

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

**BASIC FINANCIAL STATEMENTS**

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013*

**LAURA BRICKNER, TREASURER**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Seneca East Local School District, Seneca County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

December 4, 2013

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Seneca East Local School District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Seneca East Local School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As described in Note 3 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
October 31, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

The discussion and analysis of the Seneca East Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2013 are as follows:

- In total, net position of governmental activities decreased \$475,945, which represents a 2.23% decrease from 2012.
- General revenues accounted for \$8,649,077 in revenue or 79.80% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,188,887, or 20.20%, of total revenues of \$10,837,964.
- The District had \$11,313,909 in expenses related to governmental activities; \$2,188,887 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,649,077 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the debt service fund. The general fund had \$8,753,262 in revenues and other financing sources and \$8,697,958 in expenditures and other financing uses. During fiscal year 2013, the general fund's fund balance increased \$55,304 from a balance of \$627,953 to a balance of \$683,257.
- The District's debt service fund had \$10,584,016 in revenues and other financing sources and \$10,381,480 in expenditures and other financing uses. During fiscal year 2013, the debt service fund's fund balance increased \$202,536 from a balance of \$413,837 to a balance of \$616,373.

**Using these Basic Financial Statements**

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

**Reporting the District as a Whole**

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District perform financially during 2013?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

*Fund Financial Statements*

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

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-20 of this report.

*Proprietary Funds*

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs within the District. The District's internal service fund accounts for a self-funded prescription drug insurance program and a partially self-funded medical insurance program for employees of the District. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-59 of this report.

**The District as a Whole**

The table below provides a summary of the District's net position at June 30, 2013 and June 30, 2012. Balances at June 30, 2012 have been reclassified to present property taxes levied for the next fiscal year as a deferred inflow of resources in accordance with GASB Statement No. 65 rather than as a liability as previously reported. Further, \$523,108 in net position restricted for capital projects at June 30, 2012 has been reclassified to be presented as a component of unrestricted net position to properly present this balance in accordance with GASB Statement No. 54.

The table below provides a summary of the District's net position at June 30, 2013 and June 30, 2012.

	<b>Net Position</b>	
	Governmental Activities 2013	Reclassified Governmental Activities 2012
<b><u>Assets</u></b>		
Current and other assets	\$ 6,261,515	\$ 6,024,866
Capital assets, net	29,352,754	30,156,559
Total assets	<u>35,614,269</u>	<u>36,181,425</u>
<b><u>Deferred Outflows of Resources</u></b>	<u>873,004</u>	<u>-</u>
<b><u>Liabilities</u></b>		
Current liabilities	989,065	984,713
Long-term liabilities	11,861,661	11,100,733
Total liabilities	<u>12,850,726</u>	<u>12,085,446</u>
<b><u>Deferred Inflows of Resources</u></b>	<u>2,737,607</u>	<u>2,721,094</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	19,283,679	19,921,207
Restricted	793,792	780,686
Unrestricted	821,469	672,992
Total net position	<u>\$ 20,898,940</u>	<u>\$ 21,374,885</u>

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

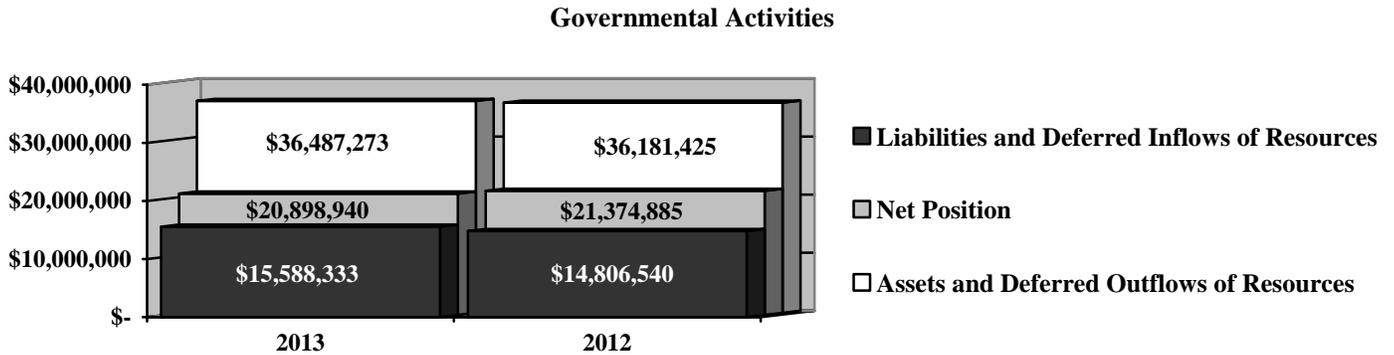
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$20,898,940. Of this total, \$793,792 is restricted in use.

At year-end, capital assets represented 82.42% of total assets. Capital assets include land, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2013 was \$19,283,679. These capital assets are used to provide services to the students and are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$793,792, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$821,469 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below shows the District's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30, 2013 and 2012:



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

The table below shows the change in net position for fiscal years 2013 and 2012.

	<b>Change in Net Position</b>	
	Governmental Activities	Governmental Activities
	<u>2013</u>	<u>2012</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,207,127	\$ 1,201,202
Operating grants and contributions	981,760	917,526
General revenues:		
Property taxes	3,282,672	2,083,207
School district income taxes	1,094,316	1,091,091
Grants and entitlements	4,237,879	4,019,877
Investment earnings	12,172	6,020
Other	22,038	12,640
Total revenues	<u>10,837,964</u>	<u>9,331,563</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	4,926,245	4,651,631
Special	1,301,813	1,207,039
Vocational	215,833	202,145
Support services:		
Pupil	173,546	168,775
Instructional staff	515,333	390,762
Board of education	49,659	46,917
Administration	602,578	603,115
Fiscal	337,521	324,116
Business	21,728	10,468
Operations and maintenance	831,335	1,127,891
Pupil transportation	728,720	556,937
Central	30,185	-
Operations of non-instructional services		
Food service operations	488,519	458,253
Other non-instructional services	35,059	41,136
Extracurricular activities	402,613	432,417
Debt service:		
Interest and fiscal charges	498,699	524,402
Bond issuance costs	154,523	-
Total expenses	<u>11,313,909</u>	<u>10,746,004</u>
Change in net position	(475,945)	(1,414,441)
Net position at beginning of year	<u>21,374,885</u>	<u>22,789,326</u>
Net position at end of year	<u>\$ 20,898,940</u>	<u>\$ 21,374,885</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

**Governmental Activities**

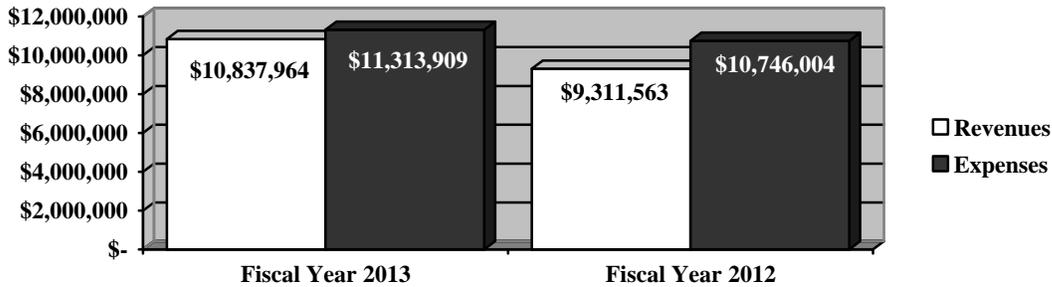
Net position of the District's governmental activities decreased \$475,945. Total governmental expenses of \$11,313,909 were offset by program revenues of \$2,188,887 and general revenues of \$8,649,077. Program revenues supported 19.35% of the total governmental expenses.

The primary sources of revenue for governmental activities in fiscal year 2013 are derived from property taxes, school district income taxes and grants and entitlements. These revenue sources represent 79.49% of total governmental revenue. Property taxes increased during the year resulting from the timing of collections and advances available from Seneca and Huron Counties. Advances available to the District were \$347,431, \$283,108, and \$1,224,177 at June 30, 2013, 2012, and 2011, respectively, and were recognized as revenue in the year in which the District could draw on these property tax collections. Charges for services program revenues increased 0.49% due to higher rental, food service, and extracurricular charges during fiscal year 2013, while operating grants and contributions increased 7.00% from the prior year due to an increase in aid supporting food service operations and higher Title I funding recognized during the year. Meanwhile, investment earnings and miscellaneous revenues increased \$6,152 and \$9,398, respectively.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,443,891 or 56.96% of total governmental expenses for fiscal year 2013.

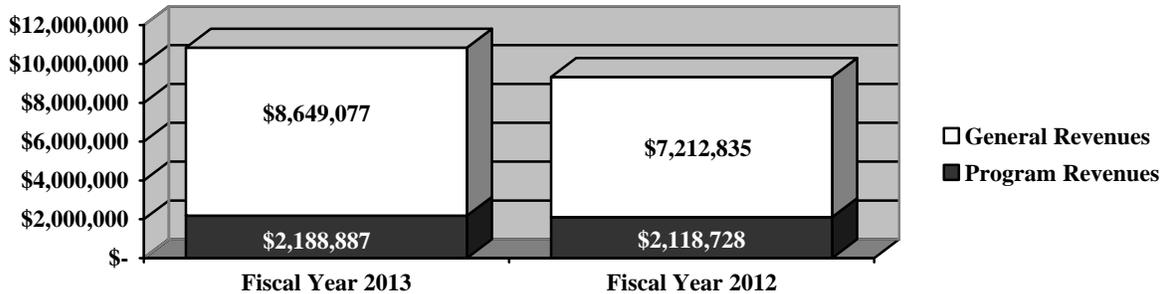
The graph below presents governmental activities revenues and expenses for fiscal year 2013 and 2012.

**Governmental Activities - Revenues and Expenses**



The graph below presents the District's governmental activities revenues for fiscal year 2013 and 2012.

**Governmental Activities - General and Program Revenues**



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

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

**Governmental Activities**

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
<b>Program expenses</b>				
Instruction:				
Regular	\$ 4,926,245	\$ 4,145,737	\$ 4,651,631	\$ 3,835,986
Special	1,301,813	609,889	1,207,039	593,858
Vocational	215,833	162,121	202,145	148,433
Support services:				
Pupil	173,546	173,184	168,775	168,570
Instructional staff	515,333	504,280	390,762	378,292
Board of education	49,659	49,659	46,917	46,917
Administration	602,578	602,010	603,115	603,012
Fiscal	337,521	337,511	324,116	323,098
Business	21,728	21,728	10,468	10,468
Operations and maintenance	831,335	800,623	1,127,891	1,115,318
Pupil transportation	728,720	726,992	556,937	550,918
Central	30,185	30,185	-	-
Operations of non-instructional services				
Food service operations	488,519	38,805	458,253	21,432
Other non-instructional services	35,059	35,059	41,136	41,136
Extracurricular activities	402,613	234,017	432,417	265,436
Debt service:				
Interest and fiscal charges	498,699	498,699	524,402	524,402
Bond issuance costs	154,523	154,523	-	-
Total expenses	<u>\$ 11,313,909</u>	<u>\$ 9,125,022</u>	<u>\$ 10,746,004</u>	<u>\$ 8,627,276</u>

The District's dependence upon taxes and other general revenues for governmental activities is apparent, as 76.32% of instruction activities are supported through such revenues. For all governmental activities, general revenue support is 80.65%. The District's taxpayers and grants and entitlements received from the state of Ohio, are the primary support for District's students.

**The District's Funds**

The District's governmental funds, as presented on the balance sheet on page 15, reported a combined fund balance of \$1,921,366, which is \$59,884 higher than last year's fund balance of \$1,861,482.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

<u>Fund</u>	<u>Fund Balance June 30, 2013</u>	<u>Fund Balance June 30, 2012</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
General	\$ 683,257	\$ 627,953	\$ 55,304	8.81 %
Debt service	616,373	413,837	202,536	48.94 %
Nonmajor governmental	621,736	819,692	(197,956)	(24.15) %
Total	<u>\$ 1,921,366</u>	<u>\$ 1,861,482</u>	<u>\$ 59,884</u>	3.22 %

**General Fund**

The District's general fund revenues were 14.39% higher than in fiscal year 2012, while expenditures increased 1.35%, resulting in an increase in the fund balance of the general fund of \$55,304 during 2013 following proceeds from capital lease agreements initiated during the year and transfers to the nonmajor governmental funds.

The table that follows assists in illustrating the activities of the District's general fund during fiscal year 2013.

	<u>2013 Amount</u>	<u>2012 Amount</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 3,307,477	\$ 2,474,465	\$ 833,012	33.66 %
Tuition	733,565	734,930	(1,365)	(0.19) %
Earnings on investments	11,675	5,061	6,614	130.69 %
Intergovernmental	4,413,703	4,167,660	246,043	5.90 %
Other revenues	<u>101,811</u>	<u>108,173</u>	<u>(6,362)</u>	(5.88) %
Total	<u>\$ 8,568,231</u>	<u>\$ 7,490,289</u>	<u>\$ 1,077,942</u>	14.39 %
<b><u>Expenditures</u></b>				
Instruction	\$ 5,330,852	\$ 5,288,241	\$ 42,611	0.81 %
Support services	2,893,249	3,016,963	(123,714)	(4.10) %
Non-instructional services	4,506	2,859	1,647	57.61 %
Extracurricular activities	219,406	205,000	14,406	7.03 %
Capital outlay	184,991	-	184,991	100.00 %
Debt service	<u>49,954</u>	<u>54,287</u>	<u>(4,333)</u>	(7.98) %
Total	<u>\$ 8,682,958</u>	<u>\$ 8,567,350</u>	<u>\$ 115,608</u>	1.35 %

Total tax revenue of the general fund increased 33.66% from the prior year; this increase resulted from advances of property taxes available from Seneca and Huron Counties of \$245,664, \$199,747, and \$865,194 at June 30, 2013, 2012, and 2011, respectively, which are recognized as revenue in the year in which the District could draw on these advances rather than when cash is received. Earnings on investments increased \$6,614 due to higher interest earned during the year on the District's deposits and nonnegotiable certificates of deposit. Intergovernmental revenues increased 5.90% due to higher entitlements received during the year, including homestead and rollback and the District's allocation of casino revenue, while other revenues decreased 5.88%. Tuition revenue remained consistent with 2012.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

Overall, expenditures increased \$115,608, or 1.35%, from 2012. Support services disbursements decreased 4.10% due to reduced spending for equipment during the year. Extracurricular activities expenses increased 7.03% due to higher salaries and purchased services incurred for athletic and academic-related student activities during the year. Further, the District recognized \$184,991 in capital outlay for a new capital lease resulting from a trade-in of leases during 2013; minimum debt service payments related to the new lease agreement are lower than for the previous lease, causing a \$4,333 reduction in debt service expenditures.

***Debt Service Fund***

The District's debt service fund had \$10,584,016 in revenues and other financing sources and \$10,381,480 in expenditures and other financing uses. Other financing sources and uses and debt service expenditures for bond issuance costs resulted from the issuance of Series 2013 General Obligation Refunding Bonds and partial defeasance of the District's Series 2005 General Obligation Bond issuance. During fiscal year 2013, the debt service fund's fund balance increased \$202,536 from a balance of \$413,837 to a balance of \$616,373.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2013, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$8,359,108 and were increased to \$8,617,031 in the final budget. Actual revenues and other financing sources for fiscal year 2013 were \$8,424,627. This represents a decrease of \$192,404 from final budgeted revenues and other financing sources.

General fund original budgeted expenditures and other financing uses were \$9,139,043, which remained the same throughout the year. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$8,598,999, which were \$540,044 below budgeted appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2013, the District had \$29,352,754 invested in land, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows the balances of the District's capital assets at June 30, 2013 compared to June 30, 2012.

**Capital Assets at June 30, Net of Depreciation**

	Governmental Activities	
	2013	2012
Land	\$ 20,972	\$ 20,972
Building and improvements	27,679,327	28,294,818
Furniture and equipment	1,242,747	1,332,665
Vehicles	409,708	508,104
Total	\$ 29,352,754	\$ 30,156,559

The overall decrease in capital assets of \$803,805 is due to depreciation expense of \$933,273 and disposals with a net book value of \$99,765 exceeding capital asset additions of \$229,233 during fiscal year 2013. See Note 9 to the basic financial statements for more information pertaining to the District's capital assets.

**SENECA EAST LOCAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

***Debt Administration***

At June 30, 2013, the District had \$10,015,861 in general obligation bonds and \$173,883 in capital lease obligations outstanding. Of this total, \$454,317 is due within one year and \$9,735,427 is due in greater than one year.

The following table summarizes the bonds and lease obligations outstanding.

	<b>Outstanding Debt, at Year End</b>	
	Governmental Activities 2013	Governmental Activities 2012
	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 10,015,861	\$ 10,293,517
Capital lease obligations	<u>173,883</u>	<u>144,366</u>
Total	<u>\$ 10,189,744</u>	<u>\$ 10,437,883</u>

During 2013, the District traded in capital leases and refunded a portion of its Series 2005 General Obligation Bonds. See Note 11 to the basic financial statements for additional information regarding these transactions and the District's debt administration.

**Current Financial Related Activities**

As the preceding analysis demonstrates, the District relies heavily upon property taxes, income taxes, and intergovernmental revenue from the State of Ohio to support its operations. These revenue sources represented 26.00%, 12.60%, and 51.51% of total general fund revenues, respectively, during fiscal year 2013. The District ended the year with a budgetary-basis unencumbered balance in the general fund of \$656,162. The District's relies on unrestricted revenues of the general fund for its operations more than in prior years due to reductions in federal funding. The reduction in these revenues has impacted the District's governmental funds and the District's financial condition as a whole.

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET POSITION  
JUNE 30, 2013

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 1,955,765
Cash with fiscal agent . . . . .	427
Receivables:	
Property taxes . . . . .	3,509,912
Income taxes . . . . .	488,578
Accounts . . . . .	3,453
Accrued interest . . . . .	66
Loans . . . . .	88
Intergovernmental . . . . .	240,797
Prepayments . . . . .	39,905
Materials and supplies inventory . . . . .	22,524
Capital assets:	
Nondepreciable capital assets . . . . .	20,972
Depreciable capital assets, net . . . . .	29,331,782
Capital assets, net . . . . .	<u>29,352,754</u>
Total assets . . . . .	<u>35,614,269</u>
 <b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding . . . . .	873,004
Total deferred outflows of resources . . . . .	<u>873,004</u>
 <b>Liabilities:</b>	
Accounts payable . . . . .	58,998
Accrued wages and benefits payable . . . . .	675,086
Pension obligation payable . . . . .	170,578
Intergovernmental payable . . . . .	66,062
Accrued interest payable . . . . .	16,218
Claims payable . . . . .	2,123
Long-term liabilities:	
Due within one year . . . . .	482,099
Due in more than one year . . . . .	11,379,562
Total liabilities . . . . .	<u>12,850,726</u>
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . . . .	2,737,607
Total deferred inflows of resources . . . . .	<u>2,737,607</u>
 <b>Net position:</b>	
Net investment in capital assets . . . . .	19,283,679
Restricted for:	
Classroom facilities maintenance . . . . .	323,568
Debt service . . . . .	444,249
Federally funded programs . . . . .	18,178
Student activities . . . . .	7,797
Unrestricted . . . . .	821,469
Total net position . . . . .	<u>\$ 20,898,940</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 4,926,245	\$ 741,895	\$ 38,613	\$ (4,145,737)	
Special . . . . .	1,301,813	28,163	663,761	(609,889)	
Vocational . . . . .	215,833	-	53,712	(162,121)	
Support services:					
Pupil . . . . .	173,546	-	362	(173,184)	
Instructional staff . . . . .	515,333	-	11,053	(504,280)	
Board of education . . . . .	49,659	-	-	(49,659)	
Administration . . . . .	602,578	-	568	(602,010)	
Fiscal . . . . .	337,521	-	10	(337,511)	
Business . . . . .	21,728	-	-	(21,728)	
Operations and maintenance . . . . .	831,335	30,712	-	(800,623)	
Pupil transportation . . . . .	728,720	-	1,728	(726,992)	
Central . . . . .	30,185	-	-	(30,185)	
Operation of non-instructional services:					
Food service operations . . . . .	488,519	242,916	206,798	(38,805)	
Other non-instructional services . . . . .	35,059	-	-	(35,059)	
Extracurricular activities . . . . .	402,613	163,441	5,155	(234,017)	
Debt service:					
Interest and fiscal charges . . . . .	498,699	-	-	(498,699)	
Bond issuance costs . . . . .	154,523	-	-	(154,523)	
Total governmental activities . . . . .	\$ 11,313,909	\$ 1,207,127	\$ 981,760	(9,125,022)	
 <b>General revenues:</b>					
Property taxes levied for:					
General purposes . . . . .				2,322,480	
Classroom facilities maintenance . . . . .				41,646	
Debt service . . . . .				918,546	
Income taxes levied for:					
General purposes . . . . .				1,094,316	
Grants and entitlements not restricted to specific programs . . . . .				4,237,879	
Investment earnings . . . . .				12,172	
Miscellaneous . . . . .				22,038	
Total general revenues . . . . .				8,649,077	
Change in net position . . . . .				(475,945)	
<b>Net position at beginning of year . . . . .</b>				<b>21,374,885</b>	
<b>Net position at end of year . . . . .</b>				<b>\$ 20,898,940</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 723,483	\$ 519,055	\$ 650,382	\$ 1,892,920
Cash with fiscal agent. . . . .	-	-	427	427
Receivables:				
Property taxes . . . . .	2,482,506	982,370	45,036	3,509,912
Income taxes. . . . .	488,578	-	-	488,578
Accounts . . . . .	3,453	-	-	3,453
Accrued interest. . . . .	66	-	-	66
Interfund loans . . . . .	20,936	-	-	20,936
Loans. . . . .	88	-	-	88
Intergovernmental. . . . .	60,030	-	180,767	240,797
Prepayments . . . . .	39,455	-	450	39,905
Materials and supplies inventory. . . . .	888	-	21,636	22,524
Due from other funds . . . . .	162,458	-	-	162,458
Total assets. . . . .	<u>\$ 3,981,941</u>	<u>\$ 1,501,425</u>	<u>\$ 898,698</u>	<u>\$ 6,382,064</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 47,140	\$ -	\$ 350	\$ 47,490
Accrued wages and benefits payable . . . . .	651,756	-	23,330	675,086
Early retirement incentive payable . . . . .	6,600	-	-	6,600
Interfund loans payable . . . . .	-	-	20,936	20,936
Intergovernmental payable . . . . .	64,739	-	1,323	66,062
Pension obligation payable . . . . .	160,351	-	10,227	170,578
Due to other funds . . . . .	-	-	162,458	162,458
Total liabilities . . . . .	<u>930,586</u>	<u>-</u>	<u>218,624</u>	<u>1,149,210</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	1,936,393	766,076	35,138	2,737,607
Delinquent property tax revenue not available. . . . .	300,449	118,976	5,449	424,874
Intergovernmental revenue not available. . . . .	42,770	-	17,751	60,521
Income tax revenue not available . . . . .	88,486	-	-	88,486
Total deferred inflows of resources. . . . .	<u>2,368,098</u>	<u>885,052</u>	<u>58,338</u>	<u>3,311,488</u>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory . . . . .	888	-	21,636	22,524
Prepayments . . . . .	39,455	-	450	39,905
Restricted:				
Debt service. . . . .	-	616,373	-	616,373
Classroom facilities maintenance. . . . .	-	-	318,119	318,119
Extracurricular activities . . . . .	-	-	7,347	7,347
Other purposes . . . . .	-	-	427	427
Committed:				
Capital improvements . . . . .	-	-	308,970	308,970
Termination benefits . . . . .	140,343	-	-	140,343
Assigned:				
Student instruction . . . . .	8,541	-	-	8,541
Student and staff support. . . . .	16,480	-	-	16,480
Extracurricular activities . . . . .	9,658	-	-	9,658
Subsequent year's appropriations. . . . .	251,885	-	-	251,885
Other purposes . . . . .	47,388	-	-	47,388
Unassigned (deficit) . . . . .	168,619	-	(35,213)	133,406
Total fund balances. . . . .	<u>683,257</u>	<u>616,373</u>	<u>621,736</u>	<u>1,921,366</u>
Total liabilities, deferred inflows of resources, and fund balances . . . . .	<u>\$ 3,981,941</u>	<u>\$ 1,501,425</u>	<u>\$ 898,698</u>	<u>\$ 6,382,064</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2013

<b>Total governmental fund balances</b>		\$	1,921,366
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			29,352,754
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.			
Property taxes receivable	\$	424,874	
Income taxes receivable		88,486	
Intergovernmental receivable		60,521	
Total		60,521	573,881
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities on the statement of net position.			49,214
Unamortized premiums on bonds issued are not recognized in the funds.			(1,027,217)
Unamortized amounts on refundings are not recognized in the funds.			873,004
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(16,218)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(10,015,861)	
Capital lease obligations		(173,883)	
Compensated absences		(638,100)	
Total		(10,827,844)	(10,827,844)
<b>Net position of governmental activities</b>			<b>\$ 20,898,940</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 2,227,974	\$ 881,198	\$ 40,188	\$ 3,149,360
Income taxes . . . . .	1,079,503	-	-	1,079,503
Tuition . . . . .	733,565	-	-	733,565
Earnings on investments . . . . .	11,675	-	1,496	13,171
Charges for services . . . . .	-	-	242,916	242,916
Extracurricular . . . . .	20,068	-	143,373	163,441
Classroom materials and fees . . . . .	36,493	-	-	36,493
Rental income . . . . .	16,988	-	-	16,988
Contributions and donations . . . . .	11,618	-	5,155	16,773
Contract services . . . . .	13,724	-	-	13,724
Other local revenues . . . . .	2,920	-	-	2,920
Intergovernmental - state . . . . .	4,397,859	123,503	45,168	4,566,530
Intergovernmental - federal . . . . .	15,884	-	613,320	629,204
Total revenues . . . . .	<u>8,568,271</u>	<u>1,004,701</u>	<u>1,091,616</u>	<u>10,664,588</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,230,681	-	242,160	4,472,841
Special . . . . .	907,133	-	365,964	1,273,097
Vocational . . . . .	193,038	-	-	193,038
Support services:				
Pupil . . . . .	158,327	-	340	158,667
Instructional staff . . . . .	369,537	-	102,832	472,369
Board of education . . . . .	47,218	-	-	47,218
Administration . . . . .	547,914	-	533	548,447
Fiscal . . . . .	300,124	16,309	745	317,178
Business . . . . .	2,972	-	-	2,972
Operations and maintenance . . . . .	838,992	-	-	838,992
Pupil transportation . . . . .	597,980	-	212	598,192
Central . . . . .	30,185	-	-	30,185
Operation of non-instructional services:				
Food service operations . . . . .	-	-	444,705	444,705
Other non-instructional services . . . . .	4,506	-	-	4,506
Extracurricular activities . . . . .	219,406	-	154,581	373,987
Capital outlay . . . . .	184,991	-	-	184,991
Debt service:				
Principal retirement . . . . .	40,273	350,000	-	390,273
Interest and fiscal charges . . . . .	9,681	435,856	-	445,537
Bond issuance costs . . . . .	-	154,523	-	154,523
Total expenditures . . . . .	<u>8,682,958</u>	<u>956,688</u>	<u>1,312,072</u>	<u>10,951,718</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(114,687)</u>	<u>48,013</u>	<u>(220,456)</u>	<u>(287,130)</u>
<b>Other financing sources (uses):</b>				
Issuance of refunding bonds . . . . .	-	8,549,993	-	8,549,993
Premium on refunding bonds . . . . .	-	1,029,322	-	1,029,322
Payment to refunded bond escrow agent . . . . .	-	(9,424,792)	-	(9,424,792)
Proceeds from capital lease transaction . . . . .	184,991	-	-	184,991
Sale of assets . . . . .	-	-	7,500	7,500
Transfers in . . . . .	-	-	15,000	15,000
Transfers (out) . . . . .	(15,000)	-	-	(15,000)
Total other financing sources (uses) . . . . .	<u>169,991</u>	<u>154,523</u>	<u>22,500</u>	<u>347,014</u>
Net change in fund balances . . . . .	55,304	202,536	(197,956)	59,884
<b>Fund balances at beginning of year . . . . .</b>	<u>627,953</u>	<u>413,837</u>	<u>819,692</u>	<u>1,861,482</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 683,257</u>	<u>\$ 616,373</u>	<u>\$ 621,736</u>	<u>\$ 1,921,366</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Net change in fund balances - total governmental funds** \$ 59,884

*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.

Capital asset additions	\$	229,233	
Current year depreciation		(933,273)	
Total			(704,040)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (99,765)

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

Property taxes		133,312	
Income taxes		14,813	
Intergovernmental		17,751	
Total			165,876

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

Bonds		350,000	
Capital leases		40,273	
Total			390,273

The balance of capital lease obligations traded in during the year is not reported in the governmental funds, but the forgiveness of outstanding balances reduces liabilities on the statement of net position. 115,201

Issuances of bonds and capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.

Bonds		(8,549,993)	
Capital leases		(184,991)	
Total			(8,734,984)

Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:

Bonds refunded		8,550,000	
Deferred charges on refundings		874,792	
Total			9,424,792

(Continued)

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013 - CONTINUED

<p>Premiums on bonds are reported as an other financing source in the governmental funds but are amortized over the term of the issuance in the statement of activities.</p>	\$	(1,029,322)
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:</p>		
Decrease in accrued interest payable	\$ 18,872	
Accreted interest on capital appreciation bonds	(72,351)	
Amortization of bond premiums	2,105	
Amortization of deferred charges	(1,788)	
Total	(53,162)	(53,162)
<p>Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
		(5,947)
<p>An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.</p>		
		(4,751)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>(475,945)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 2,237,106	\$ 2,185,316	\$ 2,182,057	\$ (3,259)
Income taxes. . . . .	1,054,199	1,001,726	1,006,700	4,974
Tuition. . . . .	743,229	734,517	733,565	(952)
Earnings on investments . . . . .	6,522	6,197	4,258	(1,939)
Classroom materials and fees . . . . .	39,195	37,244	36,493	(751)
Rental income . . . . .	3,729	10,859	10,859	-
Contributions and donations . . . . .	186	9,118	9,118	-
Other local revenues . . . . .	8,366	7,951	4,789	(3,162)
Intergovernmental - state . . . . .	4,209,989	4,569,254	4,397,859	(171,395)
Intergovernmental - federal . . . . .	18,148	17,245	15,884	(1,361)
Total revenues. . . . .	<u>8,320,669</u>	<u>8,579,427</u>	<u>8,401,582</u>	<u>(177,845)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,166,378	4,269,389	4,239,184	30,205
Special. . . . .	907,359	891,859	884,684	7,175
Vocational. . . . .	219,955	202,706	198,268	4,438
Support services:				
Pupil. . . . .	149,131	158,631	157,155	1,476
Instructional staff . . . . .	368,184	399,184	373,110	26,074
Board of education. . . . .	48,722	51,222	47,388	3,834
Administration. . . . .	583,864	583,864	569,727	14,137
Fiscal. . . . .	276,869	314,369	304,928	9,441
Business . . . . .	-	3,000	2,972	28
Operations and maintenance . . . . .	1,037,346	961,346	839,856	121,490
Pupil transportation . . . . .	770,281	653,781	625,081	28,700
Central. . . . .	-	22,000	21,402	598
Operation of non-instructional services. . . . .	8,838	4,838	4,506	332
Extracurricular activities. . . . .	186,491	207,229	203,152	4,077
Total expenditures . . . . .	<u>8,723,418</u>	<u>8,723,418</u>	<u>8,471,413</u>	<u>252,005</u>
Excess of expenditures over revenues . . . . .	<u>(402,749)</u>	<u>(143,991)</u>	<u>(69,831)</u>	<u>74,160</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	16,781	15,946	4,586	(11,360)
Transfers (out) . . . . .	(415,625)	(415,625)	(106,561)	309,064
Advances in. . . . .	21,658	21,658	18,459	(3,199)
Advances (out) . . . . .	-	-	(21,025)	(21,025)
Total other financing sources (uses) . . . . .	<u>(377,186)</u>	<u>(378,021)</u>	<u>(104,541)</u>	<u>273,480</u>
Net change in fund balance . . . . .	(779,935)	(522,012)	(174,372)	347,640
<b>Fund balance at beginning of year . . . . .</b>	<b>805,788</b>	<b>805,788</b>	<b>805,788</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>24,746</b>	<b>24,746</b>	<b>24,746</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<u><b>\$ 50,599</b></u>	<u><b>\$ 308,522</b></u>	<u><b>\$ 656,162</b></u>	<u><b>\$ 347,640</b></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2013

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 62,845
Total assets. . . . .	62,845
<b>Liabilities:</b>	
Accounts payable . . . . .	11,508
Claims payable . . . . .	2,123
Total liabilities . . . . .	13,631
<b>Net position:</b>	
Unrestricted . . . . .	49,214
Total net position. . . . .	\$ 49,214

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Operating revenues:</b>	
Charges for services. . . . .	\$ 293,525
<b>Operating expenses:</b>	
Purchased services. . . . .	69,284
Claims. . . . .	49,896
Insurance costs . . . . .	179,096
Total operating expenses. . . . .	<u>298,276</u>
Operating loss/change in net position . . . . .	(4,751)
<b>Net position at beginning of year . . . . .</b>	<u>53,965</u>
<b>Net position at end of year . . . . .</b>	<u><u>\$ 49,214</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 293,525
Cash payments for purchased services. . . . .	(70,094)
Cash payments for claims . . . . .	(52,352)
Cash payments for insurance costs. . . . .	<u>(179,584)</u>
Net cash used in operating activities. . . . .	<u>(8,505)</u>
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<u>71,350</u>
<b>Cash and cash equivalents at end of year. . . . .</b>	<u><u>\$ 62,845</u></u>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (4,751)
Changes in liabilities:	
Decrease in accounts payable. . . . .	(1,298)
Decrease in claims payable . . . . .	<u>(2,456)</u>
Net cash used in operating activities . . . . .	<u><u>\$ (8,505)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . . . .	\$ 197,174	\$ 75,630
Total assets. . . . .	<u>197,174</u>	<u>\$ 75,630</u>
<b>Liabilities:</b>		
Accounts payable . . . . .	-	\$ 394
Due to students . . . . .	-	75,148
Loans payable . . . . .	-	88
Total liabilities . . . . .	<u>-</u>	<u>\$ 75,630</u>
<b>Net position:</b>		
Held in trust for scholarships . . . . .	197,174	
Total net position. . . . .	<u>\$ 197,174</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 381
Gifts and contributions . . . . .	17,845
Total additions . . . . .	18,226
<b>Deductions:</b>	
Scholarships awarded . . . . .	29,526
Change in net position. . . . .	(11,300)
<b>Net position at beginning of year. . . . .</b>	<b>208,474</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 197,174</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District was established in 1971. The District serves an area of approximately 154 square miles and is located in Seneca and Huron Counties. The District is staffed by 70 certified employees and 36 classified employees who provide services to 967 students from preschool through grade 12 and other community members. The District currently operates 2 elementary schools, an elementary/junior high school, a high school, and an administration building.

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

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of thirty-eight public school districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Payments made by the District to NOECA for services during fiscal year 2013 totaled \$20,166. Financial information may be obtained from the North Point Educational Service Center, which serves as fiscal agent, 1210 East Bogart Road, Sandusky, Ohio 44870.

Vanguard-Sentinel Career Center

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

Bay Area Council

The Bay Area Council was established in 1986 to carry out a cooperative program for the purchase of natural gas among boards of education located in Erie, Huron, Ottawa, Sandusky, Seneca, and Wood Counties. The Bay Area Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member boards of education. The Bay Area Council is governed by a Board of Directors. This Board is elected by an Assembly consisting of a representative from each participating school district. Financial information may be obtained from the North Point Educational Service Center, which serves as fiscal agent, 1210 East Bogart Road, Sandusky, Ohio 44870.

Northwestern Ohio Educational Research Council, Incorporated

The Northwestern Ohio Educational Research Council, Inc. is a non-profit organization under the direction of a Board of Directors. The Council was formed to provide conferences and training to personnel of the participating districts. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. To obtain financial information write to the Northwestern Ohio Educational Research Council, Inc., Andrew M. Smith, Treasurer, at 411 E. Market Street, Celina, Ohio 45822.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

North Central Ohio Regional Council of Governments (NCORCOG)

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

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

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

*RELATED ORGANIZATION*

Seneca East Public Library

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

*INSURANCE PURCHASING POOLS*

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

The Association is a public entity risk pool consisting of the North Central Ohio Educational Service Center, four school districts - Old Fort, Bettsville, Seneca East and Mohawk and one city school, Tiffin. The Association was established pursuant to Section 9.833, Ohio Revised Code, in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of its members. The North Central Ohio Educational Service Center serves as fiscal agent of the Association; to obtain financial information by writing to the Treasurer of the North Central Ohio ESC, 928 West Market Street, Suite A, Tiffin, Ohio 44883.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 12.D. for further detail regarding the GRP.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

The following are the District's major governmental funds:

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

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

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

*PROPRIETARY FUND*

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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

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

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

**D. Basis of Accounting**

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from income taxes is recognized in the fiscal year in which the underlying exchange transaction is accrued (See Note 7).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, income taxes, interest, contributions and donations, grants and entitlements, and other local revenues.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows of resources. Income taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, delinquent property taxes due at June 30, 2013, and property taxes levied for the next fiscal year are recorded as deferred inflows of resources on the governmental fund financial statements.

On an accrual basis of accounting, unamortized deferred charges on debt refunding (the difference between the reacquisition price and the carrying amount of the refunded obligation) is reported as a deferred outflow of resources.

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

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds, except agency funds. The specific timetable for fiscal year 2013 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

2. By no later than January 20, the Board-adopted budget is filed with the Seneca County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificates issued for fiscal year 2013.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2013. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**F. Cash and Investments**

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

During fiscal year 2013, investments were limited to nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposits, are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, the replacement fund (a nonmajor governmental fund), the capital projects fund (a nonmajor governmental fund), the classroom facilities maintenance fund (a nonmajor governmental fund), and the private-purpose trust fund. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$11,675, which includes \$6,344 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**G. Inventory**

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

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

**H. Capital Assets**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$1,500. Donated capital assets are recorded at their fair market values as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

Description	Governmental Activities Estimated Lives
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans and cash deficits among the governmental activities are classified as “interfund loans receivable/payable” and “due to/from other funds”, respectively. These amounts are eliminated in the governmental activities column on the statement of net position.

Short-term loans made between the governmental activities and fiduciary funds are reported as “loans receivable/payable”.

**J. Compensated Absences**

In accordance with the provisions of GASB Statement No. 16, “*Accounting for Compensated Absences*”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2013, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave for employees expected to become eligible to retire in the future, all employees with at least 10 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2013 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. The District had no compensated absences payable due from expendable available resources at June 30, 2013.

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

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

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

**L. Fund Balance**

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

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

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

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

**SENECA EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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

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

**M. Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component "net investment in capital assets" consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**N. Prepayments**

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

**O. Estimates**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**P. Interfund Activity**

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

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

**Q. Operating Revenues and Expenses**

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

**R. Bond Issuance Costs, Bond Premiums and Discounts, Accounting Gain or Loss**

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which these items are incurred.

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the statement of net position is presented in Note 11.

For current and advance refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the refunded debt is amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow of resources or a deferred outflow of resources.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 affected the District's financial statements to present certain items that were previously reported as liabilities as deferred inflows of resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2013 included the following individual fund deficit:

<u>Nonmajor governmental fund</u>	<u>Deficit</u>
Food service	\$ 13,577

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

**NOTE 4 - DEPOSITS**

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

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

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

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

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**SENECA EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 4 - DEPOSITS - (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash on Hand**

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

**B. Cash with Fiscal Agent**

At fiscal year-end, the District had \$427 in cash and cash equivalents held by the North Central Ohio Educational Service Center. This amount is included on the balance sheet as "cash with fiscal agent". The North Central Ohio Educational Service Center holds this flow through grant money for the District together with that of other school districts and therefore the District cannot classify this money in accordance with GASB Statement No. 40.

**SENECA EAST LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 4 - DEPOSITS - (Continued)**

**C. Deposits with Financial Institutions**

At June 30, 2013, the carrying amount of all District deposits was \$2,225,799. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2013, \$1,824,602 of the District's bank balance of \$2,324,602 was exposed to custodial risk as discussed below, while \$500,000 was covered by the FDIC.

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

**D. Investments**

The District held no investments at June 30, 2013.

**E. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2013:

<u>Cash and cash equivalents per footnote</u>	
Carrying amount of deposits	\$ 2,225,799
Cash on hand	2,770
Cash with fiscal agent	<u>427</u>
Total	<u>\$ 2,228,996</u>
 <u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 1,956,192
Private-purpose trust fund	197,174
Agency funds	<u>75,630</u>
Total	<u>\$ 2,228,996</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended June 30, 2013, consisted of the following, as reported on the fund financial statements:

Transfers to other governmental funds from:

General fund	\$ <u>15,000</u>
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Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

- B.** Interfund balances at June 30, 2013 as reported on the fund statements include the following interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ <u>20,936</u>

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

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

- C.** Interfund balances at June 30, 2013 as reported on the fund statements include the following amounts due to and due from other funds:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ <u>162,458</u>

The purpose of amounts due to/from other funds is to cover negative cash balances in the nonmajor governmental funds. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

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

- D.** Loans receivable at June 30, 2013 included the following short-term loan made to the District's student managed activities, reported among the District's fiduciary funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Agency funds	\$ <u>88</u>

The balance of the loan will be repaid once the anticipated revenues are received. All loan balances are expected to be repaid within one year.

**SENECA EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Seneca and Huron Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$245,664 in the general fund, \$97,318 in the debt service fund, and \$4,449 in the classroom facilities maintenance fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amount available for advance at June 30, 2012 was \$199,747 in the general fund, \$79,513 in the debt service fund, and \$3,848 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to a deferred inflow of resources.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2013 taxes were collected are as follows:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 109,735,250	94.27	\$ 113,541,740	94.18
Tangible personal property	6,675,200	5.73	7,018,500	5.82
Total	\$ 116,410,450	100.00	\$ 120,560,240	100.00
Tax rate per \$1,000 of assessed valuation	\$38.99		\$38.99	

**NOTE 7 - SCHOOL DISTRICT INCOME TAX**

The voters of the District passed a 1% school district income tax that was renewed in May 2010. This tax is effective for five years and will expire on December 31, 2015. School district income tax revenue credited to the general fund during fiscal year 2013 was \$1,079,503.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2013 consisted of property and income taxes, accounts, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Property taxes	\$ 3,509,912
Income taxes	488,578
Accounts	3,453
Accrued interest	66
Intergovernmental	240,797
Total	\$ 4,242,806

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

**SENECA EAST LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Balance 6/30/12	Additions	Disposals	Balance 6/30/13
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 20,972	\$ -	\$ -	\$ 20,972
Total capital assets, not being depreciated	<u>20,972</u>	<u>-</u>	<u>-</u>	<u>20,972</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	30,774,517	-	-	30,774,517
Furniture and equipment	2,176,708	229,233	(241,365)	2,164,576
Vehicles	1,122,449	-	(46,650)	1,075,799
Total capital assets, being depreciated	<u>34,073,674</u>	<u>229,233</u>	<u>(288,015)</u>	<u>34,014,892</u>
<i>Less: accumulated depreciation</i>				
Buildings and improvements	(2,479,699)	(615,491)	-	(3,095,190)
Furniture and equipment	(844,043)	(219,386)	141,600	(921,829)
Vehicles	(614,345)	(98,396)	46,650	(666,091)
Total accumulated depreciation	<u>(3,938,087)</u>	<u>(933,273)</u>	<u>188,250</u>	<u>(4,683,110)</u>
Governmental activities capital assets, net	<u>\$ 30,156,559</u>	<u>\$ (704,040)</u>	<u>\$ (99,765)</u>	<u>\$ 29,352,754</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 472,519
Special	32,229
Vocational	21,889
<u>Support services:</u>	
Pupil	13,911
Instructional staff	42,390
Board of education	2,441
Administration	57,030
Fiscal	17,114
Business	8,040
Operations and maintenance	34,885
Pupil transportation	128,656
Food service operations	42,990
Other non-instructional services	30,553
Extracurricular	28,626
Total depreciation expense	<u>\$ 933,273</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE**

The District has entered into capitalized leases for copier equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of furniture and equipment have been capitalized in the amount of \$184,991. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2013 was \$18,499, leaving a current book value of \$166,492. A corresponding liability was recorded in the government-wide financial statements. Principal payments for capital leases in the 2013 fiscal year totaled \$40,273 and were paid by the general fund. In addition to the amount of principal retired, the District also traded in a capital lease with a principal balance of \$115,201.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2013:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 41,290
2015	41,290
2016	41,290
2017	41,290
2018	<u>27,526</u>
Total minimum lease payments	192,686
Less: amount representing interest	<u>(18,803)</u>
Total	<u>\$ 173,883</u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2013, the following changes occurred in governmental activities' long-term obligations:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amounts</u>
	<u>6/30/12</u>			<u>6/30/13</u>	<u>Due in</u>
					<u>One Year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 10,293,517	\$ 8,622,344	\$ (8,900,000)	\$ 10,015,861	\$ 420,000
Capital lease obligations	144,366	184,991	(155,474)	173,883	34,317
Retirement incentive	19,800	-	(13,200)	6,600	6,600
Compensated absences	<u>643,050</u>	<u>69,464</u>	<u>(74,414)</u>	<u>638,100</u>	<u>21,182</u>
Total long-term liabilities	<u>\$ 11,100,733</u>	<u>\$ 8,876,799</u>	<u>\$ (9,143,088)</u>	10,834,444	<u>\$ 482,099</u>
Add: Unamortized premium on Series 2013 General Obligation Refunding Bonds				<u>1,027,217</u>	
Total long-term obligations reported on the statement of net position				<u>\$ 11,861,661</u>	

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

Retirement Incentive: During fiscal year 2011, the District offered a retirement incentive to employees who retired and agreed to be rehired for one additional year. Under the retirement incentive, the District agreed to provide assistance in paying health insurance premiums after retirement for a period of eighteen months. Three employees accepted the incentive to be paid in eighteen monthly installments of \$100 (single coverage) or \$500 (family coverage), beginning in July 2012. At June 30, 2013, \$6,600 in retirement incentive obligations are outstanding, the entire amount of which is due within one year.

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

- B. Series 2005 General Obligation Bonds:** On November 1, 2005, the District issued Series 2005 General Obligation Bonds. Proceeds of \$11,845,986 from the issuance were used to finance the District's portion of its Ohio School Facilities Commission project and retired the \$9,000,000 in bond anticipation notes issued on May 3, 2005.

The issue is comprised of both current interest bonds, par value \$11,800,000, and capital appreciation bonds, par value \$45,986. Interest rates on the current interest bonds range from 3.5% to 4.5% with interest payments due on June 1 and December 1 of each year until final maturity at December 1, 2033. A portion of the Series 2005 General Obligation Bonds was refunded during fiscal year 2013 in the amount of \$8,550,000. Principal payments made during 2013 amounted \$350,000 and were paid from the debt service fund; principal remaining to be paid by the District on the current interest portion of Series 2005 General Obligation Bonds is \$1,145,000 at June 30, 2013.

The capital appreciation bonds mature on December 1, 2019, 2020, and 2021 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date at stated approximate yields to maturity of 4.65%, 4.70%, and 4.80%, respectively. The accreted value at maturity for the capital appreciation bonds is \$1,335,000. Total accreted interest of \$274,882 has been included in the statement of activities.

The following is a schedule of activity of the Series 2005 General Obligation Bonds for fiscal year 2013.

	Balance 6/30/12	Additions	Reductions	Balance 6/30/13
Series 2005 General Obligation Bonds:				
Current interest bonds	\$ 10,045,000	\$ -	\$ (8,900,000)	\$ 1,145,000
Capital appreciation bonds	45,986	-	-	45,986
Accreted interest on capital appreciation bonds	202,531	72,351	-	274,882
Total Series 2005 General Obligation Bonds	<u>\$ 10,293,517</u>	<u>\$ 72,351</u>	<u>\$ (8,900,000)</u>	<u>\$ 1,465,868</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

Future debt service requirements for the Series 2005 General Obligation Bonds are as follows:

Fiscal Year Ending June 30,	Series 2005 General Obligation Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 365,000	\$ 40,450	\$ 405,450	\$ -	\$ -	\$ -
2015	380,000	25,075	405,075	-	-	-
2016	400,000	8,500	408,500	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019 - 2021	-	-	-	45,986	1,289,014	1,335,000
Total	<u>\$ 1,145,000</u>	<u>\$ 74,025</u>	<u>\$ 1,219,025</u>	<u>\$ 45,986</u>	<u>\$ 1,289,014</u>	<u>\$ 1,335,000</u>

- C. *Series 2013 General Obligation Refunding Bonds:* On June 18, 2013, the District issued Series 2013 General Obligation Refunding Bonds to advance refund \$8,550,000 of the Series 2005 current interest bonds. Issuance proceeds of \$9,424,792 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased in substance and has been removed from the statement of net position; as of June 30, 2013, the balance of the defeased debt amounted to \$8,550,000.

The refunding issue is comprised of both current interest bonds, par value \$7,975,000, and capital appreciation bonds, par value \$574,993. The interest rates on the current interest bonds range from 1.0% to 3.5% with interest payments due on June 1 and December 1 of each year until final maturity at December 1, 2033. The balance of the current interest refunding bonds at June 30, 2013, is \$7,975,000. The capital appreciation bonds mature on December 1, 2016, 2017, and 2021 at a redemption price equal to 100% of the principal plus accrued interest to the redemption date at stated approximate yields to maturity of 1.35%, 1.55%, and 2.75%, respectively. The accreted value at maturity for the capital appreciation bonds is \$1,565,000. No accreted interest is reported on the statement of net position at June 30, 2013. Principal and interest payments will be made from the debt service fund.

The reacquisition price exceeded the net carrying amount of the refunded debt by \$874,792; this amount is amortized as a deferred outflow of resources over the remaining term of the refunded debt, which is equal to the life of the new debt issued. The advance refunding was undertaken to reduce combined total debt service payments through December 1, 2033 by \$503,179 and resulted in an economic gain of \$381,298.

The following is a schedule of activity of the Series 2013 General Obligation Refunding Bonds for fiscal year 2013:

	Balance 6/30/12	Additions	Reductions	Balance 6/30/13
Series 2013 General Obligation Refunding Bonds:				
Current interest bonds	\$ -	\$ 7,975,000	\$ -	\$ 7,975,000
Capital appreciation bonds	-	574,993	-	574,993
Total Series 2013 General Obligation Refunding Bonds	<u>\$ -</u>	<u>\$ 8,549,993</u>	<u>\$ -</u>	<u>\$ 8,549,993</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

Future debt service requirements for the Series 2013 General Obligation Refunding Bonds are as follows:

Fiscal Year Ending	Series 2013 General Obligation Refunding Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
June 30,						
2014	\$ 55,000	\$ 237,989	\$ 292,989	\$ -	\$ -	\$ -
2015	105,000	248,999	353,999	-	-	-
2016	110,000	247,924	357,924	-	-	-
2017	-	247,373	247,373	262,049	257,951	520,000
2018	-	247,374	247,374	214,875	305,125	520,000
2019 - 2023	750,000	1,216,722	1,966,722	98,069	426,931	525,000
2024 - 2028	2,825,000	978,383	3,803,383	-	-	-
2029 - 2033	3,340,000	468,735	3,808,735	-	-	-
2034	790,000	13,825	803,825	-	-	-
Total	<u>\$ 7,975,000</u>	<u>\$ 3,907,324</u>	<u>\$ 11,882,324</u>	<u>\$574,993</u>	<u>\$ 990,007</u>	<u>\$ 1,565,000</u>

- D. *Legal Debt Margin:* The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$1,725,816 (including available funds of \$616,373) and an unvoted debt margin of \$120,560.

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the District contracted for the following insurance coverage:

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

Buildings and Contents -replacement cost (\$2,500 deductible)	\$28,530,545
Computer Equipment (\$500 deductible) - blanket all locations	443,003
Maintenance Equipment (\$500 deductible)	20,000
Misc. Radio (\$500 deductible)	10,000
Musical Instruments (\$500 deductible)	100,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 12 - RISK MANAGEMENT - (Continued)**

Automobile Liability		\$1,000,000
Uninsured Motorists		100,000
Medical Payments - per person		5,000
General Liability -		
Each Occurrence Limit		1,000,000
Damage to Premises Rented Limit - any one premises		300,000
Medical Expense Limit - any one person		15,000
Personal and Advertising Injury Limit - any one person or organization		1,000,000
General Aggregate Limit		2,000,000
Products/Completed Operations Aggregate Limit		2,000,000
School Leaders Errors and Omissions		
Each Wrongful Act Limit		1,000,000
Aggregate Limit		1,000,000
Aggregate Defense Expense Amount - non-monetary relief		100,000
Deductible - one wrongful act		2,500
Sexual Misconduct and Molestation Liability		
Each Loss Limit		1,000,000
Aggregate Limit		1,000,000
Innocent Party Aggregate Defense Expense Amount		300,000
Employers Stop Gap liability		
Bodily Injury by Accident - each accident limit		1,000,000
Bodily Injury By Disease - policy limit		1,000,000
Bodily Injury By Disease - each employee limit		1,000,000
Aggregate		2,000,000
Coverage provided by Ohio Casualty - The Midwestern Indemnity Company is as follows:		
Umbrella Liability		
Each Occurrence Limit	Any one occurrence or offense	2,000,000
Aggregate Limits	General Aggregate Limit	2,000,000
	Products/Completed Operations	2,000,000
Self Insurance Retention	Any one occurrence	0
Coverages provided by Ohio Mutual Insurance Association		
Farm Buildings and Contents (\$100 deductible)		101,900
Coverage provided by Farmers Mutual		17,500

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

**B. Health, Dental, Vision and Life Insurance**

During fiscal year 2013, the District elected to provide medical benefits to employees through a partially self-insured plan. The District pays a portion of the deductibles for employees. The plan is administered by Anthem Blue Cross Blue Shield.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 12 - RISK MANAGEMENT - (Continued)**

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

**C. Prescription Drug Insurance**

During fiscal year 2012, the District became self-insured for employee prescription drug insurance. PRM Plus, Inc. is the third party administrator of the plan. Claims incurred but not reported within the District's Self-Insurance Internal Service Fund were determined to be \$2,123 as of June 30, 2013. The District has adopted Governmental Accounting Standards Board Statement No. 30 "*Risk Financing Omnibus*" and the claims liabilities and the claims incurred but not reported have been calculated in accordance with the criteria contained therein.

		Beginning Balance		Claims Incurred		Claims Paid		Ending Balance
2013	\$	4,579	\$	49,896	\$	52,352	\$	2,123
2012		-		45,760		41,181		4,579

**D. Workers' Compensation Plan**

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

The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the Plan for fiscal year 2013.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$142,128, \$131,845, and \$115,970, respectively; 70.86 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "*Publications*".

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 13 - 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. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$527,799, \$525,386, and \$479,725, respectively; 82.59 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$9,896 made by the District and \$7,069 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$1,624, \$5,180, and \$11,846, respectively; 70.86 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$7,512, \$7,063, and \$6,296, respectively; 70.86 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$37,700, \$37,527, and \$34,266, respectively; 82.59 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (174,372)
Net adjustment for revenue accruals	118,450
Net adjustment for expenditure accruals	(179,566)
Net adjustment for other sources and uses	182,971
Funds budgeted elsewhere	75,254
Adjustment for encumbrances	32,567
GAAP basis	\$ 55,304

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

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

**NOTE 17 - SET-ASIDES**

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	164,697
Current year qualifying expenditures	(88,253)
Current year offsets	(76,444)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u>\$ -</u>

During fiscal year 2005 the District issued \$11,845,986 in capital related general obligation bonds. These proceeds may be used to reduce the capital acquisition set-aside to zero in future years. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$11,117,080 at June 30, 2013.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 18 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 25,019
Other governmental	<u>137,205</u>
Total	<u>\$ 162,224</u>

**NOTE 19 – SUBSEQUENT EVENT**

On August 1, 2013, Laura Kagy became Superintendent of the District, replacing Michael Wank.

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**SENECA EAST LOCAL SCHOOL DISTRICT**



**Single Audit Reports**

**June 30, 2013**

**SENECA EAST LOCAL SCHOOL DISTRICT**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$22,047	\$0	\$22,047	\$0
National School Lunch Program	3L60	10.555	152,673	35,335	152,673	35,335
Total Nutrition Cluster			<u>174,720</u>	<u>35,335</u>	<u>174,720</u>	<u>35,335</u>
Total U.S. Department of Agriculture			<u>174,720</u>	<u>35,335</u>	<u>174,720</u>	<u>35,335</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	202,738	0	202,738	0
Total Special Education Cluster			<u>202,738</u>	<u>0</u>	<u>202,738</u>	<u>0</u>
Title I Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	0	0	162,458	0
Total Title I Cluster			<u>0</u>	<u>0</u>	<u>162,458</u>	<u>0</u>
Improving Teacher Quality	3Y60	84.367	37,095	0	37,095	0
Race to the Top - ARRA	3FD0	84.395	700	0	700	0
Total Department of Education			<u>240,533</u>	<u>0</u>	<u>402,991</u>	<u>0</u>
Total Federal Assistance			<u>\$415,253</u>	<u>\$35,335</u>	<u>\$577,711</u>	<u>\$35,335</u>

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

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

To the Board of Education  
Seneca East Local School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Seneca East Local School District (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 31, 2013, wherein we noted the District adopted GASB Statement No. 65 as disclosed in Note 3.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the District in a separate letter dated October 31, 2013.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plattensburg & Associates, Inc.*

Plattensburg & Associates, Inc.  
Cincinnati, Ohio  
October 31, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Education  
Seneca East Local School District

**Report on Compliance for Each Major Federal Program**

We have audited the Seneca East Local School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the

auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 31, 2013, which contained unmodified opinions on those financial statements, wherein we noted the District adopted GASB Statement No. 65 as disclosed in Note 3. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
October 31, 2013

**SENECA EAST LOCAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013**

**Section I – Summary of Auditor’s Results**

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

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

None

**Section III – Federal Award Findings and Questioned Costs**

None

**SENECA EAST LOCAL SCHOOL DISTRICT**  
**June 30, 2013**

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

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

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

To the Board of Education  
Seneca East Local School District

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

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

1. We noted the Board amended its anti-harassment policy on May 1, 2013 to include harassment, intimidation or bullying of any student "on a school bus" or by an "electronic act."

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

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

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
October 31, 2013

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# Dave Yost • Auditor of State

**SENECA EAST LOCAL SCHOOL DISTRICT**

**SENECA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 17, 2013**