10,607	2,657	(100,219)
Administration	608,016	59,178	-	(548,838)
Fiscal	264,383	20,412	36,305	(207,666)
Business	148,238	13,526	536	(134,176)
Operation and Maintenance of Plant	1,143,790	109,647	1,843	(1,032,300)
Pupil Transportation	1,007,615	90,884	-	(916,731)
Central	125,425	12,214	-	(113,211)
Operation of Non-Instructional Services	447,836	122,111	293,174	(32,551)
Extracurricular Activities	485,405	47,038	131,877	(306,490)
Interest and Fiscal Charges	192,356	6,191	-	(186,165)
<i>Totals</i>	<u>\$ 12,961,962</u>	<u>\$ 1,168,663</u>	<u>\$ 1,539,284</u>	<u>(10,254,015)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				1,804,698
Debt Service				288,395
Classroom Facilities				28,708
Income Taxes				8,189
Grants and Entitlements not Restricted to Specific Programs				7,968,694
Investment Earnings				15,151
Miscellaneous				243,983
<i>Total General Revenues</i>				<u>10,357,818</u>
<i>Change in Net Position</i>				103,803
<i>Net Position Beginning of Year</i>				<u>23,666,152</u>
<i>Net Position End of Year</i>				<u>\$ 23,769,955</u>

See accompanying notes to the basic financial statements.

Southeastern Local School District
Balance Sheet
Governmental Funds
June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 8,592,400	\$ 1,217,384	\$ 9,809,784
Accrued Interest Receivable	4,552	-	4,552
Interfund Receivable	156,945	-	156,945
Receivables:			
Intergovernmental	35,888	56,830	92,718
Taxes	<u>1,888,818</u>	<u>314,396</u>	<u>2,203,214</u>
<i>Total Assets</i>	<u>\$ 10,678,603</u>	<u>\$ 1,588,610</u>	<u>\$ 12,267,213</u>
Liabilities			
Accounts Payable	\$ 34,726	\$ 911	\$ 35,637
Accrued Wages and Benefits Payable	915,233	114,619	1,029,852
Interfund Payable	-	156,945	156,945
Matured Compensated Absences Payable	7,540	-	7,540
Intergovernmental Payable	<u>209,533</u>	<u>25,220</u>	<u>234,753</u>
<i>Total Liabilities</i>	<u>1,167,032</u>	<u>297,695</u>	<u>1,464,727</u>
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	1,634,228	273,173	1,907,401
Unavailable Revenue - Delinquent Taxes	80,372	13,678	94,050
Unavailable Revenue - Interest	3,294	-	3,294
Unavailable Revenue - Grants	<u>-</u>	<u>36,065</u>	<u>36,065</u>
<i>Total Deferred Inflows of Resources</i>	<u>1,717,894</u>	<u>322,916</u>	<u>2,040,810</u>
Fund Balances			
Nonspendable	1,105	-	1,105
Restricted	-	1,222,121	1,222,121
Assigned	121,114	-	121,114
Unassigned	<u>7,671,458</u>	<u>(254,122)</u>	<u>7,417,336</u>
<i>Total Fund Balances</i>	<u>7,793,677</u>	<u>967,999</u>	<u>8,761,676</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 10,678,603</u>	<u>\$ 1,588,610</u>	<u>\$ 12,267,213</u>

See accompanying notes to the basic financial statements.

Southeastern Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2014*

Total Governmental Fund Balances \$ 8,761,676

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 19,160,306

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

Taxes	94,050	
Interest	3,294	
Intergovernmental	36,065	
Total		133,409

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

Accrued Interest Payable	(7,000)	
Compensated Absences	(446,187)	
Certificate of Participation Obligations	(1,197,000)	
Refunding Bonds	(2,220,000)	
Accreted Debt from Refunding Bonds	(255,931)	
Unamortized Premiums on Refunding Bonds	(159,318)	
Total		(4,285,436)

Net Position of Governmental Activities \$23,769,955

See accompanying notes to the basic financial statements.

Southeastern Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$ 1,799,347	\$ 318,805	\$ 2,118,152
Income Taxes	8,189	-	8,189
Intergovernmental	8,581,322	942,781	9,524,103
Interest	15,472	-	15,472
Tuition and Fees	855,721	-	855,721
Rent	36,248	-	36,248
Extracurricular Activities	57,909	28,523	86,432
Customer Sales and Services	68,151	122,111	190,262
Miscellaneous	74,885	169,098	243,983
<i>Total Revenues</i>	<u>11,497,244</u>	<u>1,581,318</u>	<u>13,078,562</u>
Expenditures			
Current:			
Instruction:			
Regular	5,160,294	54,301	5,214,595
Special	1,212,685	405,598	1,618,283
Other	2,592	38,489	41,081
Support Services:			
Pupils	560,902	120,811	681,713
Instructional Staff	116,284	5,400	121,684
Administration	609,011	-	609,011
Fiscal	209,201	54,772	263,973
Business	138,900	8,830	147,730
Operation and Maintenance of Plant	1,123,698	2,782	1,126,480
Pupil Transportation	941,795	-	941,795
Central	125,425	-	125,425
Operation of Non-Instructional Services	-	442,626	442,626
Extracurricular Activities	190,130	198,958	389,088
Capital Outlay	235,734	-	235,734
Debt Service:			
Principal	40,000	230,000	270,000
Interest and Fiscal Charges	63,576	88,600	152,176
<i>Total Expenditures</i>	<u>10,730,227</u>	<u>1,651,167</u>	<u>12,381,394</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>767,017</u>	<u>(69,849)</u>	<u>697,168</u>
Other Financing Sources (Uses)			
Transfers In	-	71,017	71,017
Transfers Out	(71,017)	-	(71,017)
<i>Total Other Financing Sources (Uses)</i>	<u>(71,017)</u>	<u>71,017</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	696,000	1,168	697,168
<i>Fund Balances at Beginning of Year</i>	<u>7,097,677</u>	<u>966,831</u>	<u>8,064,508</u>
<i>Fund Balances at End of Year</i>	<u>\$ 7,793,677</u>	<u>\$ 967,999</u>	<u>\$ 8,761,676</u>

See accompanying notes to the basic financial statements.

Southeastern Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances-Total Governmental Funds	\$	697,168
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the difference between the capital asset additions and the amount of depreciation expense for the current period.

Capital Asset Additions	235,644	
Depreciation	<u>(1,046,306)</u>	
Total		(810,662)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.

Loss on Disposal of Capital Assets		(3,360)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Interest	(321)	
Taxes	3,649	
Intergovernmental	<u>(16,125)</u>	
Total		(12,797)

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

15,558

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

230,000

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

40,000

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

Decrease in Compensated Absences	3,634	
Decrease in Interest Payable	767	
Increase in Accreted Interest	<u>(56,505)</u>	

Total		<u>(52,104)</u>
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Net Change in Net Position of Governmental Activities	\$	<u>103,803</u>
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See accompanying notes to the basic financial statements.

Southeastern Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Total Revenues and Other Financing Sources	\$ 10,672,992	\$ 11,322,963	\$ 11,355,708	\$ 32,745
Total Expenditures and Other Financing Uses	<u>10,014,926</u>	<u>11,025,275</u>	<u>10,830,972</u>	<u>194,303</u>
Net Change in Fund Balance	658,066	297,688	524,736	227,048
Fund Balance at Beginning of Year	7,546,090	7,546,090	7,546,090	-
Prior Year Encumbrances Appropriated	<u>171,767</u>	<u>171,767</u>	<u>171,767</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 8,375,923</u>	<u>\$ 8,015,545</u>	<u>\$ 8,242,593</u>	<u>\$ 227,048</u>

See accompanying notes to the basic financial statements.

Southeastern Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust Fund	Agency Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 68,736	\$ 45,463
Accrued Interest Receivable	84	-
<i>Total Assets</i>	68,820	45,463
Liabilities		
Current Liabilities:		
Undistributed Monies		45,463
<i>Total Liabilities</i>		\$ 45,463
Net Position		
Held in Trust for Scholarships	68,820	
<i>Total Net Position</i>	\$ 68,820	

See accompanying notes to the basic financial statements.

Southeastern Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust Fund
Additions	
Gifts and Contributions	\$ 26,978
Investment Earnings	436
<i>Total Additions</i>	27,414
Deductions	
Payments in Accordance with Trust Agreements	18,700
<i>Total Deductions</i>	18,700
Change in Net Position	8,714
Net Position Beginning of Year	60,106
Net Position End of Year	\$ 68,820

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, 2014

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1938 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 140 square miles. It is located in Ross County and includes the Hamlets of Londonderry, Higby, Harrison and Richmond Dale and portions of Liberty, Jefferson, Harrison, Springfield, Franklin and Scioto Townships. It is staffed by 76 non-certificated employees, and 73 certificated full-time teaching personnel who provide services to 1,230 students and other community members. The School District currently operates a K-12 instructional building.

Reporting Entity:

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

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

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

- Parent Teacher Organization
- Ross-Pike Educational Service District

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

B. Fund Accounting

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

Governmental Funds

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Fund

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

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

Measurement Focus

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

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

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

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

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District did not have any deferred outflows as of June 30, 2014. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School these amounts consist of taxes, interest and intergovernmental receivables which are not collected in the available period. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to monies not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses/Expenditures

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

C. Budgetary Process

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

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

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

D. Cash and Cash Equivalents

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

During fiscal year 2014, the School District's investments were limited to certificate of deposits and the State Treasury Assets Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund amounted to \$15,472.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

E. Capital Assets and Depreciation

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

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

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

F. Interfund Activity

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

G. Compensated Absences

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Accrued Liabilities and Long-Term Obligations

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

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

I. Fund Balance

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

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

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Estimates

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

K. Net Position

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

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

Of the School District's \$1,235,799 in restricted net position, none is restricted by enabling legislation.

L. Interfund Balances

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

NOTE 3 – ACCOUNTABILITY

At June 30, 2014, the Lunchroom, Safe School, Title VI-B, Reducing Class Size, and Title I Special Revenue Funds had deficit fund balances of \$148,256, \$1,755, \$54,804, \$170, and \$49,137, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (continued)

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

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

Net Change in Fund Balance	
	General
GAAP Basis	\$696,000
Adjustments:	
Revenue Accruals	(15,476)
Expenditure Accruals	(36,505)
Perspective Difference:	
Activity of Funds Reclassed for	
GAAP Reporting Purposes	(1,817)
Encumbrances	(117,466)
Budget Basis	\$524,736

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

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

Deposits

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

As of June 30, 2014, the School District's bank balance of \$9,873,013 was either covered by FDIC or collateralized by the financial institution's public entity deposit pools in the manner described above.

Investments

As of June 30, 2014, the School District had the following investments and maturities:

	Fair/Carrying Value	Maturities 6 months or less
STAR Ohio	\$140,715	\$140,715

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

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

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

NOTE 6 – PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The assessed values upon which fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$79,079,190	91.00%	\$88,360,840	89.81%
Public Utility	7,820,450	9.00%	10,030,620	10.19%
Total Assessed Value	\$86,899,640	100.00%	\$98,391,460	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$32.70		 \$32.00	

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 6 – PROPERTY TAXES (continued)

The School District receives property taxes from Ross County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes which became measurable as of June 30, 2014, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to unavailable revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2014, was \$166,029 in the General Fund, \$28,891 in the other governmental funds.

NOTE 7 – INCOME TAX

The School District levied a voted tax of 0.75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2000, for five years. This levy expired on December 31, 2004 and was not renewed. The School District continues to receive delinquent income taxes. Income tax revenue is credited to the General Fund. Income tax revenues received during the year were \$8,189.

NOTE 8 – RECEIVABLES

Receivables at June 30, 2014, consisted of property taxes, interest, intergovernmental grants and interfund amounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

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

Major Fund:	
General	\$35,888
Non-Major Special Revenue Funds:	
Title I	14,692
Rural and Low Income, Title VI-B	6,073
Title VI-B	<u>36,065</u>
Total	<u>\$92,718</u>

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 9 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, was as follows:

	Ending Balance 06/30/13	Additions	Disposals	Ending Balance 06/30/14
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 705,000	\$ -	\$ -	\$ 705,000
Total Capital Assets, Not Being Depreciated	<u>705,000</u>	<u>-</u>	<u>-</u>	<u>705,000</u>
Capital Assets Being Depreciated				
Land Improvements	3,236,327	13,700	-	3,250,027
Buildings and Improvements	24,991,012	-	-	24,991,012
Furniture and Equipment	624,144	52,446	(6,300)	670,290
Vehicles	1,475,587	169,498	-	1,645,085
Library Books and Textbooks	406,010	-	-	406,010
Total Capital Assets, Being Depreciated	<u>30,733,080</u>	<u>235,644</u>	<u>(6,300)</u>	<u>30,962,424</u>
Less Accumulated Depreciation:				
Land Improvements	(1,585,687)	(164,176)	-	(1,749,863)
Buildings and Improvements	(7,971,737)	(770,407)	-	(8,742,144)
Furniture and Equipment	(345,755)	(32,271)	2,940	(375,086)
Vehicles	(1,257,526)	(60,732)	-	(1,318,258)
Library Books and Textbooks	(303,047)	(18,720)	-	(321,767)
Total Accumulated Depreciation	<u>(11,463,752)</u>	<u>(1,046,306)</u>	<u>2,940</u>	<u>(12,507,118)</u>
Total Capital Assets Being Depreciated, Net	<u>19,269,328</u>	<u>(810,662)</u>	<u>(3,360)</u>	<u>18,455,306</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,974,328</u>	<u>\$ (810,662)</u>	<u>\$ (3,360)</u>	<u>\$ 19,160,306</u>

Depreciation expense was charged to government functions as follows:

Regular Instruction	\$853,700
Other Instruction	119
Instructional Staff	556
Administration	313
Business	508
Operation and Maintenance of Plant	15,022
Pupil Transportation	74,326
Operation of Non Instructional Services	5,445
Extracurricular Activities	96,317
	<u>\$1,046,306</u>

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 10 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted with Ohio Casualty Insurance for property and fleet insurance, and inland marine coverage. General liability coverage was provided by the Ohio School Plan. Coverage provided was as follows:

Building and Contents replacement cost (\$2,500 deductible)	\$44,395,570
Inland Marine Coverage (\$500 deductible)	50,000
Automobile Liability (\$500 deductible)	
Bodily Injury - Each person	1,000,000
Bodily Injury - Each accident	1,000,000
General Liability:	
Per occurrence	1,000,000
Total per year	3,000,000

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

For fiscal year 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Compmanagement provides administrative, cost control and actuarial services to the GRP.

The School District is a member of the Ross County Insurance Consortium, a public entity shared risk pool (Note 17), consisting of school districts within the County offering medical and dental insurance to their employees. Monthly premiums are paid to the Ross County Insurance Consortium as fiscal agent, who in turns pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the Council shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the Plan due up to the date of termination plus extended benefits, if any, provided under the Plan. Such claims and expenses shall be paid from the funds of the Council.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. Defined Benefit Pension Plans

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website, at www.ohsers.org, under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Fund. The School District's contributions to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$239,914, \$243,734, and \$198,053, respectively; 78% has been contributed for fiscal year 2014 and 100% for the fiscal years 2013 and 2012. \$51,715 represents the unpaid contribution for fiscal year 2014 and is recorded as a liability with the respective funds.

State Teachers Retirement System

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

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

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members may transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

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

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

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

For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries, for the fiscal years ended June 30, 2013 and 2012, 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. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$560,702, \$560,203, and \$586,991, respectively; 83% has been contributed for the fiscal year 2014 and 100% for the fiscal years 2013 and 2012. \$95,008 represents the unpaid contribution for fiscal year 2014 and is recorded as a liability with the respective funds. Effective July 1, 2014, plan members will be required to contribute 12% of their annual covered salaries.

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

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, one member of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

State Teachers Retirement System

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

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

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013, and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$43,105, \$43,125, and \$45,784, for fiscal years 2014, 2013, and 2012, respectively, which equaled the required allocations for those years.

School Employees Retirement System

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2014, 2013, and 2012, the actuarially required allocations were 0.76 percent, 0.74 percent, and 0.75 percent, respectively. For the School District, contributions for the fiscal years ended June 30, 2014, 2013, and 2012, were \$14,928, \$13,933, and \$13,910, respectively, which equaled the required allocations for those years.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2014, 2013, and 2012, the health care allocations were 0.14 percent, 0.16 percent, and 0.55 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge when added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts contributed to fund health care benefits, including the surcharge, during the 2014, 2013, and 2012 fiscal years equaled \$37,493, \$35,678, and \$40,644, respectively, which equaled the required allocations for those years.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS website at www.ohsers.org under *Employers/Audit Resources*.

NOTE 13 – EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance Benefits

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

C. Deferred Compensation

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 14 – LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during fiscal year 2014 were as follows:

	Amount Outstanding 6/30/13	Additions	Deductions	Amount Outstanding 6/30/14	Due in One Year
2007 General Obligation Refunding Bonds - 3.70%-4.00%	\$ 2,330,000	\$ -	\$ 230,000	\$ 2,100,000	\$ 240,000
Premium	174,876	-	15,558	159,318	-
2007 Capital Appreciation Bonds - 16.99%	120,000	-	-	120,000	-
2007 Capital Appreciation Bonds - Accretion	199,426	56,505	-	255,931	-
Total Long-Term Bonds and Loans	2,824,302	56,505	245,558	2,635,249	240,000
Certificate of Participation Payable	1,237,000	-	40,000	1,197,000	42,000
Compensated Absences	449,821	653,676	657,310	446,187	60,232
Total General Long-Term Obligations	\$ 4,511,123	\$ 710,181	\$ 942,868	\$ 4,278,436	\$ 342,232

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

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

The capital appreciation bonds, issued at \$120,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2016 and 2017. The maturity amount of the capital appreciation bonds is \$520,000. For fiscal year 2014, the capital appreciation bonds accreted \$56,505.

In connection with refunding bonds, the School District has pledged future tax revenues to repay this debt. The refunding bonds are payable through their final maturities solely from tax revenues received from a bond tax levy. The tax revenue available for these refunding bonds for 2014 was \$290,071 and principal and interest paid was \$318,600. The coverage ratio for these refunding bonds was .9104 for the year ended June 30, 2014.

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

Principal payments in fiscal year 2014 totaled \$40,000 for the certificate of participation in the governmental funds.

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

The following table represents the payments required on the certificate of participation for the amount outstanding at June 30, 2014:

Fiscal Year Ending June 30,	
2015	\$ 105,892
2016	105,724
2017	106,338
2018	105,897
2019	105,281
2020-2024	524,344
2025-2029	515,206
2030-2032	310,394
Total	1,879,076
Less: Amount Representing Interest and Admin Fees	(682,076)
Total Principal Outstanding	\$ 1,197,000

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

The School District's overall legal debt margin was \$6,635,231 with an unvoted debt margin of \$98,391 at June 30, 2014.

Principal and interest requirements to retire Classroom Facilities Bonds outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30,	2007 Capital Appreciation Principal*	2007 Serial Bonds Principal	2007 Serial Bonds Interest
2015	\$ -	\$ 240,000	\$ 79,200
2016	255,000	-	74,400
2017	265,000	-	74,400
2018	-	270,000	69,000
2019	-	285,000	57,900
2020-2023	-	1,305,000	107,100
Total	\$ 520,000	\$ 2,100,000	\$ 462,000

*Total principal due per the table on page 40 does not agree to the balance reported in the table above due to accretion.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 15 – INTERFUND ACTIVITY

Advances

Interfund balances at June 30, 2014, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2015 fiscal year:

<u>Interfund Loans</u>	<u>Receivable</u>	<u>Payable</u>
Major Fund:		
General Fund	\$ 156,945	\$ -
Nonmajor Funds		
Lunchroom	-	113,278
Athletic	-	23,142
Miscellaneous State Grants	-	1,755
Title I	-	14,581
Miscellaneous Federal Grants	-	4,189
Total Nonmajor Funds	-	156,945
Total Interfund Receivables/Payables	\$ 156,945	\$ 156,945

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

Transfers

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds. The General fund transferred monies to the Lunchroom Nonmajor Special Revenue Fund in the amount of \$71,017.

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association Council of Governments - The School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG) which is an information technology center. SCOCA COG is a council of governments providing information technology services to 59 public education entities, 60 non-public education entities, and public libraries from 24 Ohio counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA COG consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The School District paid SCOCA COG \$91,667 for services provided during the year. Financial information for SCOCA COG can be obtained from their fiscal office located at Pike County Career Technology Center, P.O. Box 596, 175 Beaver Creek, Piketon, Ohio 45661.

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS (continued)

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

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

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

NOTE 17 – PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOLS

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

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

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 18 – SET-ASIDE CALCULATIONS

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

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

	<u>Capital Maintenance</u>
Set Aside Reserve Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	212,671
Current Year Offsets	(34,129)
Current Year Qualifying Expenditures	<u>(178,542)</u>
Total	<u>\$0</u>
Balance Carried Forward to Fiscal Year 2014	<u>\$0</u>
Set Aside Reserve Balance as of June 30, 2014	<u>\$0</u>

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero in the Capital Acquisition Reserve. The carryover amount in the Capital Acquisition Reserve is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$483,484 at June 30, 2014.

NOTE 19 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 20 – FUND BALANCES

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

Fund Balances	General	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Unclaimed Monies	\$ 1,105	\$ -	\$ 1,105
Restricted for			
Athletics	-	22,786	22,786
Capital Projects	-	6,232	6,232
Classroom Facilities Maintenance	-	698,033	698,033
Debt Services Payments	-	493,278	493,278
Other Federal Programs	-	1,792	1,792
Total Restricted	<u>-</u>	<u>1,222,121</u>	<u>1,222,121</u>
Assigned to			
Other Purposes	<u>121,114</u>	<u>-</u>	<u>121,114</u>
Unassigned (Deficit)	<u>7,671,458</u>	<u>(254,122)</u>	<u>7,417,336</u>
Total Fund Balances	<u>\$7,793,677</u>	<u>\$967,999</u>	<u>\$8,761,676</u>

NOTE 21 – CHANGES IN ACCOUNTING PRINCIPLES

For 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 66, “Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62,” GASB Statement No. 69, “Government Combinations and Disposals of Government Operations,” and GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.”

Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 21 – CHANGES IN ACCOUNTING PRINCIPLES (continued)

Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, and transfers of operations.

Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive non exchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The implementation of GASB Statements No. 66, 69, and 70 had no effect on the financial statements.

Southeastern Local School District
Ross County
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2014

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Child Nutrition Cluster:</i>						
National School Lunch Program	3L60	10.555	\$ 221,491	\$ 23,935	\$ 221,491	\$ 23,935
School Breakfast Program	3L70	10.553	45,219	-	45,219	-
Total Child Nutrition Cluster			266,710	23,935	266,710	23,935
Total United States Department of Agriculture			266,710	23,935	266,710	23,935
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	289,949	-	305,410	-
Total Title I, Part A Cluster			289,949	-	305,410	-
<i>Special Education Cluster (IDEA):</i>						
Special Education - Grants to States	3M20	84.027	224,046	-	234,778	-
Total Special Education Cluster			224,046	-	234,778	-
Rural Education	3Y80	84.358	14,674	-	20,747	-
Improving Teacher Quality State Grants	3Y60	84.367	53,019	-	53,019	-
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, ARRA	3FD0	84.395	700	-	700	-
Total United States Department of Education			582,388	-	614,654	-
Total Federal Financial Assistance			\$ 849,098	\$ 23,935	\$ 881,364	\$ 23,935

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

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION

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

NOTE C – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

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



Balestra, Harr & Scherer, CPAs, Inc.

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

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

Southeastern Local School District
2003 Lancaster Road
Chillicothe, Ohio 45601

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Southeastern Local School District, Ross County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 10, 2014.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.

Piketon, Ohio

October 10, 2014



Balestra, Harr & Scherer, CPAs, Inc.

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

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

Southeastern Local School District
2003 Lancaster Road
Chillicothe, Ohio 45601

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Southeastern Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Southeastern Local School District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Southeastern Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
October 10, 2014

**Southeastern Local School District
Ross County**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster (IDEA): Special Education – Grants to States, CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**Southeastern Local School District
Ross County**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2014**

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

None noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted



Dave Yost • Auditor of State

SOUTHEASTERN LOCAL SCHOOL DISTRICT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 4, 2014**