
Southeastern Local School District
Clark County, Ohio

Basic Financial Statements
June 30, 2010 and 2009
(with Independent Auditors' Report)



Dave Yost • Auditor of State

Board of Education
Southeastern Local School District
195 E. Jamestown Street
South Charleston, Ohio 45368

We have reviewed the *Independent Auditors' Report* of the Southeastern Local School District, Clark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2008 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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Dave Yost
Auditor of State

January 12, 2011

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INDEPENDENT AUDITORS' REPORT

Board of Education
Southeastern Local School District
195 E. Jamestown Street
South Charleston, Ohio 45368

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern Local School District (the District) as of and for the years ended June 30, 2010 and 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2010 and 2009, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis sections on pages 3 through 11 and 45 through 53 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards for the year ended June 30, 2010, 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Clark, Schaefer, Hachett & Co." The signature is written in black ink on a light-colored background.

Springfield, Ohio
December 10, 2010

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

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

Financial Highlights

Key financial highlights for 2010 are as follows:

- Assets exceeded liabilities at the close of the most recent fiscal year by \$9.05 million. Of this amount, \$4.90 million is unrestricted for the School District's discretionary use.
- General revenues accounted for \$7.07 million in revenue or 82.93 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$1.46 million or 17.07 percent of total revenues of \$8.53 million.
- The School District had \$8.16 million in expenses related to governmental activities; only \$1.46 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$7.07 million were adequate to provide for these programs.
- Among major funds, the general fund had \$7.16 million in revenues and \$6.84 million in expenditures. The permanent improvement fund had \$0.31 million in revenues and \$1.32 million in expenditures.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting after the fiduciary fund statement of this report.

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net assets for 2009 to 2010.

Table 1
Net Assets

	<u>2009</u>	<u>2010</u>	<u>Change</u>
Assets			
Current Assets	\$ 8,843,199	\$ 9,480,537	\$ 637,338
Capital Assets (Net of Depreciation)	<u>3,109,008</u>	<u>4,059,886</u>	<u>950,878</u>
Total Assets	<u>11,952,207</u>	<u>13,540,423</u>	<u>1,588,216</u>
Liabilities			
Current Liabilities	2,391,273	2,679,780	288,507
Long-Term Liabilities	<u>883,154</u>	<u>1,809,145</u>	<u>925,991</u>
Total Liabilities	<u>3,274,427</u>	<u>4,488,925</u>	<u>1,214,498</u>

Significant increases for the year include the \$1.24 million capital asset additions of buildings and equipments which was offset by bonds issued to finance those additions. The increase in cash balance on hand at June 30, 2010 compared with one year prior account for the majority of the increase in current assets.

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

Table 1
Net Assets (continued)

	<u>2009</u>	<u>2010</u>	<u>Change</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,657,650	2,645,403	(12,247)
Restricted for:			
Grants	53,564	149,147	95,583
State Mandates	149,644	184,454	34,810
Capital Improvements	1,262,615	1,174,985	(87,630)
Unrestricted	<u>4,554,307</u>	<u>4,897,509</u>	<u>343,202</u>
Total Net Assets	<u>\$ 8,677,780</u>	<u>\$ 9,051,498</u>	<u>\$ 373,718</u>

Table 2 provides a comparison of the revenue for fiscal years 2009 and 2010.

Table 2
Revenues

	<u>2009</u>	<u>2010</u>	<u>Change</u>
Revenues			
<i>Program Revenues</i>			
Charges for Services	\$ 630,344	\$ 622,053	\$ (8,291)
Operating Grants	414,770	834,497	419,727
Capital Grants	6,621	-	(6,621)
<i>General Revenues</i>			
Property Taxes	2,525,015	2,384,282	(140,733)
Income Taxes	1,002,137	875,047	(127,090)
Unrestricted Grants	3,842,399	3,754,626	(87,773)
Investment Earnings	97,994	53,146	(44,848)
Other	<u>47,171</u>	<u>7,672</u>	<u>(39,499)</u>
Total Revenues	<u>\$ 8,566,451</u>	<u>\$ 8,531,323</u>	<u>\$ (35,128)</u>

Decreases noted in the general revenue accounts were due to the economic conditions in the local area as well as the State of Ohio which reduced local taxes and state foundation revenues. The increase noted in the operating grants program revenue is attributed to receipt of several additional grant programs funded through the America Recovery and Reinvestment Act (ARRA) which were not received in the prior year.

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

Table 3 compares total functional expenses from 2009 to 2010.

Table 3
Functional Expenses

Expenses	<u>2009</u>	<u>2010</u>	<u>Change</u>
Instruction:			
Regular	\$ 3,437,057	\$ 3,633,631	\$ 196,574
Special	988,472	997,699	9,227
Other	217,072	234,737	17,665
Support Services:			
Pupils/Staff	648,039	669,687	21,648
Administration/Fiscal	932,912	928,262	(4,650)
Maintenance	531,245	556,996	25,751
Transportation	374,120	482,526	108,406
Other	37,974	86,286	48,312
Food Service/Latchkey	212,970	212,460	(510)
Extracurricular Activities	316,687	329,245	12,558
Interest and Fiscal Charges	26,824	26,076	(748)
Total Expenses	<u>7,723,372</u>	<u>8,157,605</u>	<u>434,233</u>
Net Change	843,079	373,718	(469,361)
Beginning Net Assets	<u>7,834,701</u>	<u>8,677,780</u>	<u>843,079</u>
Ending Net Assets	<u>\$ 8,677,780</u>	<u>\$ 9,051,498</u>	<u>\$ 373,718</u>

Overall, expenses increased by 5.62% from those reported from the prior year due to inflationary increases in wages and benefits for employees as well as some one-time costs incurred in the transportation and central support services functional area.

The Major Funds

The School District's major funds are accounted for using the modified accrual basis of accounting, focusing on the near-term financial resources of the District. The major funds are the general fund and the permanent improvement fund. Both accounted for 87.66% of the \$8.53 million in total revenue and 88.29% of the \$9.24 million in total expenditures. The general fund and permanent improvement fund received a majority of their revenues from local taxes (property and income) and intergovernmental revenues. Revenues exceeded expenditures in the general fund creating a year end fund balance of \$5.40 million. Significant facility construction and capital asset acquisition resulted in the permanent improvement fund ending the year with a fund balance of \$1.2 million; a decrease of \$89,622 from the prior year.

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

The general fund recognized \$0.82 million in current liabilities for fiscal year 2010. Accrued salaries and benefits accounted for 75.60% of those liabilities. Taxes receivable accounted for 95.38% of the \$2.44 million receivables in the general fund. However, a portion of the taxes receivable is offset by deferred revenue because those taxes are not intended to finance the 2010 fiscal year.

General Fund Budgetary

Table 4 depicts the change from the final budget to the actual revenue for the fiscal year ended June 30, 2010.

Table 4
Original and Final Budget versus Actual General Fund Revenues

Revenues	Original Budget	Final Budget	Actual
Property Taxes	\$ 2,102,505	\$ 2,046,722	\$ 2,046,722
Intergovernmental	3,670,570	3,704,444	3,704,444
Tuition and Fees	405,840	409,585	409,585
Income Taxes	842,494	880,919	880,919
Other	5,253	5,303	5,303
Total Revenues	<u>\$ 7,026,662</u>	<u>\$ 7,046,973</u>	<u>\$ 7,046,973</u>

The original revenue estimates come from the Tax Budget completed in January 2009. The County Auditor completes the tax estimates. The property tax actual amounts are lower due to tax advances not budgeted related to 2009 and 2010. The District was able to more accurately predict revenue throughout the fiscal year from more consistency in the revenue sources.

Table 5 depicts the change from the original to the final general fund expenditure budgets for the fiscal year ended June 30, 2010.

Table 5
Original Budget versus Actual General Fund Expenditures

Expenditures	Original Budget	Actual
Instructional	\$ 4,487,475	\$ 3,993,652
Support Services	3,007,517	2,658,250
Other	53,250	44,121
Total Expenditures	<u>\$ 7,548,242</u>	<u>\$ 6,696,023</u>

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

The original budget comes for the Tax Budget filed in January of 2009. Traditionally the tax budget expenditures include all possible needs for the future year. A line in the budget is included for contingencies in the original budget. Although this money is not spent, it still shows in the original budget. The variance from the original and final budget is created due to the assumption that the Federal and State Grants are not available until monies are received. Southeastern is continually striving to hold expenditures down to ensure that the burden on the tax payers is held to a minimum, thus cutting planned expenditures where acceptable. The District's final expenditures are \$326,967 less than final budgeted amounts due in part to federal grants paying a portion of salaries and benefits, no severances paid out for retirement and managements efforts to control operating costs of the District.

Capital Assets

At the end of the year, the School District had \$4,059,886 invested in land, construction in progress, land improvements, buildings and improvements, equipment, and vehicles less accumulated depreciation. Table 6 shows the breakdown of the individual classes for capital assets (see note 9 for more detailed information):

Table 6
Capital Assets

Class	2009	2010	Percentage Change
Land	\$ 11,000	\$ 11,000	0.00%
Construction in Progress	-	151,951	100.00%
Land Improvements	1,007,670	1,007,670	0.00%
Buildings and Improvements	6,286,346	7,117,783	13.23%
Furniture and Equipment	860,673	897,661	4.30%
Vehicles	<u>766,367</u>	<u>982,633</u>	<u>28.22%</u>
Sub-Total	8,932,056	10,168,698	13.84%
Accumulated Depreciation	<u>(5,823,048)</u>	<u>(6,108,812)</u>	<u>4.91%</u>
Net Capital Assets	<u>\$ 3,109,008</u>	<u>\$ 4,059,886</u>	<u>30.58%</u>

Debt Administration

A long-term note was issued in September, 2003 for \$524,197 to update mechanical/energy conservation of both buildings. The final principal and interest payment for the HB264 note is August 15, 2018, all payments coming from the debt service fund. During the year, the District made \$31,908 of principal payments associated with this note issue.

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

During fiscal year 2010, the District issued \$1.06 million of bonds to finance the construction of school facilities as well as the acquisition of two new school buses. The bus bond was issued for \$138,600 and will be repaid over 36 months. The District paid \$41,121 of principal payments during the year on the bus bond. The \$918,000 construction bond was issued to finance the construction of a facility as well as other land improvements and will be repaid over a sixteen year period with the first payment due in fiscal year 2011. The construction bond is eligible to participate in the 2009 Qualified School Construction Bond Program in which the District issued taxable bonds at a higher rate and will subsequently receive an interest subsidy reimbursement through the Program which makes the effective interest rate on the construction bond being 1.59%.

In the prior year, the District entered into a capital lease to acquire copying equipment used throughout the District. During fiscal year 2010, the District made principal payments of \$20,446 on the capital lease which resulted in an ending obligation of \$65,308 with \$18,276 due during the next fiscal year.

For further information on the School District's debt and lease obligations, refer to notes 14 and 15 of the financial statements.

For the Future

At this time, the Southeastern Local School District is financially stable. The District is proud of its community support of the public schools. However, as the State budget consistently decreases, the necessity for community support needs to increase.

The District will need to receive additional local monies in some fashion in 2011 or 2012 so that it can stay out of the impending deficit while maintaining our consistently increasing test scores and academic excellence. The District valuation consists mostly of a residential tax base, thus shifting more of the financial responsibility to our taxpayers.

A budget bill from the State of Ohio (HB66) includes the gradual elimination of most personal property taxes. Under current legislation, the school district should receive a slight increase in revenue from the state to nearly equal the loss in the local revenue from the elimination of the personal property taxes. Overall, the state is currently projecting funding decreases for the education budget. With the State facing possible major deficits, there is legislative discussion of either revenue additions and/or expenditure cuts. The School District is currently receiving American Recovery and Reinvestment Act (ARRA) monies from Federal funds which is expected to be eliminated in the next biennium budget. It is extremely possible that there may be some large cuts that will affect the education budget in the future.

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

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward School Districts with little property tax wealth. The legislators and government officials have rolled out a new "PASS" funding formula for FY10 & FY11. However, it has been widely accepted that the next bi-annual budget adopted by the State of Ohio in the summer of 2011, is likely to contain significant funding cuts for education as the State attempts to account for a multi-billion dollar deficit it is facing.

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

Contacting the School District's Financial Management

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

Southeastern Local School District
Clark County, Ohio
Statement of Net Assets
June 30, 2010

	Governmental Activities
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$6,724,060
Cash with Fiscal Agents	1,225
Receivables:	
Property and Other Taxes	2,157,709
Income Tax	360,259
Accounts	5,771
Intergovernmental	26,036
Materials and Supplies Inventory	20,091
Prepaid Items	932
Restricted Cash and Cash Equivalents	184,454
Nondepreciable Capital Assets	162,951
Depreciable Capital Assets, net	3,896,935
Total Assets	13,540,423
 <u>Liabilities</u>	
Payables:	
Accounts	174,785
Intergovernmental	211,296
Salaries and Employee Benefits	655,587
Matured Interest	1,225
Unearned Revenue	1,636,887
Noncurrent Liabilities:	
Due Within One Year	215,183
Due in More Than One Year	1,593,962
Total Liabilities	4,488,925
 <u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	2,645,403
Restricted for:	
Grants	149,147
State Mandates	184,454
Capital Improvements	1,174,985
Unrestricted	4,897,509
Total Net Assets	\$9,051,498

See accompanying notes to the basic financial statements

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

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Changes in Net Assets</u>
		<u>Services</u>	<u>Grants and</u>	<u>Governmental</u>
			<u>Contributions</u>	<u>Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$3,633,631	\$411,031	\$254,652	(\$2,967,948)
Special	997,699	0	470,632	(527,067)
Vocational	215,154	0	0	(215,154)
Student Intervention Services	19,583	0	0	(19,583)
Support Services:				
Pupils	367,200	0	0	(367,200)
Instructional Staff	302,487	0	0	(302,487)
Board of Education	46,015	0	0	(46,015)
Administration	590,780	0	2,500	(588,280)
Fiscal	291,467	0	0	(291,467)
Operation and Maintenance of Plant	556,996	0	0	(556,996)
Pupil Transportation	482,526	0	0	(482,526)
Central	86,286	9,804	6,328	(70,154)
Operation of Non-Instructional Services	212,460	87,629	85,146	(39,685)
Extracurricular Activities	329,245	113,589	15,239	(200,417)
Interest and Fiscal Charges	26,076	0	0	(26,076)
Total Governmental Activities	<u>\$8,157,605</u>	<u>\$622,053</u>	<u>\$834,497</u>	<u>(\$6,701,055)</u>

General Revenues:	
Property Taxes, Levied for General Purposes	2,175,942
Property Taxes, Levied for Capital Outlay	208,340
Income Taxes	875,047
Grants and Contributions not Restricted to Specific Programs	3,754,626
Unrestricted Investment Earnings	53,146
Miscellaneous	7,672
Total General Revenues	<u>7,074,773</u>
Changes in Net Assets	373,718
Net Assets-Beginning	<u>8,677,780</u>
Net Assets-Ending	<u>\$9,051,498</u>

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Balance Sheet - Governmental Funds
June 30, 2010

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$5,266,866	\$1,316,986	\$140,208	\$6,724,060
Cash in Segregated Accounts	0	0	1,225	1,225
Receivables:				
Property and Other Taxes	1,970,357	187,352	0	2,157,709
Income Taxes	360,259	0	0	360,259
Accounts	5,771	0	0	5,771
Interfund	107,194	0	0	107,194
Intergovernmental	0	0	26,036	26,036
Prepaid Items	837	0	95	932
Materials and Supplies Inventory	18,230	0	1,861	20,091
Restricted Assets:				
Cash and Cash Equivalents	184,454	0	0	184,454
Total Assets	\$7,913,968	\$1,504,338	\$169,425	\$9,587,731
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Payables:				
Accounts	\$2,576	\$172,209	\$0	\$174,785
Intergovernmental	197,808	0	13,488	211,296
Salaries and Employee Benefits	620,707	0	34,880	655,587
Interfund	0	0	107,194	107,194
Matured Interest	0	0	1,225	1,225
Deferred Revenue	1,696,819	158,571	6,329	1,861,719
Total Liabilities	2,517,910	330,780	163,116	3,011,806
<u>Fund Balances:</u>				
Reserved for:				
Encumbrances	101,849	266,696	3,948	372,493
Property Taxes	331,535	28,781	0	360,316
Textbook and Instructional Materials	164,708	0	0	164,708
Bus Purchase Allowance	694	0	0	694
Budget Stabilization	19,052	0	0	19,052
Unreserved, designated for:				
Budget Stabilization	83,786	0	0	83,786
Unreserved, reported in:				
General	4,694,434	0	0	4,694,434
Special Revenue	0	0	2,360	2,360
Capital Projects	0	878,081	1	878,082
Total Fund Balances	5,396,058	1,173,558	6,309	6,575,925
Total Liabilities and Fund Balances	\$7,913,968	\$1,504,338	\$169,425	\$9,587,731

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net asset of Governmental Activities
June 30, 2010

Total Governmental Fund Balances \$6,575,925

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

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds 4,059,886

Some of the School District's revenues will be collected after fiscal
year-end, but are not available soon enough to pay for the current
period's expenditures and therefore are deferred in the funds 224,832

Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds. (1,809,145)

Net Assets of Governmental Activities \$9,051,498

See accompanying notes to the basic financial statements

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

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$2,153,703	\$206,348	\$0	\$2,360,051
Intergovernmental	3,704,443	50,183	815,246	4,569,872
Charges for Services	0	0	87,629	87,629
Tuition and Fees	409,585	0	0	409,585
Interest	0	53,090	56	53,146
Income Tax	891,126	0	0	891,126
Gifts and Donations	0	0	23,373	23,373
Extracurricular Activities	0	0	123,393	123,393
Miscellaneous	5,304	0	2,368	7,672
Total Revenues	7,164,161	309,621	1,052,065	8,525,847
Expenditures:				
Current:				
Instruction:				
Regular	3,294,274	179,739	100,149	3,574,162
Special	433,281	32,112	535,957	1,001,350
Vocational	216,603	0	0	216,603
Student Intervention Services	19,583	0	0	19,583
Support Services:				
Pupils	364,423	8,847	362	373,632
Instructional Staff	281,887	0	19,210	301,097
Board of Education	31,500	14,515	0	46,015
Administration	607,402	193	3,434	611,029
Fiscal	269,406	22,067	0	291,473
Operation and Maintenance of Plant	540,781	0	0	540,781
Pupil Transportation	492,364	498,763	77,466	1,068,593
Central	15,275	485,760	14,212	515,247
Operation of Non-Instructional Services	0	21,816	210,735	232,551
Extracurricular Activities	204,082	0	120,343	324,425
Capital Outlay	3,000	0	0	3,000
Debt Service:				
Principal Retirement	61,567	31,908	0	93,475
Interest and Fiscal Charges	4,553	21,523	0	26,076
Total Expenditures	6,839,981	1,317,243	1,081,868	9,239,092
Excess of Revenues Over (Under) Expenditures	324,180	(1,007,622)	(29,803)	(713,245)
Other Financing Sources:				
Proceeds from Issuance of Bonds	138,600	918,000	0	1,056,600
Total Other Financing Sources	138,600	918,000	0	1,056,600
Net Change in Fund Balances	462,780	(89,622)	(29,803)	343,355
Fund Balances - beginning	4,933,278	1,263,180	36,112	6,232,570
Fund Balances - ending	<u>\$5,396,058</u>	<u>\$1,173,558</u>	<u>\$6,309</u>	<u>\$6,575,925</u>

See accompanying notes to the basic financial statements

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

Net Change in Governmental Fund Balances	\$343,355
 <i>Amounts reported in governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	950,878
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	5,476
Repayment of long-term obligations is reported as an expenditure in governmental funds, the repayment reduces long-term liabilities in the statement of net assets. In the current year, this amount is:	93,475
Issuance of bonds are reported as other financing sources in the governmental funds, however, the bonds payable are reported as a component of long-term liabilities on the statement of net assets.	(1,056,600)
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures/revenues in governmental funds.	<u>37,134</u>
Change in net assets of governmental activities	<u><u>\$373,718</u></u>

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$2,102,505	\$2,046,722	\$2,046,722	\$0
Intergovernmental	3,670,570	3,704,444	3,704,444	0
Tuition and Fees	405,840	409,585	409,585	0
Income Tax	842,494	880,919	880,919	0
Miscellaneous	5,253	5,303	5,303	0
Total Revenues	7,026,662	7,046,973	7,046,973	0
Expenditures:				
Current:				
Instruction:				
Regular	3,480,981	3,331,458	3,255,111	76,347
Special	758,960	529,661	506,660	23,001
Vocational	230,738	229,568	212,298	17,270
Other	16,796	20,212	19,583	629
Support Services:				
Pupils	398,836	392,780	375,676	17,104
Instructional Staff	318,668	294,139	274,300	19,839
Board of Education	22,778	29,777	27,625	2,152
Administration	647,479	642,382	605,462	36,920
Fiscal	332,477	282,406	265,621	16,785
Operation and Maintenance of Plant	594,826	579,822	546,069	33,753
Pupil Transportation	451,413	391,999	345,205	46,794
Central	16,617	15,945	15,275	670
Extracurricular Activities	224,423	228,787	203,017	25,770
Capital Outlay	3,250	3,071	3,000	71
Debt Service:				
Principal Retirement	50,000	50,983	41,121	9,862
Total Expenditures	7,548,242	7,022,990	6,696,023	326,967
Excess (Deficiency) of Revenues Over (Under) Expenditures	(521,580)	23,983	350,950	326,967
Other Financing Sources (Uses):				
Refund of Prior Year Receipts	(40,000)	0	0	0
Advances In	0	68,681	68,681	0
Advances Out	(82,400)	(120,000)	(107,194)	12,806
Transfers In	57,680	0	0	0
Total Other Financing Sources (Uses)	(64,720)	(51,319)	(38,513)	12,806
Net Change in Fund Balance	(586,300)	(27,336)	312,437	339,773
Fund Balances at Beginning of Year	4,872,707	4,872,707	4,872,707	0
Prior Year Encumbrances Appropriated	8,822	8,822	8,822	0
Fund Balance at End of Year	\$4,295,229	\$4,854,193	\$5,193,966	\$339,773

See accompanying notes to the basic financial statements

**Southeastern Local School District
Clark County, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2010**

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$18,805</u>
Total Assets	<u><u>18,805</u></u>
<u>Liabilities</u>	
Accounts Payable	601
Undistributed Monies	5,546
Due to Students	<u>12,658</u>
Total Liabilities	<u><u>\$18,805</u></u>

See accompanying notes to the basic financial statements

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

Note 1 - Description of the School District and Reporting Entity

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

Reporting Entity:

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

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

The School District participates in four jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Notes 17 and 18 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

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

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

Note 2 - Summary of Significant Accounting Policies

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

A. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District employs the use of two categories of funds: governmental and fiduciary.

Governmental Funds

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

The School District reports the following major governmental funds:

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

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

Fiduciary Fund

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

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

Budgetary Process

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

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Estimated Resources By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board of Education.

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

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

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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

During fiscal year 2010, the School District did not have any investments.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the permanent improvement capital projects fund during fiscal year 2010 includes \$53,090 assigned from other funds, with other non-major governmental funds reporting \$56.

Interfund Assets/Liabilities

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

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside for budget stabilization and the purchase of textbooks and other instructional materials. See Note 20 for additional information regarding set-asides.

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation

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

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Compensated Absences

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

Interfund Activity

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

Exchange/Non-Exchange Transactions

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

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

Deferred Revenues

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance Reserves and Designation

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. The School District also designates a portion of fund balance to indicate tentative plans for future financial resource uses that reflect managerial plans or intent. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, textbooks and instructional materials, bus purchase allowance and budget stabilization. A fund designation has been established for budget stabilization for amounts in excess of the statutory required amounts.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

Estimates

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

Net Assets

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds”. The details of this (\$1,809,145) difference are as follows:

Capital Lease Payable	(\$ 65,308)
Compensated Absences	(394,662)
Energy Conservation Notes Payable	(333,696)
Bonds Payable	<u>(1,015,479)</u>
Net Adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u><u>(\$1,809,145)</u></u>

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund”. The details of \$4,059,886 difference are as follows:

Capital Assets	\$ 10,168,698
Accumulated Depreciation	<u>(6,108,812)</u>
Net Adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u><u>\$ 4,059,886</u></u>

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

An element of that reconciliation states that “Repayment of long-term obligations is reported as an expenditure in governmental funds, the repayment reduces long-term liabilities in the statement of net assets.” The details of this \$93,475 are as follows:

Principal Reduction on Lease Obligation	\$ 20,446
Principal Reduction on the Energy Conservation Obligation Notes	31,908
Principal Reduction on the Bonds Payable	<u>41,121</u>
Net Adjustment – current financial resources focus to reduce <i>fund balance – total government funds</i> to arrive at <i>net assets – governmental activities</i>	<u><u>\$ 93,475</u></u>

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Another element of that reconciliation states that “capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.” The details of this \$950,878 are as follows:

Current Capital Additions	\$1,236,642
Depreciation Expense	<u>(285,764)</u>
Net Adjustment – capital assets to increase <i>fund balance</i> – <i>total governmental</i> to arrive at <i>net assets – governmental activities</i>	<u><u>\$ 950,878</u></u>

Note 3 - Accountability

At June 30, 2010 the School District reported a deficit fund balance of \$134,824 in the food service non-major governmental fund. This deficit resulted from the accrual of various liabilities. The general fund provides operating transfers to cover deficit balances; however, this is done when cash is required, not when accruals occur. The deficit is a result of lunch prices not covering operational costs. The School District will continue to monitor this deficit and raise lunch prices or make transfers from the general fund to alleviate this deficit, if necessary.

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Issuance of debt (capital leases) is recognized as an other financing source (budget basis) as opposed to an increase of a liability (GAAP basis).

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

Note 4 - Budgetary Basis of Accounting (Continued)

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

GAAP Net Change	\$ 462,780
Revenue Accruals	(117,188)
Expenditures Accruals	249,915
Debt Issuance	(138,600)
Advances	(38,513)
Encumbrances	<u>(105,957)</u>
Budgetary Net Changes	<u>\$ 312,437</u>

Note 5 - Deposits and Investments

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and

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

Note 5 - Deposits and Investments (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

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

At fiscal year-end, the carrying value of the School District's cash deposits was \$6,928,544 and the bank balance was \$6,966,822. \$5,250,000 of the School District's deposits was insured by federal depository insurance. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$1,716,822 of the School District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

Note 6 - Property Taxes

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

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

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

Note 6 - Property Taxes (continued)

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

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

The School District receives property taxes from Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount 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 deferred revenue.

The amount available as an advance at June 30, 2010, was \$331,535 in the general fund and \$28,781 in the permanent improvement capital projects fund.

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

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$87,059,050	95.37%	\$87,234,150	94.97%
Public Utility	4,086,100	4.48%	4,545,720	4.95%
Tangible Personal Property	144,370	0.16%	72,810	0.08%
Total Assessed Value	<u>\$91,289,520</u>	<u>100.00%</u>	<u>\$91,852,680</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.86		\$41.83	

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

Note 7 - Income Tax

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue earned during fiscal year 2010 was \$891,126.

Note 8 - Receivables

Receivables at June 30, 2010, consisted of property taxes, income tax, accounts (rent and tuition), intergovernmental grants and interfund. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Non-Major Funds:	
Title I	13,215
IDEA VI-B	12,821
Totals	\$26,036

Note 9 – Capital Assets

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

	Balance 7/1/2009	Increases	Decreases	Balance 6/30/2010
Governmental Activities:				
<i>Capital Assets, not depreciated</i>				
Land	\$ 11,000	\$ -	\$ -	\$ 11,000
Construction in Progress	-	151,951	-	151,951
Subtotal	11,000	151,951	-	162,951
<i>Capital Assets, being depreciated</i>				
Land Improvements	1,007,670	-	-	1,007,670
Buildings and Improvements	6,286,346	831,437	-	7,117,783
Furniture and Equipment	860,673	36,988	-	897,661
Vehicles	766,367	216,266	-	982,633
Total at Historical Cost	8,932,056	1,236,642	-	10,168,698
Less: Accumulated Depreciation	(5,823,048)	(285,764)	-	(6,108,812)
Long-Term Obligations	\$ 3,109,008	\$ 950,878	\$ -	\$ 4,059,886

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

Note 9 – Capital Assets (continued)

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

Instruction:	
Regular	\$ 167,534
Special	27,460
Vocational	2,307
Support Services:	
Pupil	3,449
Instructional Staff	1,156
Administration	4,958
Fiscal	911
Operation and Maintenance of Plant	15,854
Pupil Transportation	52,649
Non-Instructional Services	1,266
Extracurricular	<u>8,220</u>
Total Depreciation Expense	<u>\$ 285,764</u>

Note 10 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2010, the School District contracted with Arthur J. Gallagher & Co. for property and fleet, general liability, crime, and inland marine insurance.

Insurance coverage provided is as follows:

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

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

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

Note 10 - Risk Management (continued)

Workers' Compensation

For fiscal year 2010, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control and actuarial services to the GRP.

Note 11 - Defined Benefit Pension Plans

School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$136,369, \$ 93,784 and \$102,397 respectively; 51% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

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

Note 11 - Defined Benefit Pension Plans (continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008, were \$434,594, \$421,616 and \$425,679 respectively; 83% has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2010, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining members of the board have elected SERS.

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

Note 12 - Post-employment Benefits

School Employees Retirement System

The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

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

The District's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$21,037, \$63,148 and \$53,328, respectively; 51 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was .76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009 and 2008 were \$9,035, \$7,738 and \$4,974, respectively; 51 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

State Teachers Retirement System

The District contributes to the cost-sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

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

Note 12 - Post-employment Benefits (Continued)

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 2010, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The Districts contributions for Health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$33,430, \$32,432 and \$32,745, respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 13 - Other Employee Benefits

Compensated Absences

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

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

Health Care Benefits

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

Life Insurance

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

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

Note 14 - Capitalized Leases - Lessee Disclosure

In prior years, the School District entered into a capital lease for copiers. This lease met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. At June 30, 2010 \$100,675 of equipment has been capitalized in the statement of net assets for governmental activities, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was split between long-term liabilities due within a year and long-term liabilities due within more than one year on the statement of net assets for governmental activities. Principal payments made on lease obligations during the year totaled \$20,446.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2010.

Fiscal Year Ending June 30,	Governmental Activities
2011	\$ 21,153
2012	23,076
2013	23,076
2014	3,845
Total minimum lease payments	71,150
Less: amount representing interest	(5,842)
Present value of minimum lease payments	\$ 65,308

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 18,276	\$ 2,877	\$ 21,153
2012	21,014	2,062	23,076
2013	22,199	877	23,076
2014	3,819	26	3,845
Total	\$ 65,308	\$ 5,842	\$ 71,150

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

Note 15 – Changes in Long-Term Liabilities

Changes in long-term obligations of the School District during fiscal year 2010 were as follows:

	Amount Outstanding <u>6/30/2009</u>	Additions	Reductions	Amount Outstanding <u>6/30/2010</u>	Due within one year
Notes Payable:					
HB 264	\$ 365,604	\$ -	\$ 31,908	\$ 333,696	\$ 33,624
Bonds Payable:					
School Bus	-	138,600	41,121	97,479	46,083
School Construction	-	918,000	-	918,000	58,000
Capital Lease	85,754	-	20,446	65,308	18,276
Compensated Absences	<u>431,796</u>	<u>27,635</u>	<u>64,769</u>	<u>394,662</u>	<u>59,200</u>
Long-Term Obligations	<u>\$ 883,154</u>	<u>\$ 1,084,235</u>	<u>\$ 158,244</u>	<u>\$ 1,809,145</u>	<u>\$ 215,183</u>

Energy Conservation Loans -In 2004, the School District issued \$524,197 in unvoted general obligation loans for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The loans were issued for a fifteen year period with final maturity at August 18, 2018. The loan will be retired from the permanent improvement fund.

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

Qualified School Construction Bonds Payable – On May 28, 2010, the School District issued \$918,000 in Qualified School Construction Bonds for the purpose of financing construction of school facilities. The bonds were issued for a sixteen year period with final maturity occurring on December 1, 2025. These bonds will be retired from the permanent improvement fund. With the approval of the Ohio School Facilities Commission, the School District is participating in the 2009 Qualified School Construction Bond Program. Through this Program, the School District issues taxable bonds at a higher rate than non-taxable bonds could have been issued it. The School District then receives a reimbursement through the program to offset the interest rate difference. The School District makes debt service payments at a rate of 7.0 percent on the bonds and receives subsequent interest subsidy payments through the Program which results in an effective interest rate of 1.59 percent on the qualifying bonds for the School District. During fiscal year 2010 the School District did not make any interest rate payments nor did it receive any subsidy through the Program.

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

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

Note 15 – Changes in Long-Term Liabilities (Continued)

Principal and interest requirements to retire the School District’s outstanding long-term debt obligations at June 30, 2010, were:

Year	Bonds Payable		Long-Term Notes		Total
	Principal	Interest	Principal	Interest	
2011	\$ 104,083	\$ 64,907	\$ 33,624	\$ 16,723	\$ 219,337
2012	98,387	59,251	35,432	14,914	207,984
2013	56,009	54,819	37,338	13,009	161,175
2014	53,000	51,135	39,346	11,001	154,482
2015	54,000	47,390	41,462	8,884	151,736
2016-2020	281,000	178,885	146,494	12,842	619,221
2021-2025	305,000	76,475	-	-	381,475
2026	64,000	2,240	-	-	66,240
Total	<u>\$ 1,015,479</u>	<u>\$ 535,102</u>	<u>\$ 333,696</u>	<u>\$ 77,373</u>	<u>\$ 1,961,650</u>

The School District's overall legal debt margin was \$7,251,262, the unvoted debt margin was \$91,853 and energy conservation debt margin of \$492,978 at June 30, 2010.

Note 16 – Interfund Transactions

Interfund balances at June 30, 2010, consist of the following individual receivables as reported in the governmental fund balance sheet, such amounts are removed from the statement of net assets:

	Interfund	
	Receivable	Payable
General Fund	\$ 107,194	\$ 0
Non-major Funds		
Special Revenue	0	107,194
Total All Funds	<u>\$ 107,194</u>	<u>\$ 107,194</u>

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

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

Note 17 - Jointly Governed Organizations

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

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

The Southeastern Local School District does not pay any dues since the Clark County Educational Service Center represents the School District. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. The School District made no financial contributions to the Council during fiscal year 2010. To obtain financial information, write to the Clark County Family and Children First Council, Marilyn Demma, who serves as Treasurer, at 6 West High Street, Suite 500, Springfield, Ohio 45502.

Springfield-Clark County Career Technology Center - The Springfield-Clark County Career Technology Center (CTC) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one or two representatives from each of the eight participating school districts' and educational service center's elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District. The School District made no financial contributions to the JVS during fiscal year 2009. To obtain financial information, write to the CTC, Pamela Mustovich, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

Miami Valley Educational Computer Association - The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark and Greene Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of one representative from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid MVECA \$28,024 for services provided during the year. Financial information can be obtained from Gary Bosserman, Director of MVECA at 330 Enon Road, Yellow Springs, Ohio 45387.

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

Note 17 - Jointly Governed Organizations (continued)

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. During fiscal year 2010, the School District made no payments to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Dr., Suite 208, Vandalia, OH 45377.

Note 18 - Insurance Purchasing Pool

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

Note 19 - Contingencies

Grants

The School District received financial assistance from federal and state 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

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

Note 20 - Set-Aside Calculations and Fund Reserves

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based upon legislative changes, this is the only money still required to be set-aside for this purpose. The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Total</u>
Set-aside Reserve Balance as of June 30, 2009	\$123,971	(\$464,461)	\$19,052	(\$321,438)
Current Year Set-aside Requirement	136,854	136,854	0	273,708
Current Year Offsets	0	(195,091)	0	(195,091)
Qualifying Disbursements	(96,117)	0	0	(96,117)
Totals	<u>164,708</u>	<u>(522,698)</u>	<u>19,052</u>	<u>(338,938)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>164,708</u>	<u>(522,698)</u>	<u>19,052</u>	<u>(338,938)</u>
Sub-total Restricted Assets	<u>164,708</u>	<u>\$0</u>	<u>\$19,052</u>	<u>183,760</u>
School Bus Purchase Allowance				694
Total Restricted Assets as of June 30, 2010				<u>\$184,454</u>

The negative amount for capital acquisitions may only be carried forward to the extent of proceeds from a property tax levy.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

The discussion and analysis of Southeastern Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- Assets exceeded liabilities at the close of the most recent fiscal year by \$8.68 million. Of this amount, \$4.55 million is unrestricted for the School District's discretionary use.
- General revenues accounted for \$7.51 million in revenue or 87.72 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$1.05 million or 12.28 percent of total revenues of \$8.57 million.
- The School District had \$7.72 million in expenses related to governmental activities; only \$1.05 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$7.51 million were adequate to provide for these programs.
- Among major funds, the general fund had \$7.54 million in revenues and \$6.82 million in expenditures. The permanent improvement fund had \$0.36 million in revenues and \$0.17 million in expenditures.

Overview of the Financial Statements

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

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

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

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

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

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

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

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

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

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

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

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

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

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting after the fiduciary fund statement of this report.

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net assets for 2008 to 2009.

Table 1
Net Assets

	<u>2008</u>	<u>2009</u>	<u>Change</u>
Assets			
Current Assets	\$ 8,105,822	\$ 8,843,199	\$ 737,377
Capital Assets (Net of Depreciation)	<u>3,262,627</u>	<u>3,109,008</u>	<u>(153,619)</u>
Total Assets	<u>11,368,449</u>	<u>11,952,207</u>	<u>583,758</u>
Liabilities			
Current Liabilities	2,561,379	2,391,273	(170,106)
Long-Term Liabilities	<u>972,369</u>	<u>883,154</u>	<u>(89,215)</u>
Total Liabilities	<u>3,533,748</u>	<u>3,274,427</u>	<u>(259,321)</u>

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Table 1
Net Assets (continued)

	<u>2008</u>	<u>2009</u>	<u>Change</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,707,645	2,657,650	(49,995)
Restricted for:			
Grants	78,008	53,564	(24,444)
State Mandates	104,317	149,644	45,327
Capital Improvements	1,074,652	1,262,615	187,963
Unrestricted	<u>3,870,079</u>	<u>4,554,307</u>	<u>684,228</u>
Total Net Assets	<u>\$ 7,834,701</u>	<u>\$ 8,677,780</u>	<u>\$ 843,079</u>

Table 2 provides a comparison of the revenue for fiscal years 2008 and 2009.

Table 2
Revenues

	<u>2008</u>	<u>2009</u>	<u>Change</u>
Revenues			
<i>Program Revenues</i>			
Charges for Services	\$ 775,413	\$ 630,344	\$ (145,069)
Operating Grants	385,568	414,770	29,202
Capital Grants	3,784	6,621	2,837
<i>General Revenues</i>			
Property Taxes	2,249,900	2,525,015	275,115
Income Taxes	985,274	1,002,137	16,863
Unrestricted Grants	3,735,041	3,842,399	107,358
Investment Earnings	212,202	97,994	(114,208)
Other	<u>17,823</u>	<u>47,171</u>	<u>29,348</u>
Total Revenues	<u>\$ 8,365,005</u>	<u>\$ 8,566,451</u>	<u>\$ 201,446</u>

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Table 3 compares total functional expenses from 2008 to 2009.

Table 3
Functional Expenses

Expenses	<u>2008</u>	<u>2009</u>	<u>Change</u>
Instruction:			
Regular	\$ 3,344,379	\$ 3,437,057	\$ 92,678
Special	891,916	988,472	96,556
Other	228,759	217,072	(11,687)
Support Services:			
Pupils/Staff	679,995	648,039	(31,956)
Administration/Fiscal	908,028	932,912	24,884
Maintenance	551,268	531,245	(20,023)
Transportation	377,491	374,120	(3,371)
Other	56,596	37,974	(18,622)
Food Service/Latchkey	221,843	212,970	(8,873)
Extracurricular Activities	316,941	316,687	(254)
Interest and Fiscal Charges	<u>32,733</u>	<u>26,824</u>	<u>(5,909)</u>
Total Expenses	<u>7,609,949</u>	<u>7,723,372</u>	<u>113,423</u>
Net Change	755,056	843,079	88,023
Beginning Net Assets	<u>7,079,645</u>	<u>7,834,701</u>	<u>755,056</u>
Ending Net Assets	<u>\$ 7,834,701</u>	<u>\$ 8,677,780</u>	<u>\$ 843,079</u>

The Major Funds

The School District's major funds are accounted for using the modified accrual basis of accounting, focusing on the near-term financial resources of the District. The major funds are the general fund and the permanent improvement fund. Both accounted for 92.55% of the \$8.53 million in total revenue and 91.33% of the \$7.66 million in total expenditures. The general fund and permanent improvement fund received a majority of their revenues from local taxes (property and income) and intergovernmental revenues. Revenues exceeded expenditures in the general fund and permanent improvement fund, creating a year end fund balance of \$4.93 million and \$1.26 million, respectively.

The general fund recognized \$0.77 million in current liabilities for fiscal year 2009. Accrued salaries and benefits accounted for 77.56% of those liabilities. Taxes receivable accounted for 96.92% of the \$2.37 million receivables in the general fund. However, a portion of the taxes receivable is offset by deferred revenue because those taxes are not intended to finance the 2009 fiscal year.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

General Fund Budgetary

Table 4 depicts the change from the final budget to the actual revenue for the fiscal year ended June 30, 2009.

Table 4
Original and Final Budget versus Actual General Fund Revenues

	Original Budget	Final Budget	Actual
Revenues			
Property Taxes	\$ 2,096,149	\$ 2,168,847	\$ 2,168,847
Intergovernmental	3,680,406	3,808,673	3,808,673
Tuition and Fees	394,775	408,533	408,533
Income Taxes	872,848	1,071,649	1,071,649
Other	6,482	9,308	9,308
Total Revenues	<u>\$ 7,050,660</u>	<u>\$ 7,467,010</u>	<u>\$ 7,467,010</u>

The original revenue estimates come from the Tax Budget completed in January 2008. The County Auditor completes the tax estimates. The property tax actual amounts are higher than original anticipated due to the receipt of an advance of property taxes the District did not anticipate receiving at the beginning of the year. The District was able to more accurately predict revenue throughout the fiscal year from more consistency in the revenue sources.

Table 5 depicts the change from the original budget to the final general fund expenditures for the fiscal year ended June 30, 2009.

Table 5
Original Budget versus Actual General Fund Expenditures

	Original Budget	Actual
Expenditures		
Instructional	\$ 4,512,111	\$ 4,080,958
Support Services	3,101,436	2,614,945
Other	55,678	56,000
Total Expenditures	<u>\$ 7,669,225</u>	<u>\$ 6,751,903</u>

The original budget comes for the Tax Budget filed in January of 2008. Traditionally the tax budget expenditures include all possible needs for the future year. A line in the budget is included for contingencies in the original budget. Although this money is not spent, it still shows in the original budget. The

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

variance from the original and final budget is created due to the assumption that the Federal and State Grants are not available until monies are received. Southeastern is continually striving to hold expenditures down to ensure that the burden on the tax payers is held to a minimum, thus cutting planned expenditures where acceptable. The District's final expenditures are \$368,493 less than final budgeted amounts due in part to federal grants paying a portion of salaries and benefits, no severances paid out for retirement and not having audit expenses because of bi-annual audits.

Capital Assets

At the end of the year, the School District had \$3,109,008 invested in land, land improvements, buildings and improvements, equipment, and vehicles less accumulated depreciation. Table 6 shows the breakdown of the individual classes for capital assets (see note 9 for more detailed information):

Table 6
Capital Assets

<u>Class</u>	<u>2008</u>	<u>2009</u>	<u>Percentage Change</u>
Land	\$ 11,000	\$ 11,000	0.00%
Land Improvements	1,007,670	1,007,670	0.00%
Buildings and Improvements	6,271,898	6,286,346	0.23%
Furniture and Equipment	901,534	860,673	-4.53%
Vehicles	<u>763,887</u>	<u>766,367</u>	<u>0.32%</u>
Sub-Total	8,955,989	8,932,056	-0.27%
Accumulated Depreciation	<u>(5,693,362)</u>	<u>(5,823,048)</u>	<u>2.28%</u>
Net Capital Assets	<u>\$ 3,262,627</u>	<u>\$ 3,109,008</u>	<u>-4.71%</u>

Debt Administration

A long-term note was issued in September, 2003 for \$524,197 to update mechanical/energy conservation of both buildings. The final principal and interest payment for the HB264 note is August 15, 2018, all payments coming from the debt service fund.

Southeastern Local School District issued bonds in November of 2003 to purchase four new buses for \$248,000 of which the principal will be paid out of the general fund and the interest will be paid out of permanent improvement fund. The final principal and interest payment for the bond was due on January 1, 2009. For further information on the School District's obligations, refer to note 15 of the financial statements.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

During the year, the District entered into a new lease agreement to acquire copier equipment valued at \$100,675 which effectively terminated the prior capital lease the District was a party to. During fiscal year 2009, the District made \$16,667 of total principal payments on both the old capital lease as well as the new capital lease, leaving \$85,754 as the total liability at year end. Refer to note 14 of the financial statements for additional information on capital leases.

For the Future

At this time, the Southeastern Local School District is financially stable. The District is proud of its community support of the public schools. However, as the State budget consistently decreases, the necessity for community support needs to increase.

The District will need to receive additional local monies in some fashion in 2011 or 2012 so that it can stay out of the impending deficit while maintaining our consistently increasing test scores and academic excellence. The District valuation consists mostly of a residential tax base, thus shifting more of the financial responsibility to our taxpayers.

A budget bill from the State of Ohio (HB66) includes the gradual elimination of most personal property taxes. Under current legislation, the school district should receive a slight increase in revenue from the state to nearly equal the loss in the local revenue from the elimination of the personal property taxes. Overall, the state is currently projecting funding decreases for the education budget. With the State facing possible major deficits, there is legislative discussion of either revenue additions and/or expenditure cuts. The School District is currently receiving American Recovery and Reinvestment Act (ARRA) monies from Federal funds which is expected to be eliminated in the next biennium budget. It is extremely possible that there may be some large cuts that will affect the education budget in the future.

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward School Districts with little property tax wealth. The legislators and government officials have rolled out a new "PASS" funding formula for FY10 & FY11. It is still too early to decipher the true effects of this change but will be studied in depth over the next couple years.

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

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Treasurer, Southeastern Local Schools, 195 Jamestown St., South Charleston, OH, 45368. Also see: www.sels.us

Southeastern Local School District
Clark County, Ohio
Statement of Net Assets
June 30, 2009

	Governmental Activities
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$6,097,618
Cash with Fiscal Agents	1,225
Receivables:	
Property and Other Taxes	2,116,617
Income Tax	366,131
Accounts	4,325
Intergovernmental	22,209
Materials and Supplies Inventory	20,091
Prepaid Items	65,339
Restricted Cash and Cash Equivalents	149,644
Nondepreciable Capital Assets	11,000
Depreciable Capital Assets, net	3,098,008
Total Assets	11,952,207
 <u>Liabilities</u>	
Payables:	
Accounts	1,294
Intergovernmental	186,455
Salaries and Employee Benefits	628,735
Matured Interest	1,225
Unearned Revenue	1,573,564
Noncurrent Liabilities:	
Due Within One Year	115,507
Due in More Than One Year	767,647
Total Liabilities	3,274,427
 <u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	2,657,650
Restricted for:	
Grants	53,564
State Mandates	149,644
Capital Improvements	1,262,615
Unrestricted	4,554,307
Total Net Assets	\$8,677,780

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2009

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and</u>	
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Changes in Net Assets</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Governmental</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$3,437,057	\$409,803	\$64,896	\$0	(\$2,962,358)
Special	988,472	0	248,961	0	(739,511)
Vocational	204,670	0	0	0	(204,670)
Student Intervention Services	12,402	0	0	0	(12,402)
Support Services:					
Pupils	363,551	0	0	0	(363,551)
Instructional Staff	284,488	0	575	0	(283,913)
Board of Education	23,154	0	0	0	(23,154)
Administration	611,746	0	0	0	(611,746)
Fiscal	298,012	0	0	0	(298,012)
Operation and Maintenance of Plant	531,245	0	0	0	(531,245)
Pupil Transportation	374,120	0	0	6,621	(367,499)
Central	37,974	9,465	6,717	0	(21,792)
Operation of Non-Instructional Services	212,970	103,513	78,145	0	(31,312)
Extracurricular Activities	316,687	107,563	15,476	0	(193,648)
Interest and Fiscal Charges	26,824	0	0	0	(26,824)
Total Governmental Activities	<u>\$7,723,372</u>	<u>\$630,344</u>	<u>\$414,770</u>	<u>\$6,621</u>	<u>(\$6,671,637)</u>

General Revenues:	
Property Taxes, Levied for General Purposes	2,306,761
Property Taxes, Levied for Capital Outlay	218,254
Income Taxes	1,002,137
Grants and Contributions not Restricted to Specific Programs	3,842,399
Unrestricted Investment Earnings	97,994
Miscellaneous	47,171
Total General Revenues	<u>7,514,716</u>
Changes in Net Assets	843,079
Net Assets-Beginning	<u>7,834,701</u>
Net Assets-Ending	<u>\$8,677,780</u>

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Balance Sheet - Governmental Funds
June 30, 2009

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$4,733,395	\$1,230,856	\$133,367	\$6,097,618
Cash in Segregated Accounts	0	0	1,225	1,225
Receivables:				
Property and Other Taxes	1,933,323	183,294	0	2,116,617
Income Taxes	366,131	0	0	366,131
Accounts	4,325	0	0	4,325
Interfund	68,681	0	0	68,681
Intergovernmental	0	0	22,209	22,209
Prepaid Items	61,333	0	4,006	65,339
Materials and Supplies Inventory	19,211	0	880	20,091
Restricted Assets:				
Cash and Cash Equivalents	149,644	0	0	149,644
Total Assets	\$7,336,043	\$1,414,150	\$161,687	\$8,911,880
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Payables:				
Accounts	\$1,018	\$0	\$276	\$1,294
Intergovernmental	172,059	0	14,396	186,455
Salaries and Employee Benefits	598,189	0	30,546	628,735
Interfund	0	0	68,681	68,681
Matured Interest	0	0	1,225	1,225
Deferred Revenue	1,631,499	150,970	10,451	1,792,920
Total Liabilities	2,402,765	150,970	125,575	2,679,310
<u>Fund Balances:</u>				
Reserved for:				
Encumbrances	5,016	2,487	3,172	10,675
Property Taxes	374,454	32,324	0	406,778
Textbook and Instructional Materials	123,971	0	0	123,971
Bus Purchase Allowance	6,621	0	0	6,621
Budget Stabilization	19,052	0	0	19,052
Unreserved, designated for:				
Budget Stabilization	83,786	0	0	83,786
Unreserved, reported in:				
General	4,320,378	0	0	4,320,378
Special Revenue	0	0	32,939	32,939
Capital Projects	0	1,228,369	1	1,228,370
Total Fund Balances	4,933,278	1,263,180	36,112	6,232,570
Total Liabilities and Fund Balances	\$7,336,043	\$1,414,150	\$161,687	\$8,911,880

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net asset of Governmental Activities
June 30, 2009

Total Governmental Fund Balances \$6,232,570

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

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds 3,109,008

Some of the School District's revenues will be collected after fiscal
year-end, but are not available soon enough to pay for the current
period's expenditures and therefore are deferred in the funds 219,356

Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds. (883,154)

Net Assets of Governmental Activities \$8,677,780

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$2,325,553	\$219,854	\$0	\$2,545,407
Intergovernmental	3,808,673	40,347	391,602	4,240,622
Charges for Services	0	0	103,513	103,513
Tuition and Fees	408,533	0	0	408,533
Interest	0	97,796	198	97,994
Income Tax	991,751	0	0	991,751
Gifts and Donations	0	0	19,702	19,702
Extracurricular Activities	0	0	117,028	117,028
Miscellaneous	6,708	0	3,510	10,218
Total Revenues	7,541,218	357,997	635,553	8,534,768
Expenditures:				
Current:				
Instruction:				
Regular	3,189,479	33,691	71,084	3,294,254
Special	716,146	0	245,696	961,842
Vocational	201,774	0	0	201,774
Student Intervention Services	12,402	0	0	12,402
Support Services:				
Pupils	375,820	0	285	376,105
Instructional Staff	279,810	212	2,735	282,757
Board of Education	23,154	0	0	23,154
Administration	597,359	0	2,456	599,815
Fiscal	293,860	881	122	294,863
Operation and Maintenance of Plant	503,357	2,464	0	505,821
Pupil Transportation	337,853	6,741	309	344,903
Central	16,915	0	21,059	37,974
Operation of Non-Instructional Services	0	0	320,424	320,424
Extracurricular Activities	201,550	0	0	201,550
Capital Outlay	3,000	0	0	3,000
Debt Service:				
Principal Retirement	69,667	100,279	0	169,946
Interest and Fiscal Charges	2,658	24,166	0	26,824
Total Expenditures	6,824,804	168,434	664,170	7,657,408
Excess of Revenues Over (Under) Expenditures	716,414	189,563	(28,617)	877,360
Other Financing Sources:				
Inception of Capital Lease	100,675	0	0	100,675
Proceeds from Sale of Capital Assets	2,600	0	0	2,600
Total Other Financing Sources	103,275	0	0	103,275
Net Change in Fund Balances	819,689	189,563	(28,617)	980,635
Fund Balances - beginning	4,113,589	1,073,617	64,729	5,251,935
Fund Balances - ending	<u>\$4,933,278</u>	<u>\$1,263,180</u>	<u>\$36,112</u>	<u>\$6,232,570</u>

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Fiscal Year Ended June 30, 2009

Net Change in Governmental Fund Balances	\$980,635
 <i>Amounts reported in governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(145,303)
The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets is removed from the capital assets account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the Statement of Activities Carrying Value of Disposed Capital Assets	(8,316)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(5,270)
Repayment of long-term obligations is reported as an expenditure in governmental funds, the repayment reduces long-term liabilities in the statement of net assets. In the current year, this amount is:	169,946
Long-term liabilities are not reported for governmental funds but are reported in the Statement of Net Assets. Therefore, the gain associated with the cancellation of the capital lease is reported in the Statement of but not in the governmental funds.	34,353
Inception of capital lease is reported as an other financing source in the governmental funds, however, the capital lease is reported as a component of long-term liabilities on the statement of net assets.	(100,675)
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures/revenues in governmental funds.	<u>(82,291)</u>
Change in net assets of governmental activities	<u><u>\$843,079</u></u>

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
General Fund
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$2,096,149	\$2,168,847	\$2,168,847	\$0
Intergovernmental	3,680,406	3,808,673	3,808,673	0
Tuition and Fees	394,775	408,533	408,533	0
Income Tax	872,848	1,071,649	1,071,649	0
Miscellaneous	6,482	9,308	9,308	0
Total Revenues	7,050,660	7,467,010	7,467,010	0
Expenditures:				
Current:				
Instruction:				
Regular	3,499,268	3,230,782	3,156,078	74,704
Special	763,221	760,904	708,160	52,744
Vocational	236,279	218,683	204,318	14,365
Other	13,343	15,721	12,402	3,319
Support Services:				
Pupils	403,598	387,435	364,755	22,680
Instructional Staff	309,359	295,483	277,272	18,211
Board of Education	25,268	25,206	23,152	2,054
Administration	720,603	617,981	591,055	26,926
Fiscal	368,108	346,501	295,165	51,336
Operation and Maintenance of Plant	622,490	569,321	505,743	63,578
Pupil Transportation	413,593	362,214	339,379	22,835
Central	15,926	17,028	16,914	114
Extracurricular Activities	222,491	217,137	201,510	15,627
Capital Outlay	2,678	3,000	3,000	0
Debt Service:				
Principal Retirement	53,000	53,000	53,000	0
Total Expenditures	7,669,225	7,120,396	6,751,903	368,493
Excess (Deficiency) of Revenues Over (Under) Expenditures	(618,565)	346,614	715,107	368,493
Other Financing Sources (Uses):				
Refund of Prior Year Receipts	(16,874)	(39,372)	(39,372)	0
Advances In	40,000	43,608	43,608	0
Advances Out	(57,680)	(57,680)	(68,681)	(11,001)
Total Other Financing Sources (Uses)	(34,554)	(53,444)	(64,445)	(11,001)
Net Change in Fund Balance	(653,119)	293,170	650,662	357,492
Fund Balances at Beginning of Year	4,184,322	4,184,322	4,184,322	0
Prior Year Encumbrances Appropriated	37,723	37,723	37,723	0
Fund Balance at End of Year	\$3,568,926	\$4,515,215	\$4,872,707	\$357,492

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2009

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$21,498</u>
Total Assets	<u><u>21,498</u></u>
<u>Liabilities</u>	
Accounts Payable	601
Undistributed Monies	7,791
Due to Students	<u>13,106</u>
Total Liabilities	<u><u>\$21,498</u></u>

See accompanying notes to the basic financial statements

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 1 - Description of the School District and Reporting Entity

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

Reporting Entity:

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

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

The School District participates in four jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Notes 17 and 18 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies

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

A. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District employs the use of two categories of funds: governmental and fiduciary.

Governmental Funds

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

The School District reports the following major governmental funds:

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

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

Fiduciary Fund

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

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

Budgetary Process

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

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Estimated Resources By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board of Education.

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

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

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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

During fiscal year 2009, the School District did not have any investments.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the permanent improvement capital projects fund during fiscal year 2009 includes \$97,796 assigned from other funds, with other non-major governmental funds reporting \$198.

Interfund Assets/Liabilities

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

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside for budget stabilization and the purchase of textbooks and other instructional materials. See Note 19 for additional information regarding set-asides.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation

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

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Compensated Absences

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

Interfund Activity

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

Exchange/Non-Exchange Transactions

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

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

Deferred Revenues

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance Reserves and Designation

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. The School District also designates a portion of fund balance to indicate tentative plans for future financial resource uses that reflect managerial plans or intent. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, textbooks and instructional materials, bus purchase allowance and budget stabilization. A fund designation has been established for budget stabilization for amounts in excess of the statutory required amounts.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

Estimates

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

Net Assets

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 2 – Summary of Significant Accounting Policies (Continued)

Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds”. The details of this (\$883,154) difference are as follows:

Capital Lease Payable	(\$ 85,754)
Compensated Absences	(431,796)
Energy Conservation Notes Payable	(365,604)
Net Adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	(\$883,154)

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund”. The details of \$3,109,008 difference are as follows:

Capital Assets	\$ 8,932,056
Accumulated Depreciation	(5,823,048)
Net Adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$ 3,109,008

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

An element of that reconciliation states that “Repayment of long-term obligations is reported as an expenditure in governmental funds, the repayment reduces long-term liabilities in the statement of net assets.” The details of this \$169,946 are as follows:

Principal Reduction on Lease Obligation	\$ 16,667
Principal Reduction on Long-Term Notes	123,000
Principal Reduction on the Energy Conservation Obligation	30,279
Net Adjustment – current financial resources focus to reduce <i>fund balance – total government funds</i> to arrive at <i>net assets – governmental activities</i>	\$169,946

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 – Summary of Significant Accounting Policies (Continued)

Another element of that reconciliation states that “capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.” The details of this (\$145,303) are as follows:

Current Capital Additions	\$122,984
Depreciation Expense	<u>(268,287)</u>
Net Adjustment – capital assets to increase <i>fund balance</i> – <i>total governmental</i> to arrive at <i>net assets – governmental activities</i>	<u><u>(\$145,303)</u></u>

Note 3 - Accountability

At June 30, 2009 the School District reported deficit fund balances in the following non-major governmental funds: food service fund (\$103,595); EMIS fund (\$133); and Title VI-B grant fund (\$187).

These deficits resulted from the accrual of various liabilities. The general fund provides operating transfers to cover deficit balances; however, this is done when cash is required, not when accruals occur. The deficit in the food service fund is a result of lunch prices not covering operational costs. The School District will continue to monitor this deficit and raise lunch prices or make transfers from the general fund to alleviate this deficit, if necessary.

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 4 - Budgetary Basis of Accounting (Continued)

5. Issuance of debt (capital leases) is recognized as an other financing source (budget basis) as opposed to an increase of a liability (GAAP basis).

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

GAAP Net Change	\$819,689
Revenue Accruals	(74,208)
Expenditure Accruals	42,351
Debt Issuance	(100,675)
Advances	(25,073)
Other	(2,600)
Encumbrances	(8,822)
Budgetary Net Change	<u>\$650,662</u>

Note 5 - Deposits and Investments

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 5 - Deposits and Investments (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

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

At fiscal year-end, the carrying value of the School District's cash deposits was \$6,269,985 and the bank balance was \$6,367,257. \$5,250,000 of the School District's deposits was insured by federal depository insurance. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$1,117,257 of the School District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 6 - Property Taxes (continued)

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

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

The School District receives property taxes from Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009, 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 deferred revenue.

The amount available as an advance at June 30, 2009, was \$374,454 in the general fund and \$32,324 in the permanent improvement capital projects fund.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$85,267,140	89.69%	\$87,059,050	95.37%
Public Utility	4,008,560	4.22	4,086,100	4.48
Tangible Personal Property	5,791,560	6.09	144,370	.16
Total Assessed Value	<u>\$95,067,260</u>	<u>100.00%</u>	<u>\$91,289,520</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.96		\$41.86	

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 7 - Income Tax

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue earned during fiscal year 2009 was \$991,751.

Note 8 - Receivables

Receivables at June 30, 2009, consisted of property taxes, income tax, accounts (rent and tuition), intergovernmental grants and interfund. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Non-Major Funds:	
Title I	14,816
IDEA	7,393
Totals	\$22,209

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance 07/01/08	Increases	Decreases	Balance 06/30/09
Governmental Activities				
<i>Capital Assets, not depreciated</i>				
Land	\$ 11,000	\$ 0	\$ 0	\$ 11,000
<i>Capital Assets, being depreciated</i>				
Land Improvements	1,007,670	0	0	1,007,670
Buildings and Improvements	6,271,898	14,448	0	6,286,346
Furniture and Equipment	901,534	106,056	(146,917)	860,673
Vehicles	763,887	2,480	0	766,367
Total at Historical Cost	8,955,989	122,984	(146,917)	8,932,056
Less Accumulated Depreciation	(5,693,362)	(268,287)	138,601	(5,823,048)
Governmental Activities Capital Assets, Net	\$3,262,627	(\$145,303)	(\$8,316)	\$ 3,109,008

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 9 – Capital Assets (continued)

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

Instruction:	
Regular	\$ 170,964
Special	27,460
Vocational	2,262
Support Services:	
Pupil	4,103
Instructional Staff	1,503
Administration	6,048
Fiscal	1,402
Operation and Maintenance of Plant	12,650
Pupil Transportation	33,505
Central	293
Extracurricular	<u>8,097</u>
Total Depreciation Expense	<u>\$ 268,287</u>

Note 10 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2009, the School District contracted with Arthur J. Gallagher & Co. for property and fleet, general liability, crime, and inland marine insurance.

Insurance coverage provided is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$300,000,000
Boiler and Machinery (\$3,500 deductible)	1,000,000
Automobile Liability (\$0 deductible)	1,000,000
Professional Liability (\$5,000 deductible)	
Single Occurrence	1,000,000
Aggregate	3,000,000
General Liability (no deductible)	
Per occurrence	1,000,000
Total per year (per member)	1,000,000

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 10 - Risk Management (continued)

Workers' Compensation

For fiscal year 2009, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control and actuarial services to the GRP.

Note 11 - Defined Benefit Pension Plans

School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$93,784, \$102,397 and \$97,323 respectively; 45% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 11 - Defined Benefit Pension Plans (continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007, were \$421,616, \$425,679 and \$413,699 respectively; 83% has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2009, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining members of the board have elected SERS.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 12 - Post-employment Benefits

School Employees Retirement System

The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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

The District's contributions for health care for the fiscal years ended June 30, 2009, 2008 and 2007 were \$63,148, \$53,328 and \$50,843, respectively; 45 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was .75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008 and 2007 were \$7,738, \$4,974 and \$4,727, respectively; 45 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

State Teachers Retirement System

The District contributes to the cost-sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 12 - Post-employment Benefits (Continued)

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 2009, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The Districts contributions for Health care for the fiscal years ended June 30, 2009, 2008 and 2007 were \$32,432, \$32,745 and \$31,823, respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Note 13 - Other Employee Benefits

Compensated Absences

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

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

Health Care Benefits

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

Life Insurance

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 14 - Capitalized Leases - Lessee Disclosure

In prior years, the School District entered into a capital lease for copiers. This lease met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

In fiscal year 2009, the School District entered into a new lease agreement for the use of copier equipment. Part of this lease agreement included termination of the prior lease agreement without requiring a buyout payment by the School District. As a result, at June 30, 2009 \$100,675 of equipment has been capitalized in the statement of net assets for governmental activities, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was split between long-term liabilities due within a year and long-term liabilities due within more than one year on the statement of net assets for governmental activities. Principal payments made on lease obligations during the year totaled \$16,667 and amount forgiven on the prior lease was \$34,353 equals the \$51,020 reduction in capital lease obligations for the fiscal year.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2009.

Fiscal Year Ending June 30,	Governmental Activities
2010	23,076
2011	23,076
2012	23,076
2013	23,076
2014	3,845
Total minimum lease payments	96,149
Less: amount representing interest	(10,395)
Present value of minimum lease payments	\$ 85,754

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

Year	Principal	Interest	Total
2010	18,830	4,246	23,076
2011	19,892	3,184	23,076
2012	21,014	2,062	23,076
2013	22,199	877	23,076
2014	3,819	26	3,845
Total	\$ 85,754	\$10,395	\$ 96,149

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 15 – Changes in Long-Term Liabilities

Changes in long-term obligations of the School District during fiscal year 2009 were as follows:

	Amount Outstanding 6/30/08	Additions	Reductions	Amount Outstanding 6/30/09	Due within one year
Notes Payable:					
HB 264	\$395,883	\$0	\$30,279	\$365,604	\$31,908
School Bus Purchases	53,000	0	53,000	0	0
TAN Bleacher Purchase – 4.35%	70,000	0	70,000	0	0
Capital Lease Payable	36,099	100,675	51,020	85,754	18,830
Compensated Absences Payable	417,386	82,294	67,884	431,796	64,769
Total Governmental Activities	\$972,368	\$182,969	\$272,183	\$883,154	\$115,507

Energy Conservation Loans -In 2004, the School District issued \$524,197 in unvoted general obligation loans for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The loans were issued for a fifteen year period with final maturity at August 18, 2018. The loan will be retired from the debt service fund.

School Bus Purchase Notes Payable – In 2004, the School District issued \$248,000 in long term notes for the purpose of acquiring additional buses for the School District. The notes were issued for a five year period with final maturity at January 1, 2009. The bonds were retired from the general fund during the fiscal year.

Tax Anticipation Notes Payable - During fiscal year 2006, the School District financed the Tax Anticipation Note for the improvement of the High School Facilities bleachers in the amount \$210,000. The note is backed by the full faith and credit of the School District, and is payable from the permanent improvement capital projects fund, the fund which received the proceeds. The note carries an interest rate of 4.35 percent and matured on March 1, 2009.

The District has pledged a portion of future property tax revenues to repay \$210,000 in a tax anticipation note issued in March 2006 for the purpose of providing necessary funds for improving, renovating, remodeling, equipping, and furnishing existing buildings and facilities. The note is payable solely from the additional property tax receipts generated by the passing of the permanent improvement levy on May 3, 2005. Total principal and interest was paid off in March 2009. For the current year, principal and interest paid and total Permanent Improvement Fund property tax revenues were \$73,087 and \$210,334, respectively.

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

The School District's overall legal debt margin was \$8,216,057, the unvoted debt margin was \$91,290 and energy conservation debt margin of \$455,906 at June 30, 2009.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 15 – Changes in Long-Term Liabilities (Continued)

Principal and interest requirements to retire the School District’s outstanding long-term notes at June 30, 2009, were:

Year	Principal	Interest	Total
2010	31,908	18,439	50,347
2011	33,624	16,723	50,347
2012	35,432	14,914	50,347
2013	37,338	13,009	50,347
2014	39,346	11,001	50,347
2015-2019	187,956	21,727	209,683
	\$365,604	\$95,813	\$461,417

Note 16 – Interfund Transactions

Interfund balances at June 30, 2009, consist of the following individual receivables as reported in the governmental fund balance sheet, such amounts are removed from the statement of net assets:

	Interfund	
	Receivable	Payable
General Fund	\$ 68,681	\$ 0
Non-major Funds		
Special Revenue	0	68,681
Total All Funds	\$ 68,681	\$ 68,681

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

Note 17 - Jointly Governed Organizations

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

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 17 - Jointly Governed Organizations (continued)

The Southeastern Local School District does not pay any dues since the Clark County Educational Service Center represents the School District. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. The School District made no financial contributions to the Council during fiscal year 2009. To obtain financial information, write to the Clark County Family and Children First Council, Marilyn Demma, who serves as Treasurer, at 6 West High Street, Suite 500, Springfield, Ohio 45502.

Springfield-Clark County Career Technology Center - The Springfield-Clark County Career Technology Center (CTC) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one or two representatives from each of the eight participating school districts' and educational service center's elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District. The School District made no financial contributions to the JVS during fiscal year 2009. To obtain financial information, write to the CTC, Pamela Mustovich, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

Miami Valley Educational Computer Association - The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark and Greene Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of one representative from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid MVECA \$28,212 for services provided during the year. Financial information can be obtained from Gary Bosserman, Director of MVECA at 330 Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

During fiscal year 2009, the School District made no payments to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Dr., Suite 208, Vandalia, OH 45377.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 18 - Insurance Purchasing Pool

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

Note 19 - Set-Aside Calculations and Fund Reserves

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based upon legislative changes, this is the only money still required to be set-aside for this purpose. The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition	Budget Stabilization	Total
Set-aside Reserve Balance as of June 30, 2008	\$81,481	(\$395,657)	\$19,052	(\$295,124)
Current Year Set-aside Requirement	137,318	137,318	0	274,636
Current Year Offsets	0	(206,122)	0	(206,122)
Qualifying Disbursements	(94,828)	0	0	(94,828)
Totals	<u>123,971</u>	<u>(464,461)</u>	<u>19,052</u>	<u>(321,438)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>123,971</u>	<u>(464,461)</u>	<u>19,052</u>	<u>(321,438)</u>
Sub-total Restricted Assets	<u>123,971</u>	<u>\$0</u>	<u>\$19,052</u>	<u>143,023</u>
School Bus Purchase Allowance				6,621
Total Restricted Assets as of June 30, 2009				<u>\$149,644</u>

The negative amount for capital acquisitions may only be carried forward to the extent of proceeds from a property tax levy.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 20 - Contingencies

Grants

The School District received financial assistance from federal and state 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

Note 21 – Subsequent Event

On July 15, 2009 the School District issued a \$138,600 School Bus Bond which carried a 2.76 percent interest rate and matures on July 15, 2012.

In September 2009, the School District was approved for an allocation of \$918,000 in the 2009 Qualified School Construction Bond (QSCB) Program by the Ohio School Facilities Commission. On May 28, 2010 the School District entered into a \$918,000 lease-purchase school improvement financing arrangement with a local financial institution to fulfill its QSCB allocation. As part of this program, the lease-purchase arrangement represents a taxable debt obligation issued at a 7.0 percent interest rate. The School District makes subsequent principal and interest payments according to the debt service schedule and it is then subsequently receives a subsidy payment for the interest payments equal to 77.3 percent of the interest payments made through the QSCB Program. The lease-purchase arrangement matures on December 1, 2025.

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

Federal Agency/ Pass Through Agency/ Program Title	Federal CFDA Number	Receipts	Disbursements
<u>U.S. Department of Agriculture:</u>			
<i>Passed through Ohio Department of Education:</i>			
National School Lunch Program	10.555	\$ 78,185	\$ 78,185
Total US Department of Agriculture		<u>78,185</u>	<u>78,185</u>
<u>U.S. Department of Education:</u>			
<i>Passed through Ohio Department of Education:</i>			
Title I, Part A Cluster:			
Title I Grants to Local Education Agencies	84.010	105,304	104,899
ARRA - Title I Grants to Local Education Agencies	84.389	49,444	49,444
Total Title I, Part A Cluster		<u>154,748</u>	<u>154,343</u>
Special Education Cluster:			
Special Education Grants to States	84.027	142,244	142,049
ARRA - Special Education Grants to States	84.391	169,813	169,813
Total Special Education Cluster		<u>312,057</u>	<u>311,862</u>
Safe and Drug Free Schools and Communities	84.186	2,283	2,283
Education Technology State Grants	84.318	869	869
Improving Teacher Quality State Grants	84.367	29,301	29,301
ARRA - State Fiscal Stabilization	84.394	212,166	212,166
Total U.S. Department of Education		<u>711,424</u>	<u>710,824</u>
Total Federal Assistance		<u>\$ 789,609</u>	<u>\$ 789,009</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Southeastern Local School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

1. Significant Accounting Policies:

The accompanying schedule of expenditures of federal awards is a summary of the federal awards programs of the Southeastern Local School District. This schedule has been prepared on the cash basis of accounting.

2. U.S. Department of Agriculture Programs:

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

3. Matching Requirements:

Certain federal programs require the District to contribute non-federal funds (matching funds) to support the federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditures of non-federal matching funds.

**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**

Board of Education
Southeastern Local School District
195 E. Jamestown Street
South Charleston, Ohio 45368

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern Local School District (the District), as of and for the years ended June 30, 2010 and 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2010-01 that we consider to be a significant deficiency in internal control over financial reporting. 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.

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Compliance and Other Matters

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

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

We noted certain matters that we reported to management of the District, in a separate letter dated December 10, 2010.

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



Springfield, Ohio
December 10, 2010

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

Board of Education
Southeastern Local School District
195 E. Jamestown Street
South Charleston, Ohio 45368

Compliance

We have audited Southeastern Local School District (the District) with the types of compliance requirements described in *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, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District, complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 10, 2010

Southeastern Local School District
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2010

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
 Noncompliance material to financial statements noted?	 None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
 Type of auditors’ report issued on compliance for major programs:	 Unqualified
 Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	 None noted
 Identification of major programs:	
CFDA 84.394 –State Fiscal Stabilization Fund	
<i>Special Education Cluster:</i>	
CFDA 84.027 – Special Education Grants to States	
CFDA 84.391 – ARRA – Special Education Grants to States	
 Dollar threshold to distinguish between Type A and Type B programs:	 \$300,000
 Auditee qualified as low-risk auditee?	 No

Section II – Financial Statement Findings

2010-001: Segregation of Duties

The segregation of financial duties is important to adequately protect the District's assets and ensure accurate financial reporting. Presently there is not an adequate number of personnel available to properly segregate duties to provide reasonable assurance that no one employee would have access to both physical assets and related accounting records, or to all phases of a transaction. Without proper segregation of duties, the risk increases that errors and fraud could occur and not be detected within a timely basis. The District's limited population and resources result in the inability to provide sufficient staffing to fully segregate duties. Efficient segregation of duties in a small environment is often difficult; however, the District's board should be aware of the risk associated with this lack of duty segregation and attempt to exercise as much oversight control in these areas as possible and feasible.

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

Section III – Federal Awards Findings and Questioned Costs

None noted

Southeastern Local School District
Schedule of Prior Audit Findings
Fiscal Years Ended June 30, 2010 and 2009

2008-1 – *Statement of Condition:* The Athletic Department gate receipts/presale pay-in reports for athletic were not completed in a manner in which the total number of sequential tickets could be accounted for properly.

Status: Corrected.

2008-2 – *Statement of Condition:* There is not an adequate number of personnel available to properly segregate duties to provide reasonable assurance that no one employee would have access to both physical assets and related accounting records, or to all phases of a transaction.

Status: Not Corrected.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Education
Southeastern Local School District
195 E. Jamestown Street
South Charleston, Ohio 45368

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

1. We noted the Board adopted an anti-harassment policy at its meeting on January 31, 2006, which was revised on January 8, 2008, which is supplemented by the School District’s Administrative Guidelines Section 5517.01.

2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):

- (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
- (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
- (3) A procedure for reporting prohibited incidents;
- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” Stat. 571, 20 O.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident.

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- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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 of Education, and the Auditor of State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 10, 2010



At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success



Dave Yost • Auditor of State

SOUTHEASTERN LOCAL SCHOOL DISTRICT

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 25, 2011**